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Generic Strategies Adopted Towards Creation Of Competitive Advantage Among Supermarkets In Kenya. A Case Study of Tier 1 Supermarkets in Kenya.

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Abstract: *This study sought to establish the generic strategies and their relationship towards competitive advantage among Tier one supermarkets in Kenya based on Neven and Reardon, 2004 in Kenya namely Nakumatt, Tuskys and Uchumi. An organization can achieve competitive advantagerelative to its rivals through lower cost, best cost, broad differentiation, focused differentiation and focused low cost allowing an organization to outperform its competition by securing a superior market position, paramount skills, quality and adequate resources. There was a great knowledge gap, especially owing to the fact that a big supermarket chain like Uchumi had experienced management shakeup, declared losses, closed stores and lost huge market share unlike competitors Nakumatt and Tuskys continued to expansion footprint in and beyond Kenya as well as other international giants entry to Kenyan retail market. The objective was to establish the relationship between generic strategies adopted and the performance of Supermarkets in Kenya. The respondents came from the three tier one supermarkets. A descriptive design and a historical research design were used in the implementation of the research and analysis of the acquired data. The data was collected using questionnaires. Upon completion of data collection, the questionnaires were scored and data edited, coded and entered into the computer for analysis. The data was then analyzed using IBM-SPSS and interpreted using both descriptive and inferential statistics such as mode to ascertain patterns that emerged from the data. Inferential statistics techniques such as frequency distribution and percentages that were established from the responses of the sample allowed the researcher to make clear inference on the trends and occurrences on strategies used by supermarkets in Kenya. The results were presented using self-explanatory tables. From the research, differentiation was ranked as a major generic strategy influencing competitive advantage; high level differentiation on brand, operations, packaging, advertisement, security systems, supply and out bound logistics. It was also found out that Broad Differentiation and Focused Differentiation especially along Niche markets were Nakumatt's and Tusky's favorable generic strategies whereas maintaining Low level of differentiation was practiced at Uchumi's which gave key interest in lowering cost amid business crisis. The findings of this study cannot be used to generalize the practice in the entire retail industry though it will help to develop concepts and theories that will help the management of the retail stores, students and researchers to understand the social and business world aiding to organizational strategic analysis and planning. Outsourcing technological aspects is a practice recommendable to supermarkets since it significantly improves organization performance. The results also showed that 42.3% of the variations in competitive advantage are explained by the variables in the model (generic strategies). The rest 57.7% of the variations in competitive advantage are explained by other factors not in this model hence a further research can be conducted to uncover these strategies.*

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I. Introduction

1.1 Background of the Study

The current business market is coupled with rapidly changing Consumer tastes and preferences, Consumer buying habits, Market size and growth potential, Distribution channels, Driving forces and Competitive pressures and the necessity to work towards creation of a competitive advantage, the goal to meet a sound financial performance and satisfy the shareholders interest remains constant.

The main approach through which a firm can strive to attain that as well consistently outperform their industry rivals is through adapting sound generic strategies through strategic positioning. The global market has become a global village; so dynamic, with new products and new competitors mushrooming overnight, that seem to bring about low financial performance and deem the long term goal of a sustainable advantage as impossible. The supermarket chain industry is no exemption. The study aims at looking what is the secret behind a successful company. Studies have been done from all over the world with the objective of trying to find out why some companies are successful on a market and why others fail. A firm must come up with formidable strategies that are actions that managers take to attain one or more of the organization's goals. It may be a general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process. A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers. Effectively matching a company's generic strategies to the particular competitive pressures and competitive conditions that exist has two aspects: that of pursuing avenues that shield the firm from as many of the prevailing competitive pressures as possible and Initiating actions calculated to produce the desired performance, thereby shifting competition in the company's favour, putting added competitive pressure on rivals, and perhaps even defining the business model for the industry.

Increasing demand for high-value food products in developing countries is creating incentives for expansion of supermarkets (Neven., 2006). And in order to meet arising consumer concerns, emerging supermarkets increasingly adopt tighter vertical coordination involving direct procurement from farmers. These changes have crucial implications for farm households. While there is potential for exclusion of some farmers due to stringent requirements imposed by supermarkets, there are also potential welfare gains for farmers who have access to these channels. Stable prices and contractual arrangements offered by supermarkets for instance, improve income flows for farmers in supermarket channels. Expansion of supermarkets in developing countries can therefore have substantial effects on farm household income and on rural poverty in general. The study analyzed what makes each chain a going concern and successful over the other, in terms of applying generic strategies to achieve competitive advantagein the Supermarket Chain Industry in Kenya

1.1.1 Principles underlying Generic Strategies and competitive advantage

The importance of competitive advantage and distinctive competencies as determinants of a firm's success has increased tremendously in the recent past based on the belief that fundamental basis of above average performance in the long term is sustainable competitive advantage. Superior value (what buyers are willing to pay) stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset the higher price (Porter, 1985). Competitive Advantage was be measured within the following statistics; lower cost, Differentiation, Superior market position and Financial Profitability. The very existence of competitive advantage sets in motion creative innovations that cause advantages to dissipate as competitors strive to level the playing field (Christiansen, 2001). It is therefore no guarantee that today's competitive advantage will suffice in the future. Porter (1980; 1985) identified three generic strategies of cost leadership, differentiation and focus.

1.1.2 Strategic Positioning

A critical step in defining the strategy of a business is to determine its strategic positioning which is the essence of how it competes and serves customers in its markets with the core aim of customer bonding, attraction, satisfaction and retention. Formerly strategic positioning was a marketing term that described how companies put together the four Ps (strategies) of marketing i.e. product features, price, place, and promotion, so that they appeal to a specific market segment. Currently three Ps have been added to the aforementioned four; which include physical evidence, people and processes. For example, Proctor and Gamble is famous for producing much different soap configured to what their analysis said were definable and unique market segments. Primarily, strategic positioning is a differentiation tactic by customer segment, with a goal to dominate one market segment as much as possible, thus matching production costs, market place price and product to maximize the Return On Investment (ROI) on that combination. The primary benefits were to gain market share dominance, and keep margins as high as possible to maximize profits (Bech-Larsen, 2007). Fundamentally, the strategy acknowledges that for most firms 'one size does not fit all'. By matching the combination of the seven factors to market segments, a firm can optimize its market penetration and its operations to serve those market segments.

According to Barney (1995), strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, strategic tools and information. If not done properly, one product configuration can hit negatively on another in the marketplace, and launching a new product may actually not marginally improve the business ROI because it just draws off customers from other products by the same company.

Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently. The best case is when a company produces a unique product or service that is of universal desire by all market segments without regard to price or location, so the company doesn't have to worry as much about strategic positioning (Peteraf, 1993).

Some firms can overdo this segmentation strategy and end up sub-merging their financial results by having too many offerings in the market. There is also an organizational risk when operational silos form within the company that directly competes with each other. Over the past couple of decades, the term 'strategic positioning' has gained a much broader definition that includes other customer wants, needs and desires (Hill, 1988). People will sometimes buy from companies that are perceived to be more technologically advanced, or more environmentally friendly, or more socially responsible, so that strategically positioning a company in the market has become more complex than just thinking of the seven Ps and how they match to market segments.

Customer service has transformed to customer experience in particular has become a very important consideration, since customers have more choice now because of the internet, and have switched to other suppliers just because of poor service. Boyd (1998) while giving an example of Dell Computers argued that Dell Computers became the largest personal computer vendor in 25 years by focusing on providing a customer-chosen configuration combined with excellent after-sales service that resulted in a top class customer experience. Then Dell lost sight of its customer-centric strategy, and dropped back to second place, while at the same time HP improved the customer experience it provided, to re-take the top spot.

1.1.3 Overview of Supermarkets in Kenya

Whole sale and retail trade contributed about 8.1 per cent to the country's total GDP last year, according to the latest National Economic Survey report produced by the Kenya National Bureau of Statistics. Supermarkets offer a more conducive environment for shopping, compared to roadside sellers.

The retail sector in Kenya is dominated by a few large supermarkets and many small scale retailers. Traditionally, supermarkets were viewed as of developed world and middle income countries. However, urbanization and increasing incomes in the developing world, including Sub-saharan Africa have inevitably invited supermarkets into the regions. Supermarkets have been spreading rapidly in the East and Southern African region since the early 1990s (Munyoki, 1997). Supermarkets are referred to as small and medium enterprises (SMEs) and there is need to have strategies to run them. Nakumatt, Uchumi, Ukwala, Naivas and Tuskys are amongst the country's biggest supermarkets in terms of branch network and shopping traffic. They have in the past few years expanded generously in a tight race for shoppers that have wound up in areas initially dominated by traditional channel-like shops and smalls supermarkets in small towns. In Nairobi the war for market share has taken mainstream supermarkets from the usual commercial areas to residential places, where they are squaring off with newer and smaller entrants like Chandarana, East Matt, Stage Matt. With Kenya being the more affluent market in East Africa, its retail sector is more developed, but nearby hitting the slow lane, and the big players are looking beyond borders exporting their wars to the neighbouring countries.

By end of last year, the list of supermarkets in Kenya included three foreign-based supermarket chains: Carrefour, Choppies Enterprises and Game Stores and at least 18 local ones with a branch network that covers almost every urban street. They include locally based supermarket chains as show in the table below.

Middle class estates have been a fertile ground for the retail stores (Dominic Omondi, 2015). The Kenyan supermarket sector is composed of four main domestic retail chains: Uchumi, Nakumatt, Tusker Mattresses, and the Ukwala Group. The market concentration has kept on increasing and several independents supermarkets have also come up. Nairobi, with a population of 2.5 million has many supermarket chains due the growing trend of self service and because of the touch and feels nature of Kenyan customers (Kenyaweb 2002). Urban centres opportunities have also driven investment to spread over into other major cities and towns such as Mombasa, Nakuru, Eldoret, Kisumu, Kakamega and Meru. The high growth of this single stop shopping has placed Kenya as a supermarket hub in comparison to the rest of Eastern Africa in supermarkets presence. Kenya has approximately 206 supermarkets beside the existing hypermarkets. Uganda has one supermarket and Tanzania has four (Business Report 2000).

The McKinsey Global Institute (MGI 2010) projects that the number of African households with discretionary income over $5,000 will raise from 85 million to 128 million by 2020.The increase in income will further increase the retail branches, till rate and rise in competition. While most retail outlets tend to cherish competition and encourage growth, it is surprising that two third of these firms drop out of the growth curve of the product lifecycle. A significant fraction of these progress to maturity and stagnate shortly before crashing down. Most of these firms face this trend because retail business is volatile and there is also increasing competition in major markets due to inadequate contingency planning and incompatible growth retail models (Agarwal, andAudretsch, 2001).Moreover frequent changes in consumer trends and short business cycles are also some of the challenges in the retail supply chain requiring agile models. Global research by Siggelkow (2001) shows that most business that have employed agility in their operations, have succeeded. However for this to happen, each industry needs to formulate its own model depending on its operation environment.

The increase in the number of retail stores across the country, including foreign ones such as South-Africa's, Game, and French's Carrefour, is a response to this heightened consumerism. To squeeze the last penny from

the pocket linings of these price-insensitive consumers, leading supermarkets have diversified into every conceivable good and service-from selling packed chapati and ugali to serving hot pastries and coffee.
The rise of supermarkets in developing countries has received considerable attention in the development economies Literature over the past few years (Reardon , 2003). That literature shows that supermarkets are spreading quickly in urban areas and are modernizing their product procurement systems differentiating them from those used by traditional retailers and wholesalers. According to Nevenand Reardon (2004) supermarkets in Kenya are giving an annual rate of 18% and have a 20% share of the urban food market overall.

1.2 Statement of the Problem

When a firm experiences decline that may lead to a collapse in its trade, the viability of such a firm for future prospects becomes the greatest concern for the top executive officers. A choice has to be made among various strategy options. Strategy options must be chosen that will enhance the organization‘s competitive position. Therefore suitable generic strategies that can help the business to develop a solid and repetitive desired performance are hereby adopted. The strategies are concerned with the impact of the external environment, internal resources and competences and the expectations and influence of stakeholders on the profitability and viability of the firm.

Uchumi Supermarket Limited, a leading retail chains in Kenya has faced both internal and external challenges which have resulted to financial and operational difficulties being occasioned since 2005. This has led to depletion of the company resources to an extent that it is not able to meet its obligations to the stakeholders. The high rate of growth in Kenya retail sector coupled with an increased entry by international retail chains and continuous growth of the top local chains and a continuous decline of Uchumi were creating anxiety amongst local chains. Buoyed by the expanding top and middle classes, improved infrastructure and an enduring property boom, rapid change of customer taste and preferences, increased taxation, increased costs, high employee turnover and the entry of the Foreign-based supermarket chains; Carrefour, Choppies Enterprises and Game Stores, there exist a huge concern for the local chain’s Executive Officers and Kenyan government on the future business viability for the local supermarkets such as Uchumi in such a competitive environment.
Although various studies have been done on gaining competitive advantage through turnaround strategies, very few had been conducted on Kenyan companies, more so the Retail Chain Sector. Barney, (2005) for instance studied the performance shocks, turnaround strategies for a competitive advantage, and corporate recoveries: the Australian experience while Johanson, (2005) focused on asset and cost retrenchment in turnaround strategies for competitive advantagea large-sample study of corporate responses to the Asian crisis in Singapore. Both studies established that proper application of turnaround strategies can result to an organisation not only break-evening, but gaining and sustaining a competitive advantage. However, Njuguna (2009), who did a study on turnaround strategies for declining small businesses: the effects of performance and resources concentrating on United States of America, even though corresponded to the above studies, it indicated that strategies notwithstanding the company may fail to achieve competitive advantageyet keep making huge profits.

Situma (2005) studied the turnaround strategies adopted by Kenya Commercial Bank to gain competitive advantage within the banking sector. He found that use of customer loyalty, enhanced computerizations and increased advertisement could achieve the bank’s objective for the competitive advantage. The researcher has thus established that as far as his knowledge is concerned, there is no research has been done to establish the relationship of generic strategies that can be applied in the supermarket sector to grow performance.

This posed a great knowledge gap, especially owing to the fact that a big supermarket chain like Uchumi Supermarket could experience management shakeup, declare losses, close stores and loose great market share as competitors like Nakumatt and Tuskys continue to expand footprint in Kenya and East African region alas well as other international giants continue to enter Kenyan retail market. In order to fill this gap in knowledge, the researcher proposed to establish how Nakumatt, Tuskys and Uchumi Supermarket Chains can employ the use of the five generic strategies to gain a growth in performance as they work towards creation of a sustainable competitive advantage in the long run through; customer loyalty, fanaticism, prices, product quality and assortment, service level, programs for rewarding patronage and layout.

1.3 Significance of the Study

The findings of this study will be of importance to the management of retail chain stores in Kenya as they will understand the generic strategies that can be adopted towards creation of competitive advantageamong supermarkets in Kenya. The findings of the study may be used by organizations as a tool for strategic analysis, planning and implementation with the aim of achieving sustainable competitive advantage in the long run. The results will also help strategists in enhancing better organizational performance in the retail supply chain. For example, strategists and managers will use the findings of this study as reference point for strategy and policy making in order to evaluate the benefits of strategic positioning. Finally, findings of the study can be used as a benchmark for organizations that may have similar past and experiences as Nakumatt, Tuskys and Uchumi Supermarkets, as they plan for turnaround policies. Hence, this study finds justification for existence

1.4 Objectives of the study

1.4.1 General Objective

The general objective of this study was to establish the generic strategies adopted towards creation of competitive advantageamong supermarkets in Kenya.

1.4.2 Specific Objectives

- **i.** To establish the significance of a low-cost provider strategy towards creation of competitive advantageamong supermarkets in Kenya.
- **ii.** To assess the significance of a best-cost provider strategy towards creation of competitive advantageamong supermarkets in Kenya.
- **iii.** To determine the significance of **a** broad differentiation strategy towards creation of competitive advantageamong supermarkets in Kenya.
- **iv.** To investigate the significance of **a** focused low-cost strategy towards creation of competitive advantageamong supermarkets in Kenya.
- **v.** To find out the significance of a focused differentiation Strategy towards creation of competitive advantageamong supermarkets in Kenya.

1.5 Research Questions

The key questions in this study were;

- i. What were the generic strategies adopted towards creation of competitive advantageamong supermarkets in Kenya?
- ii. What was the significance of a low-cost provider strategy towards creation of competitive advantageamong supermarkets in Kenya?
- iii. What was the significance of a best-cost provider strategy towards creation of competitive advantageamong supermarkets in Kenya?
- iv. What was the significance of a broad differentiation strategy towards creation of competitive advantageamong supermarkets in Kenya?
- v. What was the significance of a focused low-cost strategy towards creation of competitive advantageamong supermarkets in Kenya?
- vi. What was the significance of a focused differentiation strategy towards creation of competitive advantageamong supermarkets in Kenya?

1.6 Justification of the study

Given the limited study along the generic strategies adopted by tier one supermarkets in Kenya, this type of research is important. This study will be of importance to organizations since it will be a tool for strategic analysis, planning and implementation in the entire retail chain industry in Kenya. The findings of this study will be of importance to the management of retail chain stores in Kenya as they will understand the generic strategies and how they can be adopted towards creation of competitive advantage in their supermarkets.

The results will also help strategists and consultants in enhancing better organizational performance in the retail supply chain. For example, strategists and managers will use the findings of this study as reference point for strategy and policy making decisions in order to evaluate the benefits of strategic positioning in the retail industry.

The findings of the study can also be used as a benchmark for organizations outside the retail industry such as learning institutions, manufacturing firms, sports and betting firms, agri-business firms all that may have similar past and experiences as Nakumatt, Tuskys and Uchumi Supermarkets. The study will also act as a point of reference for further research. This may be referenced by students and researchers who may undertake further studies as recommended in this study or undertaking research along the objective of this study.

The researcher aims at publishing this study in relevant journals with a goal of sharing knowledge, presenting various variables of this research to annual universities research conferences so as to harness new inputs and share knowledge as well as presenting the paper to the units under study as well as other organization that may have similar past and experiences. This will bring along intellectual property and monetary value to the researcher. Hence, this study finds justification for existence.

1.7 Scope of the study

The study focused on establishing what generic strategies and to what extent do these strategies impact sustainable competitive advantage in the retail chain industry in Kenya with reference to Nakumatt, Tuskys and Uchumi Supermarkets in Kenya. It covered their head office in Nairobi as well as sample branches. This provided an adequate population and sample for the study and therefore gave reliable results and findings. The study sought to determine what key strategies amongst; low cost, best cost provider, broad differentiation, focused cost and focused differentiation towards creating a sustainable competitive advantage in the retail chain industry in Kenya.The scope of the data ranged from primary sources collected directly from the sampled respondents and secondary sources such as business daily journals, newspapers, general business reports, annual financial reports and blog spots.

1.8 Limitation of the Study

The study was limited to some respondents not be willing to cooperate in filling of the questionnaire, however this was overcome by having a conversation with the respondents first. Respondents also took long to fill and complete the questionnaire but the researcher ensured that the date of submitting the questionnaires was important for the study to be completed in time with respondents having enough time to give all the information required in an accurate manner.

1.9 Delimitation of the Study

It will be more appropriate to make wide study in all the strategies adopted by all the supermarkets in Kenya. This would help us to get more reliable information on the competitive advantage on Kenya retail industry. However as a result of shortage of time, financial limitation and limited equipment's the research targeted only three Supermarkets in Kenya namely: Tusky's, Nakumatt and Uchumi. These are categorized as tier one supermarkets in Kenya as based on Neven and Reardon, 2004 on their study on the Rise of Kenyan Supermarkets and the Evolution of their Horticulture Product Procurement Systems. The study also targeted the marketing managers as the sole respondents being the individuals who have a propensity to full knowledge on past business patterns, growth trends, market share, current and future strategies and challenges of the chains and the whole industry as a general.

1.10 Assumptions of the Study

The subjects under study honestly answered the questionnaire since they were picked from a knowledgeable team of marketing managers. The sample was representative enough to help make conclusions as it was as a result of Mugenda and Mugenda (2003) simplified formula for calculating sample size of a population that is less than 10,000 . Data collection instruments were valid and reliable proven using a test and re-test method. Questionnaires were preferred because they cover a large population with little time and personnel cost.

1.11 Operational Definition of Terms

Competitive Advantage is a business concept that is used to describe the attribute of allowing an organization outperforms its competitors. Such attributes may include access to raw materials, natural resources, highly skilled labor, geographic location, and high entry barriers and access to new technologies amongst others.

Strategic Positioning; is the essence of how it competes and serves customers in its markets **with the** core aim of customer bonding, attraction, satisfaction and retention.

(ROI)- Return on Investment; return is a profit on an investment, comprising any change in value and interest or dividends or cash flows which the financier receives from the investment. It may be measured either in absolute terms (e.g., Kenya shillings) or as a percentage of the amount invested.

Cost leadership is a concept developed by Michael Porter, commonly used in business strategy describing a way to establish the competitive advantage. In basic words, it means the lowest cost of operation in the industry. It is often driven by a company's efficiency, size, scale, scope and cumulative experience.

Price Leadership; is strategic management concept achieved when a firm that is the leader in its segment determines the price of goods or services in that segment. This approach leaves the leader's rivals with little choice but to follow its lead and match these prices or alternatively choose to lower their prices if they are to hold onto their market share and in the hope of gaining market share as the discounters.

Market Niche is the subset of a market on which a specific product or service is focused.

The market niche strategy: is a concept in which product features are aimed at satisfying specific market needs, as well as price range, production quality and demographics that is intended to impact.

Low-cost leader strategy: Is a concept in which a firm strives to be the overall lowest charge provider of a product or service that appeal to a broad range of customers.

B**road differentiation strategy:** Is a concept in which a firm strives to distinguish the company's product and services offerings from rivals in ways appealing to a broad range of customers.

B**est-cost provider strategy:** Is a concept in which a firm strives to give customers more value for the money by emphasizing both low cost and an upscale difference, with the goal being to keep costs and prices lower than those of other providers of comparable quality and features.
Focused low cost: : Is a concept in which a firm concentrates on a narrow buyer segment and outcompeting rivals on the basis of offering a lower cost.
Focused differentiation: Is a concept in which a firm offering niche members a product or service customized to meet their specific tastes and requirements.

II. Literature Review

2.1 Introduction

This chapter reviewed literature guided by the objectives of the study. These objectives were to establish how Supermarkets have used the following strategic positioning strategies to gain sustainable competitive advantage: Low cost leadership, Best cost provider, Broad differentiation, focused cost and focused differentiation. The chapter begins with a review on the concept of strategy, then a review on sustainable competitive advantage, theoretical framework, a conceptual framework and concludes by a review of the three key competitive advantage strategies as outlined in the research objectives.

2.2 Theoretical Orientation

2.2.1 The Generic Strategies Model (Michael Porter)

Five distinct competitive strategy approaches stand out under Porter's generic strategies:
Porter (1980) highlighted the Five Generic Competitive Strategies as; Low-Cost Provider Strategies: A firm achieves low-cost leadership when it becomes the industry‘s lowest-cost provider rather than just being one of perhaps several competitors with comparatively low costs. In striving for a cost advantage over rivals, a firm must include features that buyers consider essential. For maximum effectiveness, companies employing a low-cost provider strategy need to achieve their cost advantage in ways difficult for rivals to duplicate or match. A low-cost leader‘s basis for competitive advantage is to lower overall costs than competitors. Successful low-cost leaders are exceptionally good in finding ways to drive costs out of their operations. A company has two options for translating low-cost advantage over rivals into attractive profit performance:

According to Porter (1980), the essence of broad differentiation strategy is to be exceptional in ways that are valuable to a wide range of customers. Successful differentiation allows a firm to Command a premium price for its product/service, Increase unit sales and gain buyer loyalty to its brand. Differentiation enhances profitability when that extra price the product commands outweighs the added costs of achieving the differentiation. Managers need keen understanding of the sources of differentiation and the activities that drive uniqueness to devise a sound differentiation strategy and evaluate various differentiation approaches.

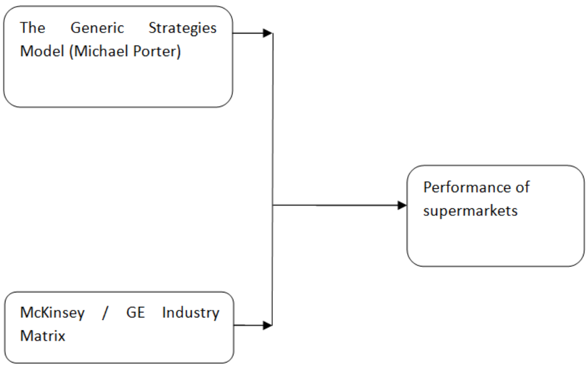
According to Porter (1980), best-cost provider strategies aim at giving customers more value for their money. The objective is to deliver superior value to buyers by satisfying their expectations on key quality, service, features, performance attributes and beating their expectations on price. A company achieves best-cost status from an ability to incorporate attractive attributes at a lower cost than rivals. From a competitive positioning standpoint, best-cost strategies are a hybrid, balancing a strategic emphasis on low cost against a strategic emphasis on differentiation. The market target is value-conscious buyers. The competitive advantage of best-cost provider is lower costs than rivals in incorporating good-to-excellent attributes, putting the company in a position to under price rivals whose products have similar appealing attributes. Best-cost provider strategy is especially appealing in markets where buyer diversity makes product differentiation the norm and where many buyers are also sensitive to price and value. Porter (1980) explained that focused strategy based on low cost aims at securing competitive advantage by serving buyers in a target market niche at a lower cost and lower price than rival competitors. This strategy has a considerable attraction when a firm can lower costs significantly by limiting its customer base to a well-defined buyer segment. A focused strategy based on differentiation aims at securing competitive advantage by offering niche members a product they perceive is better suited to their personal unique tastes and preferences. A successful focused differentiation strategy depends on the existence of a buyer segment that seeks a special product/service attribute or seller capabilities and on a firm‘s ability to stand distant from rivals competing in the same target market niche. A focused strategy aimed at securing a competitive edge based either on low cost or differentiation becomes increasingly attractive if the target niche is big enough to be profitable and offer good growth potential. The Industry leaders do not see that having a presence in the niche is crucial to their own success, It is costly for multi segment competitors to put capabilities in place to meet specialized needs of the target market niche and at the same time satisfy the expectations of their mainstream customers and when the industry has many different niches and segments.

2.2.2 McKinsey 7Ss model

According to Peters and Waterman (1980), a business portfolio is the collection of businesses and products that make up the company. The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities. The company must analyze its current business portfolio and choose which product, business or service should receive more or less investment, develop growth strategies for adding new products and businesses to the portfolio, whilst at the same time decide when products, businesses and services should cease. McKinsey and Co's 7S framework provides a useful framework helpful in analyzing the strengths and weaknesses of an organization. The McKinsey Consulting Firm identified strategy as one of seven elements exhibited by the best managed companies. Strategy, structure and systems are considered the "hardware" of success whilst style, staff, skills and shared values are seen as the "software". Companies, in which these soft elements are present, are usually more successful at strategy implementation. Hard Elements consisting of; Strategy which is the purpose of the business and the approach the organization seeks to develop its competitive advantage. Structure consist the division of activities; integration and coordination mechanisms. Systems consist the formal procedures for measurement, reward and resource allocation and Soft Elements consisting of; Shared Values: called "super ordinate goals" when the model was first developed, they are the core values of the company that are evidenced in its corporate culture and general work ethic. Skills consist of the organization's core competencies and its distinctive capabilities. Staff consist the organization's human resources, demographic and educational characteristics. Style consist the typical behavior patterns of key groups, such as managers, and other professionals according to Peters and Waterman (1980). Peters and Waterman (1980) further argued that effective organizations achieve a harmony between these seven elements; if one element changes, it affects all other models. The Model can be a valuable tool to initiate change processes and give them direction; i.e. determining current state and ideal state of each element and developing action plans to close the gaps. Placing Shared Values at the center of the model puts emphasize that these values are essential and central to the development of other critical elements. The company's structure, strategy, systems, style, staff and skills all stem from why the organization was originally created and what it stands for. The original vision of the company is formed from the values of the inventors.

Peters and Waterman (1980) argued that the model is used to understand how the organizational elements are interrelated and ensure that the wider impact of changes made in one area is taken into consideration. The 7-S model can help in analyzing current situation, a proposed future situation and in identifying gaps and inconsistencies between the two. It's then a subject of adjusting and tuning the elements to ensure that your organization works effectively once you reach the desired endpoint.

Figure 2.2.2 McKinsey 7Ss Model



2.3 Empirical Review

Various studies in the past have analyzed the relationship between competitive strategies and a firm's profitability in various markets with the results quite mixed. Previous studies reviews have used different variables and methodologies such as linear regression and panel data regression to review relationships between the variables.

This section presents a chronological order of major studies related to this study in order to assess and identify the research gap. (Omwoyo and Moraa, 2016) studied the effects of generic strategies on the competitive advantage of Kenyan airline firms. The study found out that through the differentiation strategy, companies created customer value in the airline industry through offering high quality products and services at premium prices. The differentiation strategy is a variable under this study in the Kenya retail industry.

Ambatsa 2016) carried out a study on competitive strategies adopted by Kenyan universities. The study concluded that the strategies adopted were to a great extent, generic strategies with the forces defining competition largely industrial forces. It was recommended that universities need analyze their macro and micro environments and forecast changes to enable best strategy choices. The researcher proposed further studies in the areas of limitation of the study. Mwikali (2016) studied the application of Porter's generic strategies in Kenya's hospitality industry and its success, a case study of the Lukenya Getaway Limited. The key findings were that differentiation and focus strategies were the mostly used strategies in addressing the market (external environment factors), with cost leadership used to a moderate extent to address the firms processes (internal environment factors) in the highly competitive industry. A case shared with the retail industry.

(Nthenya and Sammy,2016) studied competitive strategies applied by Kenyan manufacturing companies as a result of competition with a case study on Sony Sugar Company. The findings indicated that the company used aggressive marketing to attract wide range of customers. The company also produces differentiated products to meet customer's tastes and preferences in urge to cater for wide market segments.

Kuloba et.al (2015) carried out a research on factors that influence consumer ranking of retail outlets in Kenya (a case of supermarkets in Kisii town). The study recommended that supermarket owners should gear their offers in such a way that it addresses the most influential factors that affect consumers so as to attract them to their supermarkets and gain their loyalty, focusing on the most loyal customers by continuing to give offers that satisfy them and identifying strategies to attract the non-loyal customers.

Mutegi (2013) researched on the competitive strategies adopted by supermarkets in Nairobi, Kenya. Based on the findings, the study showed that focus strategy is the most effective strategy to use. The focus strategy can be on geographical location, availability of enough parking spaces and also focusing on the display of the supermarket. The study did not expound on other generic competitive strategies in full.

Mathai (2012) carried out a research on the relationship between working capital management and the profitability of retail supermarkets in Kenya. The study was covered six supermarkets in Kenya between 2005 and 2009 using a causal study design. The supermarkets are Nakumatt, Tuskys, Uchumi, Ukwala, Naivas and Eastmatt. The researcher used secondary data from the supermarkets financial statements. The result of the findings was that there exist relationship between working capital management and profitability although it did not highlight the generic strategies adopted towards creating of the profitability under study.

Waithaka (2012) carried out a research on the relationship between working capital management (WCM) practices and financial performance of agricultural companies listed at Nairobi Stock exchange (NSE). Research was done on seven agricultural companies using prospective research design. Findings of the study were that financial performance was positively related to efficiency of inventory management. Hence this study will look at practices and financial performance within tier 1 supermarkets in Kenya.

Mutungi (2010) carried out a research on the relationship between working capital management policies and financial performance of the oil marketing firms in Kenya. The study focused on oil marketing firms who are members of Petroleum Institute of East Africa (PIEA by analyzing their financial statements between years 2006 and 2009. The study found out that identified independent variables affect performance.

Neven (2009) research on Kenyan supermarkets and horticultural farm sector development indicated that nearly all supermarket-channel farmers have the capacity to supply larger volumes year round and they have transportation vehicles, an irrigation system, packing shed, cellular phone, and so on, pointing to the existence of a threshold capital vector which farmers must have in order to access supermarkets. The study did not show how the supermarkets strategized on creating competitive advantage once produce was delivered.

Regionally, a study by Nishiura (2009) found out that compared with the countries in southern Africa, or Kenya, supermarkets have not highly developed in Tanzania and Ethiopia. However, it is highly likely that supermarkets will emerge and will exert considerable influence in the both countries in the future.

Njenga (2006) argued that the growth of the economy has come with the rise in competition. Supermarkets are quickly diffusing into small towns and secondary cities to target poorer communities in Kenya. The pattern of expansion in Kenya is similar to that in South Africa. This brings more advantage since customers don't need to go too far to get products and services at these retail outlets. Some of supermarkets transport goods to customer homes hence creating more sales as the customer is not worried of the logistics to carry home. Such advantages as Michael Porter and others have documented is fundamental to the economic growth of the country.

In Nigeria, Olanrewaju (2011) assessed inventory management in selected small businesses in Kwara State, Nigeria used a regression model to explain the effect of inventory value on performance proxy by profit over a period of ten years. The result of the study indicated strong positive relationship between inventory and financial performance of small businesses in Nigeria. It was thus concluded that small businesses are likely to generate higher profits if effective inventory management is in place.

According to Okwo (2012) in the study to establish factors that determine profitability of the Nigerian brewery firms. A multiple regression model was applied to annual data generated from annual reports of the sampled brewery firms covering the period of 2000-2011. The results shown that the ratio of inventory to cost of goods sold has significant impact on financial performance.

Globally, (Bayraktar et.al 2017) studied the relationship between competitive strategies, innovation and firm performance within the context of Turkish manufacturing companies. The results showed that strategies such as cost leadership and differentiation can lead to innovation thereby increasing performance. A similar case experienced in the Kenyan retail industry.

(Notta and Vlachvei, 2016) carried out a study to investigate the perceptions of Greek managers towards competitive advantage in the case of the Greek food manufacturing industry. The study established that making the highest quality product, designing new products and creating unique value for customers, having a more convenient geographic location and having advantage of production specialization are the main sources of competitive advantage for the Greek food and beverage firms.

Another study suggesting relationship between inventory management and performance was done by Eroglu (2011) which used Empirical Leanness Indicator (ELI) as a measurement for inventory. The study on 80 United States manufacturing firms covered the period of 2003-2008. It was found out that leanness positively affects financial performance. Lakshan (2010) in the study of working capital management and performance of small and medium enterprises (SMEs) in Sri Lanka between 2003 and 2006 on 76 firms in the manufacturing sector found positive relationship between inventory turnover and financial performance.

2.4 Conceptual review

This section examined the various concepts on competitive advantage and supermarkets as studied in the previous studies.

2.4.1 Customer Satisfaction and Retention

Gerpott, Rams and Schindler (2001) defined customer retention as the continuity of business relations between a company and a customer. Retention and attraction of new customers are used as key drivers to increase market share and revenues (Rust, Zohorik and Keiningham 1995). After sales services is one of the important drivers for customer retention according to (Saeed, Grover and Hwang, 2005). It is important for a product/service provider to emphasis on the quality of products and services. According to Lin and Wu (2011) there is a significant relationship between quality commitment, trust, satisfaction and customer retention and future use of a product, as retention is influenced by future use of a product. Lin and Wu (2011) further argued that there is solid relationship between customer retention and quality of services/ products. It was observed that loyalty program with monetary compensation are steps towards great customer retention (Verhoef, 2003).

2.4.2 Customer Loyalty as a Competitive Strategy

According to Anderson and Jacobsen (2000) Customer loyalty is actually the result of an organization creating a benefit for a customer so that they will maintain or increase their future purchases from the organization. Oliver (2007) says that customer loyalty refers to a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behavior. Sivadas and Baker-Prewitt (2000) said that there is an increasing recognition that the ultimate objective of customer satisfaction measurement is customer loyalty.

2.4.3 Location as a Competitive Strategy

Location is the convenient place where customers can get easy and quick access to the services or the products they require. This creates convenience to the customers where retailers can get advantage in cutting transport costs for their buyers. It means creation of storage facilities, better delivery processes directly or through intermediaries. According to Thompkins, (2006) location strategy consist strategic decisions that are impacted by manufacturing location and facilities or support functions for each company area, handling of materials, information systems, the acquisitions and the series of logistic activities. Location has a connection backward to suppliers or forward to customers for contributing to improved performance in the supply chain, being basic to developing core competencies as argued by (Shilpa, 2009). Store location has received much attention in research on store choice.

According to Bell (1998) location explains up to 70% of the variations in the choice of grocery store based on industry research in the US. Even though location is critical in a consumer decision process, it requires search or the retail options and formats available that best match the consumers' needs; the case may be different for the case of supermarkets in Kenya as consumers have different perceptions towards the supermarkets and therefore need to find out the relationship from this study.

2.4.4 Price Variation as a Competitive Strategy

Price variation occur when exactly the same good or service is sold at different prices at the same moment of time, International Monetary Fund (2004) Consumer Price Index Manual; Theory and Practice. Consumers are increasingly confronted with intense market place competition. Saturation, Overstoring and a rapid rise of new formats have changed competitive dynamics in retail markets. Low prices produced by price warfare change consumer's perceptions of all prices. In other words, consumers' concept of 'low' price conforms to the context. Consumers might be persuaded to switch to new low price stores unless loyalty keeps them from it, (Seiders, 1994). Even if price is the only one aspect of the determinant mix, the various theories of search behavior and choice still do not explain how consumers use price in the decision process, especially when they do not know the price at all or where their guess is considerably outside of an acceptable range of price knowledge (Von, 2002).

Rampant price changes will cause consumers to place relatively more importance on price than any other attributes for determining store patronage. Expanded variation of one attribute among stores increases that attribute's impact on market share. This reinforces the expectation that attribute reweighting will occur when price variation increases as in price warfare scenario. We expect prices to increase in importance for store choice. For consumers to perform inter-store price, comparisons usually requires that they retain price information in memory for a later recall. Mazumdar and Monroe (1992) noted that it is difficult to simplify retailer's price comparisons because there are few printed price lists and advertisement feature a small proportion of merchandise.

2.4.5 Customer Service and Customer Experiences a Competitive Strategy

Borges-Tiago (2008) argues that improved customer service allows the recognition of customers' needs and put more emphasis on superior customer value and gives appropriate answers to their needs or requirements consequently obtaining satisfaction and loyalty. Retailers can build sustainable competitive advantage by offering excellent customer service. Offering excellent service consistently is difficult since customer service is provided by retail employees, and humans are less consistent compared to machines.

A customer may receive less than perfect service from a customer service representative as a possibility of the employee not having adequate training, didn't like her job, or that he was either incompetent or rude. It is also possible that you were the 500th customer the attendant interacted with that day, and the attendant was at the end of the shift. Retailers that offer excellent customer service instill its importance in their employees over a long period of time through coaching and training. In this way, customer service becomes part of the retailer's organizational culture. It takes considerable time and effort to build a tradition and reputation for customer service, but good service is a valuable strategic asset. Once a retailer has earned a service reputation, it can sustain this advantage for a long time because it's hard for a competitor to develop a comparable reputation. Close relationship between retailers and supermarket employees is not always in the best interest of the supermarket cautions (Shilpa, 2009).

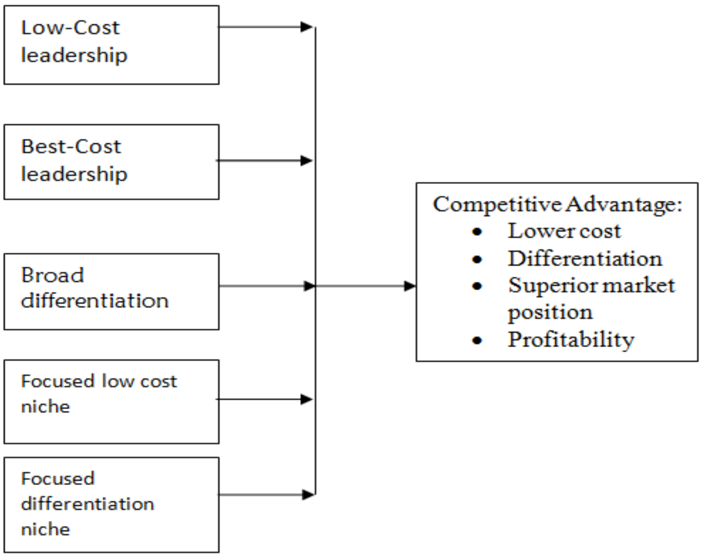
2.4.6 Promotion as a Competitive Strategy

Promotions are marketing events limited in duration and implemented to directly influence the purchasing actions of customers, with underlying intention of achieving the objectives set out in the marketing strategy for the retailer or manufacture (Kotler, 1988). The use of promotions in retailing has increased rapidly lately. More often promotions are being implemented with an inadequate understanding of which mechanisms are most effective, for which products and for which shoppers segments as observed by (Felgate, 2012). The use of promotions in the UK has increased significantly over the past decade, particularly in grocery retailing where competition between retailers has increased.

This has resulted in both UK supermarkets and suppliers becoming more dependent on promotional activities to drive up sales. Hence, price promotions often result in large sales effects for a promoted item, but this influence does not necessarily mean that the sales increase is really beneficial for retailers Hence, deep price cuts should result in more additional purchases and consumer stockpiling than lower price reductions, because deep price cuts encourage non-loyal consumers to switch stores and loyal consumers to pile more stock and engage in more consumption (Felgate, 2012).Though promotions are driving sales in UK supermarkets, the case may be different in Kenya as a result of differing income levels, cultural up-bringing and geo-demographic factors.

2.5 Conceptual Framework

Conceptualization is the identification and explanation of the research variables that were measured in this study. A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Biklen, 2003). In conducting the study, a conceptual framework was used to show the relationship between the independent variables and dependent variable. There are important variables that retailers use to develop a sustainable competitive advantage are as follows: Cost leadership strategy, differentiation strategy and Focus strategy. Favourable government regulations such as entry, expansion and taxation policies can act as catalysts for business while unfavourable government regulations can impede business.

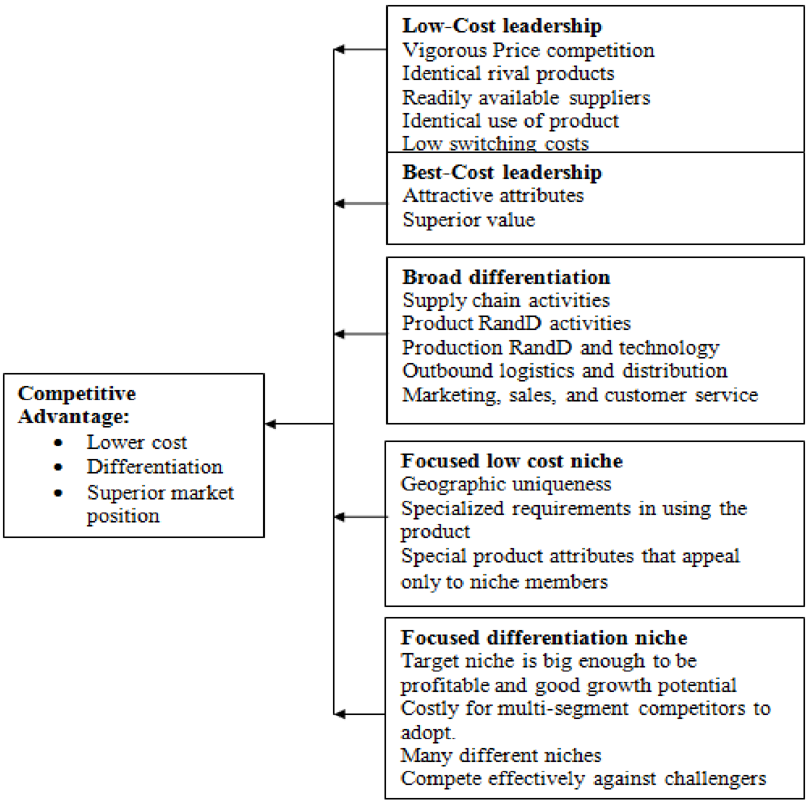


Independent variables **Dependent variable**

Fig 2.5 Conceptual Framework

2.6 Operational Framework

An operational framework involves a list of all of individual ideas and the parameters at work in the project. It entails factors that have an impact on the key variables being studies. The parameters impacting on the generic strategies adopted by the retails chains in creation of a sustainable competitive advantage are highlighted on figure 2.6.



Dependent variables and Statistics **Independent variable**

Figure 2.7 Operational Framework

2.7 Summary of Literature Review

According to both theory and empirical studies there existed a relationship between strategies adopted and competitive advantage created. However, some studies both local and global suggested positive relationship while others suggested negative. In addition, some suggested significant relationship while others suggested insignificant relationship. Therefore, this study sought to find the nature and implementation depth of the relationship between strategies adopted and competitive advantage created as far as financial performance is concerned to supermarkets in Kenya

III. Research Methodology

3.1 Introduction

This chapter explored the research methodology used in carrying out this research study, it covered the Research Design, Population, Sample Design And Sample Size, Data Collection Technique, Validity and Reliability of Research Instruments, Data Analysis and Presentation, Ethical Issues and Expected Outcome.
This chapter entails a brief description of the research design used to achieve the set objectives of the study which was to establish the generic strategies adopted towards creation of competitive advantageamong Supermarkets chains in Kenya.

3.2 Research Design

According to Kothari, (2004) research design is the structure that directs the implementation of a research method, and the ensuing analysis of acquired data. The researcher adopted two research designs: A descriptive survey design was adopted in attempts to describe an issue of interest systematically and objectively by addressing the relationship between generic strategies and the competitive advantage of Supermarkets chains in Kenya. The study adopted a descriptive design because the study seeks to answer the why and how of the problem under study. An historical research design was also applied with the purpose to describe and examine events of the past so as to understand the present and anticipate potential future relations. The researcher was systematic and objective about the relationship between generic strategies and performance of supermarkets in Kenya in the past. Cohen and Mannion (1994) describe survey research as a method that enables one to gather data from relatively large number of cases at a particular time. It consists of asking people information concerning them. The design can be used to determine the relationship (correlation) between independent variables and depended variable (Mugenda and Mugenda, 1999). The method therefore enhances understanding and interpretation of findings.

3.3 Target Population

A population hereby refers to a group of the investigation which will be used to make reference from (Babbie, 2002). The research targeted three main Kenya Supermarkets namely: Tusky's, Nakumatt and Uchumi with the target respondents being the marketing managers who had a propensity to full knowledge on growth trends, market share, current and future strategies of the chains and the whole industry as a general. The target population is as shown on the table below.

Table 3.3: Target population

Super market	Number of Marketing Managers (Population)
Uchumi	15
Tuskys	20
Nakumatt	25
Total	60

Source: (Human Resource Data 2016)

3.4 Sample Size and Sample Design

Kothari (2004) explains that sampling is the selection of some part (sample) of an aggregate or totality on the basis of which a judgment or inference about the aggregate or totality is made. Since the population to be sampled constituted 3 chains, a purposive sampling as well as judgmental sampling was used to study the respective 3 supermarkets. These particular designs involved a deliberate selection of particular units of the population for constituting a sample which represented the population and the researcher used his knowledge to select the respondents to be sampled respectively. For these sampling methods, the researcher purposely targeted a group of people believed to be reliable for the study. The researcher sampled the marketing managers who were then randomly sampled to help make inferences on the entire population. According to Mugenda and Mugenda (2003), a sample of 10-30% is good enough if well chosen and the elements in the sample are more than 30. Mugenda and Mugenda (2003) further explain a simplified formula for calculating sample size of a population that is less than 10,000 as below:

$$nf = \frac{n}{1 + n/N}$$

Where: nf = the desired sample size when the population is less than 10,000

n = the desired sample when the population is more than 10,000

N = the estimate of the population size

$$nf = \frac{384}{1 + 384/60} = 51.891$$

This gave a sample size of 51.891, since we are studying human beings we rounded it to 52 respondents as indicated in the table 3.4 below.

Table 3.4: Target Sample

Super market	Number of Marketing Managers (Population)	Number of Respondents (Sample)
Uchumi	15	13
Tuskys	20	17
Nakumatt	25	22
Total	60	52

Source: (Human Resource Data 2016)

3.5 Data Collection.

The researcher used primary data which was obtained with the use of questionnaires which were administered to the 31 respondents as well as few secondary data which the respondents recommended. These were past strategic plans, business reports and blogs. The questionnaire had clear close ended questions, (see appendix 1). The questionnaire was divided into six sections. First section aimed to capture general information of the organization profile and the respondents, the second section aimed to capture what the respondents deemed the competitive advantage of their Supermarket, third section aimed at gathering data on generic strategies applied by supermarkets in general while forth, fifth and sixth sections aimed at gathering data on Low/Best-Cost leadership, Broad Differentiation and Focused Cost/Differentiation respectively Each respondent was asked to respond to the same set of questions. The questionnaire were administered through drop and pick later method to the specific marketing manager.

3.6 Validity and Reliability of Research Instruments

Validity is the accuracy and meaningfulness of deductions based on research results (Mugenda and Mugenda, 1999). To ensure content validity of the instrument, expert judgment of the supervisor was sought out; this resulted in improvement of the instrument. The construct validity was enhanced through an all inclusive, simple to understand and clearly elaborated data collection questionnaire.

Reliability is a measure of the degree to which the research instruments give consistent results after being repeated (Mugenda and Mugenda, 1999). The reliability of the instrument was tested using a test and re-test method. Questionnaires were preferred because they cover a large population with little time and personnel cost.

3.7 Data Analysis and Presentation

Data Analysis is the process of systematically applying statistical and logical techniques to describe and illustrate, condense and recap, and evaluate data. According to Shamoo and Resnik (2003), various analytic procedures provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data.

To ensure that data is entered correctly, scores are high or low and how many in each category, the researcher constructed frequency and percent distribution using International Business Machines Statistical Package for the Social Sciences (IBM SPS). IBM SPSS was used because it helps to spot data entry errors or unusual data points and has full set of statistical tests. The researcher also analyzed the data collected to get statistical measures such as correlations among different variables, mean and standard deviations for easy interpretation of the study. The analysis helped the researcher to make valid inference on the topic of study. The data from closed ended questions was analyzed through content analysis by presenting data in themes as per the research objectives.

Frequencies and percentages were used to summarize information. To establish the importance of each of the study's five variables with respect to supermarkets performance, the researcher also applied a multivariate regression model. This is a flexible method of data analysis that is suitable in situations when quantitative variable (the dependent) is to be examined in correlation to any other factors. Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single or multiple variables with or without the effects of other variables taken into account, (Cohen, West and Aiken, 2003). The regression function is presented as:

Y is f (β_1X_1, β_2X_2, β_3X_3, β_4X_4, β_5X_5)
Where:
Y = Performance of supermarkets/competitive advantage
β_1, β_2, β_3, β_4 and β_5 = Beta coefficients
X_1= low-cost provider strategy
X_2= best-cost provider strategy
X_3= broad differentiation
X_4= focused low-cost strategy
X_5= focused differentiation
The model is presented as follows:
$Y=a + b_1X_1 + b_2X_2 + b_3X_3+ b_4X_4 + b_5X_5$
Where:
Y is the value of the Dependent variable (Y), the completive advantage being predicted.
a (Alpha) is the Constant or intercept
b_1 is the Slope (Beta coefficient) for X_1
$\mathbf{X_1}$ First independent variable (Broad Differentiation) that is explaining the variance in Y
b_2 is the Slope (Beta coefficient) for X_2
$\mathbf{X_2}$ Second independent variable (Best cost) that is explaining the variance in Y
b_3 is the Slope (Beta coefficient) for X_3
$\mathbf{X_3}$ Third independent variable (Low cost) that is explaining the variance in Y
b_4 is the Slope (Beta coefficient) for X_4
$\mathbf{X_4}$ Forth independent variable (Focused Differentiation) that is explaining the variance in Y
b_5 is the Slope (Beta coefficient) for X_5
$\mathbf{X_5}$ Fifth independent (Focused low-cost) variable that is explaining the variance in Y
Finally the data was presented in terms of self explanatory tables.

3.8 Ethical Considerations

The researcher ensured anonymity of the respondents on answering the study questionnaire. To conduct this study, the researchers sought a permit from the Head of Human Resource in the supermarkets under study. The researcher has also also appreciated all literatures collected for the purpose of this study in the reference list. In adhering to University Standards, the researcher will avail the final research report to the supermarkets management that express an interest in reading it as well as the Kenya Methodist University library.

IV. Data Analysis, Findings, Interpretation And Presentation.

4.1 Introduction

This chapter presents the data analysis, study findings, interpretation and presentation. The objective of the study was to determine key strategies adopted to create sustainable competitive advantage among Kenyan top supermarket chains. This section relied mainly on inductive reasoning process and basic investigative statistics to interpret and structure the meanings that could be derived from the data collected. The main objective of this section was to use qualitative data in a process of inductive reasoning within the context of economic theory in order to generate ideas, as opposed to hypothesis testing. Much of the qualitative analysis was focused on the strategies supermarkets have adopted to create sustainable competitive advantage.

4.2 Demographic Information

Demographic information was based on the functional position of the respondents, their management level, and the location of their respective supermarkets, estimated number of customers per day and the value of average shopping basket. The section also indicates the number of branches for respondent's organization.

Table 4.2.1: Frequency Respondent's

Supermarket	Frequency	Percentage
NAKUMATT	19	47.5
TUSKYS	12	30
UCHUMI	9	22.5
Total	40	100

From the findings, majority (47.5 percent) of the selected respondents were from Nakumatt marketing managers, while (30 percent) were Tuskys marketing managers and (22.5 percent) were from Uchumi supermarket. The study sought to establish the specific lines of operation through the respondent's job titles. The findings were presented in table 4.2.2.

Table 4.2.2 Job Titles

Job Titles	Frequency	Percentage
MM General Manager	8	20
MM Customer Care	10	25
MM Line manager	6	15
MM operations	4	10
MM Senior Manager	3	7.5
MM Supervisor	9	22.5
Total	40	100

From the findings, majority (25 percent) of the selected respondents were Customer Care Marketing Managers, followed by Supervisor Marketing Managers (22.5 percent), (20 percent) were General Marketing Managers, (15 percent) were marketing line managers, (10 percent) were Operations and (7.5 percent) were Marketing Senior Managers.

4.2.3 Years of Experience

The study sought to establish the years of experience the respondents had in the industry. The findings were presented in table 4.2.3.

Table 4.2.3 Years of Experience

Years of Experience	Frequency	Percentage
Below 5 years	5	12.5
6-10 years	4	10
11-20 years	13	32.5
Over 21 years	18	45
Total	40	100

From the above findings it was established that majority of the respondents were over 21 years (45 percent), followed by 11-20 years at (32.5 percent, below 5 years (12.5 percent) and 6-10 years at (10 percent).

4.2.4 Years of Operation in the specific Supermarket

Table 4.2.4: Years of Operation in the specific Supermarket

Years of Operation	Frequency	Percentage
Below 5 years	7	17.5
6 – 10 years	8	20
11 – 20 years	14	35
Above 21 years	11	27.5
Total	40	100

From the above findings it was established that (35 percent) of the marketing managers were in between 11-20 years of service in the specific supermarket, (27.5 percent) were above 21 years of service, (20 percent) were between 6-10 years and (17.5 percent) were below 5 years of service. This shows the highest number of the marketing managers was made up of experienced staff.

4.2.5 Number of Branches of the Supermarkets

The study sought to find out the branch network of the supermarkets. This was with a view to find out the need to have strategy implementation. Results are presented in table 4.2.5.

Table 4.2.5: Number of Branches of the Supermarkets

Number of Branches	Frequency	Percentage
Uchumi	21	15
Nakumatt	65	47
Tuskys	52	38
Total	138	100

Results presented in table 4.2.5 indicated that Nakumatt dominated the network at 65 (47%) of the 138 supermarket branches, alongside Tuskys which has 52 (38%) and Uchumi supermarket had a minimal network with only 21 (15%) branches. Nakumatt and Tuskys supermarkets control 83% of the network among the three supermarkets and were the dominant in Kenya as compared to a less dominant Uchumi.

4.2.6 Number of Employees

The study sought to find out the number of employees. This indicates the importance of a supermarkets strategy implementation and to give direction especially where the number of employees is large. Results of the findings are presented below in table 4.2.6.

Table 4.2.6: Number of Employees in the Supermarkets

Number of Branches	Frequency	Percentage
Uchumi	2000	17
Nakumatt	5500	46
Tuskys	6000	37
Total	13500	100

Results presented in table 4.2.6 indicated that Nakumatt, Tuskys are in extreme domination in human resource numbers with a total of 11,500 (83%) out of the 13,500 and only a 500 difference between them with Uchumi at the far end with below 2000 (17%) employees. The findings show a strong correlation between the number of branches and the number of employees.

4.3. Performance of Supermarket chains in Kenya

The researcher requested the respondents to indicate at a statistic best defining the Competitive Advantage highly created by the supermarket in the last one year. The results obtained are presented as shown in the table 4.3.1 to 4.3.5.

Table 4.3.1: Competitive Advantage

Extent	Frequency	Percentage
Lower cost	8	20
Differentiation	12	30
Superior market position	13	32.5
Financial Profitability	7	17.5
Total	40	100

From the above findings shown in table 4.3.1 (32.5 percent) of the respondents show they use Superior market position as a measure of their Competitive Advantage, (30 percent) indicated that Differentiation as a measure of their Competitive Advantage, (20 percent) sighted Lower cost as a measure of their Competitive Advantage and only (17.5 percent) indicated Financial Profitability as indicator of their Competitive Advantage. This shows that a non-financial, Superior market position parameters was a key measure to a supermarkets Competitive Advantage.

4.3.2: Performance Level against Competitors

The researcher requested the respondents to indicate their performance levels against that of their competitors on below parameters. The results obtained are presented as shown in the tables 4.3.2 to 4.3.5.

Table 4.3.2: Low and Best Cost

Performance Level on Cost	Frequency	Percentage
0-20%	4	10
21-40%	13	32.5
41-60%	17	42.5
61-80%	5	12.5
81-100%	1	2.5
Total	40	100

From the above findings shown in table 4.3.2 majority (42.5 percent) of the respondents show their Performance Level on Low and Best Cost against rivals was between 41-60 percent as compared to only 2.5 percent who indicated that their supermarket compete at a high level of 81-100 percent on low and best cost. This indicates that it was hard to compete on the Low and best Cost parameters since cost was too a large extent impacted by external factors.

Table 4.3.3: Differentiation

Performance Level on Differentiation	Frequency	Percentage
0-20%	10	25
21-40%	10	25
41-60%	1	2.5
61-80%	11	27.5
81-100%	8	20
Total	40	100

From the above findings shown in table 4.3.3 majority (27.5 percent) of the respondents show their Performance Level on differentiation against rivals was between 61-80 percent as compared to only 2.5 percent who indicated that their supermarket compete at 41-60 percent on low and best cost. This indicates that differentiation is a key ground of completion amongst supermarkets.

Table 4.3.4: Market Position/Niche Market

Performance Level on Niche	Frequency	Percentage
0-20%	12	30
21-40%	8	20
41-60%	1	2.5
61-80%	6	15
81-100%	13	32.5
Total	40	100

From the above findings shown in table 4.3.4 majority (32.5 percent) of the respondents show their Performance Level on niche market against rivals was between 81-100 percent, (30 percent) of the respondents show their Performance Level on niche market against rivals was between 0-20 percent, (20 percent) of the respondents show their Performance Level on niche market against rivals was between 21-40 percent, (15 percent) of the respondents show their Performance Level on niche market against rivals was between 61-80 percent and (2.5 percent) of the respondents show their Performance Level on niche market against rivals was between 41-60 percent. This indicates that various supermarkets approached niche marketing unevenly bringing about a variance in the competitive advantage amongst supermarkets under study.

Table 4.3.5: Profitability

Performance Profitability	Frequency	Percentage
0-20%	17	42.5
21-40%	3	7.5
41-60%	1	2.5
61-80%	17	42.5
81-100%	2	5
Total	40	100

From the above findings shown in table 4.3.5 majority (42.5 percent) of the respondents show their Performance Level profitability against rivals was between 0-20 percent and 61-80% compared to a few (5 percent) who rated their performance level at 81-100%. This indicates that various supermarkets performance level on profitability was uneven bringing about a variance in the competitive advantage amongst supermarkets under study.

4.4 Generic Strategies: Low and Best Cost Leadership

The respondents were further requested to indicate to what extent were their prices competitive in the market. The results obtained are presented as shown in the table 4.4.1.

Table 4.4.1: Price Competitiveness

Extent	Frequency	Percentage
Very large extent	9	22.5
Great extent	27	67.5
Moderate extent	4	10
No extent	0	0
Total	40	100

From the above findings shown in table 4.4.1, it was established that price competitiveness was to a great extent as indicated by 67.5 percent of the respondents. This indicates that customers were keen on prices and slight price changes would impact on customer buying trends hence supermarkets adopt **a** Best-Cost leadership.

4.4.2: Product Identity

The respondents were further requested to indicate to what extent were products identical in the market. The results obtained are presented as shown in the table 4.4.2.

Table 4.4.2: Product Identity

Extent	Frequency	Percentage
Very large extent	10	25
Great extent	27	67.5
Moderate extent	3	7.5
No extent	0	0
Total	40	100

From the above findings shown in table 4.4.2, it was established that products in the market were identical to a great extent as indicated by 67.5 percent of the respondents. This indicates that switching costs are low since a customer would get same product from different supermarkets. Supermarkets adopt broad differentiation on their products and services as well as adopting Focused Differentiation Niche.

4.4.3: Suppliers Availability

The respondents were further requested to indicate to what extent suppliers were available in the market. The results obtained are presented as shown in the table 4.4.3.

Table 4.4.3: Suppliers Availability

Extent	Frequency	Percentage
Very large extent	30	75
Great extent	3	7.5
Moderate extent	6	2.5
No extent	1	0
Total	40	100

From the above findings shown in table 4.4.3, it was established that (75 percent) of the respondents indicated that suppliers were readily available to a very large extent, (7.5 percent) of the respondents indicated that suppliers were available to a great extent while (2.5 percent) indicated that suppliers were available to a moderate extent. This indicates that supermarkets would adopt a Low-Cost leadership **by** cutting costs through bargaining powers.

4.4.4: Value Conscious Buyers

The respondents were further requested to indicate to what extent were buyers value conscious in the market. The results obtained are presented as shown in the table 4.4.4.

Table 4.4.4: Value Conscious Buyers

Extent	Frequency	Percentage
Very large extent	19	47.5
Great extent	14	35
Moderate extent	5	12.5
No extent	2	5
Total	40	100

From the above findings shown in table 4.4.4, it was established that (47.5 percent) of the respondents indicated that buyers were to a very large extent value conscious, (35 percent) of the respondents indicated that buyers were to a great extent value conscious, (12.5 percent) indicated that buyers were to a moderate extent value conscious while only (5 percent) indicated that buyers were to no extent value conscious. This indicates supermarkets adoption Broad differentiation on their product/services, adopt best-cost provider strategy which gives customers more value for the money by incorporating good-to-excellent product/service attributes at a lower cost than rivals and Focused Differentiation Niche.

4.4.5: Switching Costs

The respondents were further requested to indicate to what level were the switching costs in the market. The results obtained are presented as shown in the table 4.4.5.

Table 4.4.5: Switching Costs

Extent	Frequency	Percentage
Very large extent	6	15
Great extent	25	62.5
Moderate extent	6	15
No extent	3	7.5
Total	40	100

From the above findings shown in table 4.4.5, it was established that (62.5 percent) of the respondents indicated that buyers would switch costs to a great extent, (15 percent) of the respondents indicated that buyers would switch costs to a very large as well as moderate while (7.5 percent) indicated that buyers would to no extent switch costs. This indicated supermarkets adopted Broad differentiation on their product/services to keep gain customer loyalty, adopt best-cost provider strategy which gives customers more value for the money by incorporating good-to-excellent product/service attributes at a lower cost than rivals and Focused Differentiation Niche.

4.4.6: Attractive Attributes

The respondents were further requested to indicate to what extent supermarket would incorporate attractive attributes at a lower cost than rivals. The results obtained are presented as shown in the table 4.4.6.

Table 4.4.6: Attractive Attributes

Extent	Frequency	Percentage
Very large extent	7	17.5
Great extent	17	42.5
Moderate extent	16	40
No extent	0	0
Total	40	100

From the above findings shown in table 4.4.6, it was established that (42.5 percent) of the respondents indicated that a best cost leadership approach was adopted to a great extent, (40 percent) of the respondents indicated that a best cost leadership approach was adopted to a moderate extents and (17.5 percent) of the respondents indicated that a best cost leadership approach was adopted to a very large extent. This indicated supermarkets adopted best-cost provider strategy which gives customers more value for the money by incorporating good-to-excellent product/service attributes at a lower cost than rivals.

4.4.7: Good to Excellent Attributes

The respondents were further requested to indicate to what extent does the supermarket lower costs and incorporating good-to-excellent attributes than rivals. The results obtained are presented as shown in the table 4.4.7.

Table 4.4.7: Good to Excellent Attributes

Extent	Frequency	Percentage
Very large extent	7	17.5
Great extent	17	42.5
Moderate extent	16	40
No extent	0	0
Total	40	100

From the above findings shown in table 4.4.6, it was established that (42.5 percent) of the respondents indicated that a low cost leadership approach was adopted to a great extent, (40 percent) of the respondents indicated that a low cost leadership approach was adopted to a moderate extents and (17.5 percent) of the respondents indicated that a low cost leadership approach was adopted to a very large extent. This indicated supermarkets adopted low-cost provider strategy where supermarket lower costs and incorporating good-to-excellent attributes than rivals.

4.5 Generic Strategies: Broad Differentiation Strategy

4.5.1: Low Cost Differentiation

The respondents were further requested to indicate to what extent the supermarket
balances a strategic emphasis on low cost against a strategic emphasis on differentiation. The results obtained are presented as shown in the table 4.5.1.

Table 4.4.8: Low Cost Differentiation

Extent	Frequency	Percentage
Very large extent	4	10
Great extent	20	50
Moderate extent	16	40
No extent	0	0
Total	40	100

From the above findings shown in table 4.4.8, it was established that (50 percent) of the respondents indicated that a low cost differentiation approach was adopted to a great extent, (40 percent) of the respondents indicated that a low cost differentiation approach was adopted to a moderate extent and (10 percent) of the respondents indicated that a low cost differentiation approach was adopted to a very large extent.

4.5.1: Differentiation along Supply Chain Activities

The respondents were further requested to indicate to what extent does the supermarket broadly differentiate along Supply chain activities to grow performance or quality of the company‘s end products. The results obtained are presented as shown in the table 4.5.1.

Table 4.5.1: Differentiation along Supply Chain Activities

Extent	Frequency	Percentage
Very large extent	20	50
Great extent	15	37.5
Moderate extent	4	10
No extent	1	2.5
Total	40	100

From the above findings shown in table 4.5.1, it was established that supermarkets to very large and great extent differentiated along supply chain activities. This indicates that supermarkets were keen on supplier availability, supplier's ability to meet quality and delivery time**.**

4.5.2: Differentiation along Product Research and Development Activities

The respondents were further requested to indicate to what extent the supermarket broadly differentiates along Product Research and Development activities that aim at improved product designs and performance features. The results obtained are presented as shown in the table 4.5.2.

Table 4.5.2: Differentiation along Product Research and Development Activities

Extent	Frequency	Percentage
Very large extent	16	40
Great extent	14	35
Moderate extent	4	10
No extent	6	15
Total	40	100

From the above findings shown in table 4.5.2, it was established that supermarkets to very large and great extent differentiated along supply chain activities. This indicates that supermarkets were keen on product research and development activities that aim at improved product designs and performance features.

4.5.3: Differentiation along Technology-Related Activities

The respondents were further requested to indicate to what extent the supermarket broadly differentiates along technology-related activities that permit custom-order manufacture at an efficient cost, make production methods safer for the environment, or improve product quality, reliability, and appearance. The results obtained are presented as shown in the table 4.5.3.

Table 4.5.3: Differentiation along Technology-Related Activities

Extent	Frequency	Percentage
Very large extent	23	57.5
Great extent	7	17.5
Moderate extent	8	20
No extent	2	5
Total	40	100

From the above findings shown in table 4.5.3, it was established that supermarkets to very large, great moderate extent differentiated along technology-related activities. This indicates that supermarkets broadly differentiated along technology-related activities that permit custom-order manufacture at an efficient cost, make production methods safer for the environment, or improve product quality, reliability, and appearance.

4.5.4: Differentiation along Outbound Logistics Activities

The respondents were further requested to indicate to what extent the supermarket broadly differentiates along outbound logistics and distribution activities that allow for faster delivery, more accurate order filling, lower shipping costs, and fewer warehouse and on-the-shelf stock outs. The results obtained are presented as shown in the table 4.5.4.

Table 4.5.4: Differentiation along Outbound Logistics Activities

Extent	Frequency	Percentage
Very large extent	15	37.5
Great extent	17	42.5
Moderate extent	5	12.5
No extent	3	7.5
Total	40	100

From the above findings shown in table 4.5.4, it was established that supermarkets to very large and great extent differentiated the supermarket broadly differentiates along outbound logistics and distribution activities that allow for faster delivery, more accurate order filling, lower shipping costs, and fewer warehouse and on-the-shelf stock outs.

4.6 Generic Strategies: Focus Low Cost and Differentiation Strategies

The researcher also requested the respondents to indicate the extent to which there supermarkets use focus strategy. The results are shown as below.

Table 4.6.1: Focus/ Niche Strategy.

Extent	Frequency	Percentage
Very great extent	20	50
Great extent	16	40
Moderate extent	4	10
To no extent	0	0
Total	52	100

From the above findings shown in table 4.6.1, supermarkets shown they use Focus Strategy to a very large and great extent. This implies that supermarkets put much emphasis on Focus strategy.

4.6.2 Low Cost Niche Strategy

The researcher also requested the respondents to indicate the extent supermarkets aim at serving buyers in the target market niche at a lower cost and lower price than rival competitors. The results obtained are presented as shown in the table 4.6.2

Table 4.6.2: Low Cost Niche Strategy

Extent	Frequency	Percentage
Very great extent	15	37.5
Great extent	15	37.5
Moderate extent	6	15
To no extent	0	0
Total	40	100

From the above findings shown in table 4.6.2, supermarkets shown they target Niche markets at low cost Strategy to a very large and great extent at (37.5 percent) and (15 percent) at moderate extent. This implies that supermarkets put much emphasis on Focus strategy at low cost.

4.6.3 Special Requirement

The researcher also requested the respondents to indicate to what extent the buyer needs specialized requirements to us the product. The results obtained are presented as shown in the table 4.6.3.

Table 4.6.3: Special Requirement

Extent	Frequency	Percentage
Very great extent	3	7.5
Great extent	16	40
Moderate extent	18	45
To no extent	3	7.5
Total	40	100

From the above findings shown in table 4.6.3, respondents indicated that buyers need specialized requirements to use the product to great and moderate extents. This implies that supermarkets may incur costs towards facilitation of buyer's user ability as well as customers would be willing to pay more for some products that need specialized requirements to use.

4.6.4 Special Product

The researcher also requested the respondents to indicate to what extent the supermarket consider Special product attributes that appeal only to niche members. The results obtained are presented as shown in the table 4.6.4.

Table 4.6.4: Special Attributes

Extent	Frequency	Percentage
Very great extent	11	27.5
Great extent	9	22.5
Moderate extent	2	5
To no extent	8	20
Total	40	100

From the above findings shown in table 4.6.4, respondents indicated that supermarket considers Special product attributes that appeal only to niche members.

4.6.5 Geographical Uniqueness

The researcher also requested the respondents to indicate to what extent the supermarket considers geographical uniqueness in its operations.

The results obtained are presented as shown in the table 4.6.5.

Table 4.6.5: Geographical Uniqueness

Extent	Frequency	Percentage
Very great extent	30	75
Great extent	2	5
Moderate extent	8	20
To no extent	0	0
Total	40	100

From the above findings shown in table 4.6.5, respondents indicated that supermarket considers geographical uniqueness in its operations to a very large extent.

4.6.6 Niche Profitability

The researcher also requested the respondents to indicate to what extent are target niche big enough to be profitable and offer good growth potential. The results obtained are presented as shown in the table 4.6.6.

Table 4.6.6: Niche Profitability

Extent	Frequency	Percentage
Very great extent	21	52.5
Great extent	11	27.5
Moderate extent	4	10
To no extent	4	10
Total	40	100

From the above findings shown in table 4.6.6, respondents indicated to a very large and great extent that target niche markets are big enough to be profitable and offers good growth potential.

4.6.7 Industry Segmentation

The researcher also requested the respondents to indicate to what extent was the industry segmented. The results obtained are presented as shown in the table 4.6.6.

Table 4.6.7: Industry Segmentation

Extent	Frequency	Percentage
Very great extent	0	0
Great extent	22	55
Moderate extent	13	32.5
To no extent	5	12.5
Total	40	100

From the above findings shown in table 4.6.7, respondents indicated to a great and moderate extent that the industry was segmented.

4.6.8 Rivalry in Niche Market

The researcher also requested the respondents to indicate to what extent were other rivals attempting to specialize in the same target segment. The results obtained are presented as shown in the table 4.6.8.

Table 4.6.8: Rivalry in Niche Market

Extent	Frequency	Percentage
Very great extent	4	10
Great extent	23	57.5
Moderate extent	10	25
To no extent	3	7.5
Total	40	100

From the above findings shown in table 4.6.8, respondents indicated to a great extent that other rivals were attempting to specialize in the same target segment.

4.6.9 Rivalry along Capabilities and Resources

The researcher also requested the respondents to indicate to what extent the supermarket competed effectively against competitors based on the capabilities and resources it has to serve the targeted niche and the customer goodwill it may have built up. The results obtained are presented as shown in the table 4.6.9.

Table 4.6.9: Rivalry along Capabilities and Resources

Extent	Frequency	Percentage
Very great extent	28	70
Great extent	3	7.5
Moderate extent	6	15
To no extent	3	7.5
Total	40	100

From the above findings shown in table 4.6.9, respondents indicated to a great extent that their supermarket competed effectively against competitors based on the capabilities and resources it had to serve the targeted niche and the customer goodwill it may have built up.

4.7 Regression Analysis

Table 4.7.1: Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.650[a]	.423	.338	1.255

Where:
R is pearson's coefficient of correlation
R squared is coefficient of determination

Since R is 0.65 therefore it means there is strong positive correlation between Competitive advantage and the generic strategies (low cost, best cost, broad differentiation, focused low cost and focused differentiation). Since R squared is 0.423 or 42.3% , it means that 42.3% of the variations in competitive advantage are explained by the variables in the model (generic strategies), The rest 57.7% of the variations in competitive advantage are explained by other factors not in the model.

Table 4.7.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.257	5	7.851	4.988	.002[b]
	Residual	53.518	34	1.574		
	Total	92.775	39			

P value = 0.02<0.05 hence there is a factor within the model which is significantly linear related to competitive advantage.

Table 4.7.3: Linear regression coefficient table

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-7.681	2.502		-3.070	.004
Broad differentiation	1.505	.584	.795	2.579	.014
Focused differentiation	.474	.360	.307	1.319	.196
Best Cost	.009	.430	.004	.021	.984
Focused Low Cost	.518	.301	.357	1.718	.095
Low Cost	1.058	.343	.515	3.089	.004

The resulting Linear Regression function is;
$Y=a + b_1X_1 + b_2X_2 + b_3X_3+ b_4X_4 + b_5X_5$
$Y = -7.681+ 1.505X_1 + 0.474 X_2+0.009 X_3+0.518 X_4+1.058X_5$
The model is presented as follows:
$Y=a + b_1X_1 + b_2X_2 + b_3X_3+ b_4X_4 + b_5X_5$

Where:
Y is the value of the Dependent variable (Y), the completive advantage being predicted.
a (Alpha) is the Constant or intercept
b_1 is the Slope (Beta coefficient) for X_1
$\mathbf{X_1}$ First independent variable (Broad Differentiation) that is explaining the variance in Y
b_2 is the Slope (Beta coefficient) for X_2
$\mathbf{X_2}$ Second independent variable (Focused differentiation) that is explaining the variance in Y
b_3 is the Slope (Beta coefficient) for X_3
$\mathbf{X_3}$ Third independent variable (Best cost) that is explaining the variance in Y
b_4 is the Slope (Beta coefficient) for X_4
$\mathbf{X_4}$ Forth independent variable (Focused low cost) that is explaining the variance in Y
b_5 is the Slope (Beta coefficient) for X5
$\mathbf{X_5}$ Fifth independent (Focused differentiation) variable that is explaining the variance in Y

4.8 Discussion

From Linear Regression function a unit change in Broad Differentiation resulted to a 1.505 unit change in the competitive advantage, a unit change in Focused differentiation brought about a 0.474 unit change in the competitive advantage, a unit change in Best cost brought about a 0.009 unit change in the competitive advantage, a unit change in Focused low cost brought about a 0.518 unit change in the competitive advantage, while a unit change in Focused differentiation brought about a1.058 unit change in the competitive advantage.

Tests were conducted to test the hypothesized relationship between the five independent variables and the competitive advantage. An examination of the p- values (Sig.column in Table 9) shows that Broad Differentiation ($p=0.014$) and Low Cost ($p=0.004$) both have a significant influence on the competitive advantage of the supermarkets at 5% alpha level hence I reject the null hypothesis on Broad Differentiation and Low Cost while focused Best cost, Focused Differentiation and Best Cost ($p=0.984$, 0.196, 0.95 respectively) all have no statistically great significance influence on the competitive advantage of the supermarkets leading to not rejecting the null hypothesis on Best cost, Focused Differentiation and Best Cost that they have no significant influence on the competitive advantage of the supermarkets

4.8.1 Challenges Faced By the Company in Implementing the Formulated Generic Strategies.

The study cited different challenges that the supermarkets faced in implementing generic strategies. These were numerous industrial changes, changes in demand variability (customer tastes and preferences) and service improvement as well as meeting high cost of capital. The respondents said due to the rapidly changing dynamics of the market, it was not easy to come up with a long-term strategy and the cost of implementing some strategies may be too expensive. It was also hard to carry out markets analysis since the competitors had a lot of confidentiality which made it even harder to decide on the right counter competitive move.

Porter (2007) describes competitive strategy as “the search for a favorable competitive position in an industry, the fundamental arena in which competition takes place” he further explain that “competitive strategy aims at establishing a sustainable position against the forces that determine industry competition”, This involves identifying sources of competition in the ever changing environment then developing strategies that match organizational capabilities to changes in environment. According to Porter (1998) “competitive strategy is about being different.” Rapid change of customer tastes and preferences, some supermarkets have eateries and so to those who don’t, they might face less inflow of customers since customers want to do all their shopping and even have something to eat the same time. For some supermarkets this is not possible due to inadequate space and capital needed to equip a modern eatery.

4.8.2 Comparison with Theories

According to Porter (2007) describes competitive strategy as “the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs” he further explain that “competitive strategy aim to establish a sustainable position against the forces that determine industry competition”, This involves identifying sources of competition in this ever changing environment then developing strategies that match organizational capabilities to the change in environment. The management of some of the supermarkets in the study understands this strategy as they have implemented the strategy by opening their supermarkets day and night and locating them near bus-stops.

Barney (1991) states that the following are the key characteristics of a resource to be strategically important: Valuable; there is no point having a resource if it does not deliver value to the firm. Rare; resources that are owned by a large number of firms cannot offer competitive advantageas they cannot deliver a unique strategy. Inimitable; resources can only be a source of sustained competitive advantage if firms without these resources cannot obtain them. Lastly they must be non-substitutable; that other organizations cannot make a look alike of the resource. In this reference, most supermarkets have adopted a system where they brand their own products. These branded products remain unique to that particular supermarket and customers will specifically go to buy that branded product that which they deem to provide best value for their money. Examples of these branded products are; flour, sugar, washing soap and rice.

4.8.3 Comparison with Other Empirical Studies

It has been demonstrated that a supermarket is not just a retail shop, a one-stop shop with an under one roof strategy. This is seen in recent supermarkets which have embraced eateries and have place for people to eat. This offers the customer a more convenience while shopping at one go, divergent from the traditional kiosk where a customer just shops and leaves. The case here is that, the supermarkets provide a speedy and reliable way to do one’s shopping.

Njenga (2006) argued that the growth of the economy has come with the rise in competition. Supermarkets are quickly diffusing into small towns to target not so well off individuals in Kenya. This state is similar to that of South Africa. It brings about more advantage since customers don’t have to travel too far to get services of these retail outlets. Some of supermarkets in fact offer an after sale service: transport goods to the customer homes resulting to more sales as the customer is not worried of the courier services and cost. Such advantages, as documented by Michael Porter and others are fundamental to the economic growth of the country.

V. Summary, Conclusion And Recommendations

5.1 Introduction

This chapter presents the summary of the findings, conclusion and recommendations for practice and other further research on the problem. The aim of the study was to establish the key generic strategies adopted to create sustainable competitive advantage among tier 1 supermarkets in Kenya.

5.2 Summary of the Findings

The main purpose of the study was to establish the generic strategies adopted towards creation of competitive advantageamong tier 1 supermarkets in Kenya. The study established that supermarkets use generic strategies such as broad differentiation, a low-cost provider, best cost leadership, focused low-cost strategy and focused differentiation variably. It was established that broad differentiation strategy was a adopted to a very large extent by supermarkets from supply chain logistics to outbound logistics. It was established that geographical area and customer/buyer characteristics inform focus differentiation strategy by supermarket to a great extent.

The study further deduced that adoption of cost leadership as a competitive strategy affects performance of the supermarket to a little extent. The study established that the image of the business is one of the main elements in customer satisfaction and high stock turnover which translate to high profits for customers hence help in building a superior market position. Price cuts rarely attract customers to the supermarkets as well as low cost strategy doesn't abruptly create a competitive advantage; a case experienced at Uchumi. The research emphasized the same thought as some supermarkets charged higher prices on household items as compared to other supermarkets and yet attracted more customers. Customers tend to identify themselves with successful entities.

The responses have also shown that supermarkets have used location of their premises as a key competitive strategy. The supermarkets put more emphasis on the location since most of their customers do not want to travel long distances to shop. This was evidenced when the supermarkets near the bus terminals and residential areas received large numbers of customers irrespective of charging a higher price. The observation and subsequent determination of the impact of generic strategies on competitive advantage was reached after systematic analysis which was afforded by descriptive analysis; percentages and averages were represented in tables. Other important factors which emphasize the aforementioned strategies are prices, social status, customer service level and professionalism among others. Therefore in strengthening the generic strategies, great care must be taken in ensuring that the right proportion is being employed so that the chain could create a competitive advantage. It was established that supermarkets use branding and consider quick services, product packaging and after sale services to be of great importance in the ever competitive industry.

It was also revealed that it was not easy to come up with long-term strategies due to dynamics of the market and the fact that the cost of implementing some strategies was too expensive. It was also difficult to analyze markets and meet customer requirements; competitor had a lot of confidentiality which made it difficult to decide on the right counter competitive strategy.

5.3 Conclusion

Based on the findings of the study, broad differentiation and focused differentiation Strategy is the most effective strategy to use. Broad differentiation strategy along outbound logistics and distribution activities as well as differentiation strategy along Product RandD and Technology activities are the most commonly used strategies. Factors inspiring customers buying behavior need to be improved. The majority of customers who shop at supermarkets are middle and upper class people hence to improve the customer numbers; supermarkets need to position themselves strategically, in terms of location and adequate space favoring these two categories. Supermarkets which are situated far away from the bus terminals should embrace other strategies, like transporting bulky items on behalf of customers to the bus stage using trolleys. Promotion could influence the creation of the brand image of a supermarket, its products and services, defining the characteristics of the existing and new products/services that will be introduced in the market. Promotion makes efforts towards preserving the popularity of products which are in the declining phase of their life cycle. Promotion is key and necessary for those products which consumers must be informed of the advantages which they hold, in comparison with other competitive products for which consumers are not informed. Companies consider various factors in developing promotional programs, where the most important are the type of product, target market, buyer's decision process, product life cycle stage and distribution channels (Belch and Belch, 2003).

The study also conformed to Brennan's (1991) survey of retailers in small towns in Minnesota regarding the actions they had taken to compete with discounters (low prices) and the success of those actions where providing specialized services, Offering better quality products and Improved customer service were most successful strategies. On the other hand, increasing sales and promotions, Lowering prices and Increasing advertising were least successful.

5.4 Recommendations

The study was aimed at establishing the generic strategies adopted towards creation of competitive advantageamong Kenyan selected top supermarkets in Kenya and the challenges they encounter. One of the biggest challenges was radical market changes that make supermarkets regularly change their strategies. For policy, the study recommends that the government through its finance ministry should keep on checking on inflation, Kenya shilling strength, interest rates and anti money laundering. This will aid long term strategies hence reducing the cost of strategy formations and re-implementation.

The study established that supermarkets have competitive generic strategies. However, there were weaknesses and lapses in the implementation process due to not following the best practices. The study therefore recommends the supermarkets to adhere to best practices such as having a visible and effective communication process spearheaded by experienced personnel that ensures that information on competitive strategy is timely and effectively communicated across the organization. Supermarkets need to embrace digital market with a keen target for the youthful generation who frequent the internet. Supermarkets' Human Resource Management is supposed to hire specialized individuals and continuously training their employees to help them maintain and improve the quality that consumers demand hence able to develop a competitive edge. Continuously training often help in ensuring relevance and effectiveness in today's dynamic business environment. The image of the enterprise is protected by the knowledgeable and focused employees. Customer-seller relationship serves as an important ingredient in service delivery and overall enterprise growth. Differentiation strategy along distribution, logistics and technology infrastructure remain a key focus in creating a competitive edge.

5.5 Limitations of the Study

The study was limited to the cited categories of generic strategies due to limited time provided. However, there may be other strategies which can be employed by the organization to keep competitive edge that have not been covered in this study. The study is also limited to top tier supermarkets in Kenya and hence the findings can only be generalized to top tier supermarkets only.

5.6 Suggestions for Further Research

Since coefficient of determination is 42.3%, it means that 42.3% of the variations in competitive advantage are explained by the variables in the model (generic strategies). The rest 57.7% of the variations in competitive advantage are explained by other factors not in the model. Research can be conducted to uncover these other strategies. In earlier research conducted by other researchers alongside this, the marketing managers themselves felt that strategies adopted depended on the life cycle or financial position of a certain supermarket. Some strategies fit coming before others in a sequential order hence a study may be able to elaborate the sequence of strategy adoption further.

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APPENDICES

Appendix I: Letter of Introduction

Dear Respondent,

I am Martin Mwirigi, a student undertaking Masters in Business Administration-Strategic Management at Kenya Methodist University.

I am carrying out a research on generic strategies adopted to create a sustainable competitive advantage among Kenyan supermarket chains.

This is to enable me to complete my research which is a partial fulfilment for the requirement of the reward of my masters' degree in MBA.

I hereby kindly request for your assistance in answering the questions contained in the questionnaire. In this regard your response and the information obtained from your enterprise will be treated with utmost confidentiality and used for academic purposes only. Your co-operation will be highly appreciated.

Thank you in advance.

Appendix II: Questionnaire

Kindly tick as appropriate or put your response in the space provided. Information will be treated with utmost confidentiality.

Section A: General Information

1. Name of the supermarket…………………………………………………..
2. Job Title……………………………………………………………
3. What is your level of experience in years in the industry? (Tick as appropriate)

a) Below 5years ( )
b) 6-10 years ( )
c) 11-20 years ( )
d) Over 21 years ( )

4. Years in operation of the supermarket (Tick as appropriate)

a) Below 5 years ( )
b) 6-10 ( )
c) 11-20 ( )
d) 21 and above ( )
5. What is the number of branches the supermarket has?(Tick as appropriate)
a) Below 5 ( )
b) 6-10 ( )
c) 11-20 ( )
d) Above 20 ( )
6. What is the number of employees in the supermarket?(Tick as appropriate)
a) Below 100 ( )
b) 101-150 ( )
c) 151-200 ( )
d) 201 and above ( )

Section B: Performance of Supermarket chains in Kenya
7. Tick appropriately two statistics best defining the Competitive Advantage highly created by the supermarket in the last one year.
α) Lower cost ( )
β) Differentiation ( )
χ) Superior market position ( )
δ) Financial Profitability ( )

8. Please make a comparison of your organization's performance level to that of competitors for each of the five items, during the last three years by ticking a appropriate in the table below.

Competitive advantage indicator	**Average over three years**				
	Lowest 0-20%	**Lower 20%-40%**	**Middle 40%-60%**	**High 60%-80%**	**Highest 80%-100%**
Low Operational Cost					
Differentiation					
Superior Market Position					
Profitability					

Section C: Generic Strategies
9. To what extent are prices competitive? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

10. To what extent are products identical in the market? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

11. To what extent are suppliers readily available? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

12. To what extent are the switching costs costly? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

13. To what extent do market target value-conscious buyers? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

Section D: Generic Strategy; a Low-Cost Provider Strategy

14. To what extent does the supermarket incorporate attractive attributes at a lower cost than rival? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

15. To what extent does the supermarket lower costs and incorporating good-to-excellent attributes than rivals? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

16. To what extent does the supermarket balance a strategic emphasis on low cost against a strategic emphasis on differentiation? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

Section E: Generic Strategy; a Broad Differentiation Strategy

17. To what extent does the supermarket broadly differentiate along Supply chain activities to grow performance or quality of the company‘s end product? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

18. To what extent does the supermarket broadly differentiate along Product RandD activities that aim at improved product designs and performance features? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

19. To what extent does the supermarket broadly differentiate along Production RandD and technology-related activities that permit custom-order manufacture at an efficient cost, make production methods safer for the environment, or improve product quality, reliability, and appearance? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

20. To what extent does the supermarket broadly differentiate along outbound logistics and distribution activities that allow for faster delivery, more accurate order filling, lower shipping costs, and fewer warehouse and on-the-shelf stock outs? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

Section F: Generic Strategy; a Focus/Niche Strategy

21. To what extent does the supermarket aim at serving buyers in the target market niche at a lower cost and lower price than rival competitors? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

22. To what extent can the supermarket lower costs significantly by limiting its customer base to a well-defined buyer segment? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

23. To what extent does the buyer need specialized requirements to us the product? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

24. To what extent does the supermarket consider Special product attributes that appeal only to niche members? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

25. To what extent does the supermarket consider geographical uniqueness in its operations? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

26. To what extent are target niche big enough to be profitable and offers good growth potential? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

27. To what extent is the industry segmented? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

28. To what extent are other rivals attempting to specialize in the same target segment? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

29. To what extent does the supermarket compete effectively against challengers based on the capabilities and resources it has to serve the targeted niche and the customer goodwill it may have built up? (Please tick one)
a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a no ext**e**nt ( )

30. Please name three most critical challenges (where first is the greatest challenge) which your organization faces in its implementation of the generic strategies.

Appendix III: List of supermarkets

Foreign-based supermarket chains
Carrefour
Choppies Enterprises
Game Stores
Local supermarket chains
Nakumatt
Naivas Limited
Uchumi
Society Stores
Chandarana Supermarkets
Cleanshelf Supermarkets
G-Mart Supermarkets
Jaharis Supermarkets
Kassmart Supermarkets
Maguna Andu Supermarkets
Maathai Supermarkets
Ng'ororgaa Supermarkets
PakMatt Supermarket
Quickmart Supermarkets
Selfridges Supermarkets
Rikana Supermarkets
StageMatt Supermarket
Tumaini Supermarkets
Karrymatt Supermarket
Ukwala Supermarkets

Source; (*www.kra.go.ke/notices*)

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