CREATING AND SUSTAINING COMPETITIVE ADVANTAGE IN THE CHANGING BUSINESS ENVIRONMENT

A CASE STUDY OF FIRESTONE EAST AFRICA (1969) LTD

by

ERIC KIMATHI KIRIMA

UNITED STATES INTERNATIONAL UNIVERSITY

FALL 2000
CREATING AND SUSTAINING COMPETITIVE ADVANTAGE IN THE CHANGING BUSINESS ENVIRONMENT: A CASE STUDY OF FIRESTONE EAST AFRICA (1969) LTD.

By

ERIC KIMATHI KIRIMA

A project report submitted to the graduate faculty of the School of Business in partial fulfillment of the requirement for the Masters Degree in Business Administration

UNITED STATES INTERNATIONAL UNIVERSITY
NAIROBI

FALL, 2000
STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the USIU in Nairobi, for academic credit.

Signed:  
Date: 2ND MARCH, 2001.

ERIC KIMATHI KIRIMA

This project paper has been presented for examination with my approval as the appointed supervisor.

Signed:  
Date: 05-03-01

PROF. AFRIFA GITONGA,
ASSOCIATE PROFESSOR OF MANAGEMENT

Signed:  
Date: 4/4/2001

DEAN, SCHOOL OF BUSINESS

Signed:  
Date: 24/4/01

DEPUTY VICE CHANCELLOR,
ACADEMIC AFFAIRS
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DEDICATION

This project is dedicated to the most important person in my life, my mom, Agnes K. Kirima. I am blessed and fortunate to have you as my mother.

Also to my sisters Fridah, Carol and Faith as a legacy of love.
Abstract

Competitive advantage is all about winning and staying a winner. It is about a style of management that seeks to achieve sustained leadership by out-thinking the competition with more effective strategies and by outperforming the competition with superior quality and customer satisfaction. This study therefore sought to investigate the customer needs at Firestone East Africa (FSEA), more so after the liberalization of the Kenyan economy, that brought about a diverse choice of products and services; so as to assess whether FSEA is ably creating and sustaining competitive advantage in the changing business environment.

This study mainly used primary data collected through a structured questionnaire administered to 54 respondents located in Thika and Nairobi. To complement this data, secondary data was gathered from various relevant sources. The data obtained was analyzed using both qualitative and quantitative techniques. The techniques used included measurement of central tendency and dispersion, and simple linear regression analysis.

This research reveals that competitive advantage grows fundamentally out of value FSEA is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. The difference between value, that is, what buyers are willing to pay for a product or service, and the cost of performing the activities involved in creating it, determines the profits. 94.43% of respondents insisted on continuous improvement on quality of products as being key to sustained product loyalty. 88.90% of the respondents also pinpointed that the price of a product is a significant factor while making a purchase decision.

88.89% of the respondents felt that FSEA has addressed the above issues poorly,
mostly out of indifferent leadership, lack of vision and blurred focus as well as shying away from creativity.

The conclusion arrived at by the end of the study was that FSEA was not currently practicing strategic management, and consequently was not creating competitive advantage in its area of operation. Therefore, the firm has suffered a nose-dive in dealer confidence, slumping market share and low end-user loyalty attributed to higher pricing relative to competition and below par services. FSEA is thus faced by a daunting task of adopting certain strategies to deal with changes in the environment.
Acknowledgements

One of the sweet pleasures of coming to the end of a challenging project such as this one has turned out to be is having the opportunity to express my deep appreciation to the various individuals and organizations that, in various ways, made its completion possible.

While I have taken numerous days to synthesize the ideas in this project, they would never have gotten between two covers without the help of a great many friends and associates. Among the first to be acknowledged are my past colleagues at Firestone East Africa (1969) Ltd. It is certainly invidious to mention only a few names at Firestone, but nevertheless, I wish to extend a special word of gratitude to a marvelous group of fellows, including Mr. Peter Gitonga, Mr. Iqbal Ismail and Mr. Hiroshi Yamazaki. To you gentlemen, I give thanks for the warm working environment, intellectual stimulus you provided, and for your personal warmth and good ideas that you extended to me during a memorable three year stint at Firestone.

My research was facilitated by the skilled and helpful proprietors of the many Firestone dealerships within and outside this country. They asked not to be mentioned by names, but to all I am deeply grateful, especially those who took precious time to give views and answer the questionnaire. It is my sincere hope that the findings of this project will go a long way in answering cum solving many of their problems.

A number of friends and colleagues read all or parts of the manuscript at various stages in its preparation, and their insights, suggestions, and other forms of assistance have enriched this project in many ways. Particularly, I extend special thanks to Rose M. Kariuki for the numerous proof reading and typing sessions she facilitated to ensure its completion; the degree of forbearance, far beyond that which I had right to expect; and the demands of this project that often pushed other responsibilities that she had into second place. To you goes my biggest and most heartfelt “Thanks”.

-V-
My sincere thanks are due to Professors Afrifa Gitonga and Isaac Riak, both of United States International University - Africa, for their careful and helpful critical comments as well as their unflagging support as they were my supervisors in every phase of its development, from conception through its numerous drafts. Thank you all for your dedication to scholarship; your wisdom has benefited my work enormously. Whatever small amount of managerial relevance and thoughtful insights achieved in this project owes much to your shining example.

I took up this project under the stimulating guidance of my mentors and parents, the late Mr. O. Kirima and Mrs. A. Kirima. Their wise counsel, penchant for persistence, unfailing encouragement and critical spirit, as well as their courage in the face of unexpected adversities have been a constant inspiration. As a small and inadequate token of my enduring appreciation, this project is dedicated to their steady hands and a sunny spirit.

In spite of all this support, the final responsibility for the accuracy of data, soundness of conclusions and for what is in this project is mine, but we all shared in its creation.

ERIC KIMATHI KIRIMA.
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<td>FS</td>
<td>Firestone Corporation</td>
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<tr>
<td>BS</td>
<td>Bridgestone Corporation</td>
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<td>BS/FS</td>
<td>Bridgestone/Firestone Corporation</td>
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<td>FSEA</td>
<td>Firestone East Africa (1969) Ltd.</td>
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<tr>
<td>ICDC</td>
<td>Industrial &amp; Commercial Development Corporation</td>
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<tr>
<td>SAP</td>
<td>Structural Adjustment Programs (SAPs)</td>
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<td>TQM</td>
<td>Total Quality Management</td>
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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND INFORMATION.

Firestone East Africa (1969) Ltd., was established in Kenya in the year 1969 with the entry of the giant American tyre manufacturer Firestone Inc. in the Kenyan market. Prior to this move, Firestone Corporation had other established operations in Africa, notably in South Africa and Liberia, where the firm owned rubber plantations. As was the trend before the liberalization of the Kenyan economy, the Government controlled the majority shareholding (51%) and Firestone Corporation had 49%. In 1985, the Government relinquished its control of the firm via the sale of its shares in the market, through its investment arm, the ICDC. During this re-organization, Sameer Group of companies bought 54% and the general public 30%. The remaining 16% was left with Bridgestone Corporation.

FSEA is therefore a locally incorporated firm, listed in the Nairobi Stock Exchange (NSE). It currently employs over 750 people and produces over 70 different tyre types and sizes, ranging from passenger car tyres to tractor and earth mover tyres, both textile and steel belted, in its Nairobi plant. The current production capacity stands at 2400 units of assorted tyres per day, though production is largely determined by the market forces of demand and supply, hence production fluctuates
between 1500 to 2400 tyres per day. As for those special or rather unique tyre sizes required in small quantities and don't economically justify local production, FSEA sources them from the sister companies in Japan, South Africa, or any other production site owned by BS/FS Inc. world wide.

Apart from its presence in the Kenyan market, FSEA has offices in Uganda and Tanzania for serving the export market in East and Central Africa.

Back in February 1982, Bridgestone had acquired a single tyre plant from the venerable USA tyre maker, Firestone. Six years later, in 1988, it acquired the entire Firestone Tyre & Rubber company for US$2.6 billion, by topping Pirelli's take over bid for Firestone. This Foreign Direct Investment (FDI) decision by Bridgestone is construed in this paper as a bold quest for leadership in the global tyre industry, which has been racked by over-capacity and intense struggle for market shares.

Before the liberalization of the Kenyan economy in 1993, FSEA had a commanding market share of the tyre industry, estimated to be over 95%. This was basically because the Kenya Government had protective control on interest rates, prices, credit guidelines, exchange rates, import licensing, allocation of foreign exchange, and other instruments of economy that made it a centrally planned economy.
Through this, the annual budgets were used by the Government to fix prices of commodities, taxes and other government revenue. The Government also used development plans and sessional papers to chart specific objectives with respect to interest rates, prices, credit guidelines, exchange rates, and import licensing.

Such controls were aimed at developing entrepreneurial skills and protecting sectors which would have been neglected in a free market economy, that is, the infant industries. Just like any other industry, the tyre industry was also characterized by Government controls, in the form of a complete ban on importation of tyre types and sizes that were locally produced. In addition to this ban, the Government also imposed a high tariff on imported finished goods (in this case tyres and tubes).

Over time, these controls led to distortion of prices, with inefficient production methods that led to high prices, poor quality of goods and services and poor delivery of essential services as a result of inadequate competition, strong monopolies, as well as emergence of business cartels bent towards sustaining controls of their specific niches in the economy.

**The new Competition**

In 1993, there was a transition to a market-determined economy where most controls were lifted. By 1999, virtually all controls had been
removed and budget, development plans and sessional papers were used as policy guidelines of economic development.

This followed changes in the conditions of the global arena, where many countries had already adopted the liberalization policy or were on the process of doing so. Thus, companies that had focused on simply doing more of whatever it was they traditionally did eventually found themselves overtaken by events. A number of Kenya’s most celebrated firms found themselves in deep trouble for this reason.

The immediate consequence of this liberalization on the tyre industry was easing of access to lower-priced and higher quality inputs from overseas suppliers by FSEA.

Thus the local suppliers of inputs faced stiff competition. But of major significance to this study was the access to other brands of tyres by other groups of business people, that is, anybody could now source tyres from any part of the world without restrictions. Consequently, the local tyre industry has witnessed the entry of numerous brands of tyres that have posed a big challenge to BS/FS and have eroded its market share significantly. As per a field survey conducted by FSEA in January 2000, on the market share of the firm in comparison to other major firms, BS/FS had 50% of the market share; Group Michelin 18%; Pirelli 17%; Kumho 3%; Hankook 2%; Dunlop 1%; Continental 1%; and others 8%.
Some notable entrants into this market include: Michelin, Pirelli, Continental, Kumho, Siam-Mustang, Hankook, Stomil, Alexandria, General Tyre, Maxmiller, Yokohama, Sumitomo, Toyo, Yellow-C, Apollo, Yantai, JK-Tyre, BF Goodrich, Cooper, Nisr, DongFeng, Goodyear, Dunlop and GT Tyres. It is estimated that the local market has over 50 brands of tyres available today.

This entry of stiff competition within a short period of time has led to deterioration in the competitive strength of FSEA.

This study attempted to investigate and analyze the effects of liberalization policies on BS/FS and its quest to remain the market leader through creating and sustaining competitive advantage in its area of operation.

1.2 RESEARCH PROBLEM

Liberalization has been implemented as part of the structural adjustment programs in less developed countries. In Kenya, the implementation of structural adjustment programs took place in the 1990s and their effects were felt in the manufacturing sector in general and the tyre industry in particular. Therefore, FSEA was not exempted from the effects of liberalization.

As for the tyre industry, the liberalization was intended to achieve efficiency through accomplishment of several measures. These were:
• Reduction of the Effective Rate of Protection (ERP) for the manufacturers of local inputs;
• Opening of the local market to foreign competition through removal of import ban;
• Improved competitiveness of the manufacturing sector, whereby:
  ❖ The quantity of inputs and outputs is improved;
  ❖ Improved delivery is realized;
  ❖ The final prices of the products decrease and become competitive;
  ❖ Export of tyres and tubes to other countries increases.

The above stated policy seem to have had mixed results in the entire manufacturing sector, and in particular the tyre industry. No previous studies have been conducted on the impact of liberalization in this industry despite its importance to the Kenyan economy.

This project aimed at establishing the ways in which the local industries have countered the effects of liberalization through creating competitive advantages in their business operations. This is important because competition that was brought about by liberalization of the economy has more than ever resulted to panic amongst previous industry players. Hence companies have employed diverse strategies to counter the effects of liberalization so as to halt the continued loss of market share and create customer loyalty. Secondly, there exists a knowledge gap amongst the industry players on the effects of liberalization; as it is not fully clear as to where the current trend of continued market distortion ends. Therefore, this research attempted
to truck down the trends on the tyre market and thus draw a logical conclusion on where the industry heads.

Lastly, there is lack of knowledge amongst the industry players on the current market forces that are determining the way forward. Thus, FSEA has continued to suffer from reduced profits as well as shrinking market share since the onset of liberalization. For example, as a per a special report on FSEA appearing on the Standard Newspaper dated May 2, 2000, the company's operating profits dropped by a whooping 47% in 1999, from Kshs.928 million (1998) to Kshs.628 million (1999). This is a big drop in just one operating financial year.

Therefore, this research attempted to establish whether FSEA has responded to the external environmental changes, brought about by liberalization; how it has done so; and whether such changes have been adequate and appropriate as per the expectations of FSEA customers.

1.3 RESEARCH QUESTIONS

This study attempted to answer the following questions with respect to the Kenyan tyre industry soon after its liberalization.

✓ What were the immediate consequences of the liberalization of economy on FSEA's operations and its strategy as a whole?
✓ How is FSEA modifying its strategies to create a sustainable competitive advantage after the liberalization?
Does FSEA’s appointed dealers fully understand their role/contributions towards the company’s strategies?

Do tyre dealers rate FSEA as an industry leader in the liberalized economy?

Is there a need to change the current FSEA strategies to reflect more on today’s market needs?

1.4 RESEARCH OBJECTIVES

The broad objective of this research was to explore the implications of liberalization policies on FSEA and the management methods adopted by FSEA to counter the turbulence brought about by the liberalization of the Kenyan economy.

Specific objectives in this study were the following:

- To establish the effects of liberalization policies on price, quality and delivery of services by FSEA;
- Identifying the behaviour and preferences of the tyre dealers in the liberalized tyre industry so as to establish if current FSEA strategy (ies) suits them;
- To identify the expectations of the customers in the tyre industry soon and after liberalization;
- To establish whether FSEA changed its strategies in response to changes in the environment attributed to liberalization;
- To establish whether the changes adopted by FSEA do meet customer expectations;
To identify the broad strategies being followed by FSEA in order to remain competitive in the tyre industry after liberalization.

1.5 IMPORTANCE OF THE STUDY

Existing data shows that the tyre industry is racked by overcapacity and intense struggle for market share and leadership; yet none of the key players has successfully managed to comfortably accomplish this goal of leadership. Strategic management is therefore an important component in any turbulent business environment, such as the Kenyan business environment. It is a significant activity that charts the way forward for any organization, and can mean the survival or total collapse of any business concern. In a broad perspective, this study will help in adding existing knowledge in the following key areas of strategic management today:

* Establishing the background of failing organizations: This will highlight the importance of strategic management as a vital component to be adopted by organizations as a means for survival.

Thus they can extend their field of competence beyond strategic planning to the larger perspective of strategic management by learning concepts of capability analysis and of strategic implementation so as to create and sustain competitive advantage.
The study will be of importance to scholars and key managers in organizations: It will establish the fact that strategic management pays dividends to those organizations that adopt it. It will give a strong proof to the advocates of strategic management that exercising strategic management is not only practical but essential in today's organizations.

Researcher: For the researcher, being a student of strategic management, the research will provide an in-depth understanding of the concept of strategy. Thus, this will act as a valuable tool in career development.

Future endeavours in business policy strategy formulation and implementation as well as in strategic management will be better handled from knowledge gained.

Management: The research will also be useful to the discipline and profession of management in general: It will give an insight into how management reacts to changes in the external environment; the research document could act as a referral document to strategic managers in a turbulent business environment.

Referral Material: The research findings can be used as a reference material for strategic managers in the turbulent Kenyan and global business environment.
FSEA: The results will be of particular concern to FSEA. It will give them an indication as to whether their strategic planning efforts are yielding results or not. They will ascertain what their customers expect of them and whether their perception of the customers align with consumer needs and wants. Thus the findings will help FSEA in making sound strategic plans for long-term business success.
CHAPTER TWO

LITERATURE REVIEW

2.1 STRATEGIC MANAGEMENT: AN OVERVIEW.

Strategic management is important for practical, systematic management of the adaptation by firms to discontinuous changes in the environment.

Igor Ansoff defines strategic management as a “Systematic approach to a major and increasingly important responsibility of general management: to position and to relate the firm to its environment in a way which will assure its continued success and make it secure from surprises”. ¹

The first step in the evolution of strategic management, according to Ansoff (1990:22), was taken in the late 1950s, when firms invented a systematic approach to deciding where and how the firm will do its future business. The analytic part of this approach has been named strategy formulation, and the process by which managers jointly formulate strategy has been given the name of Strategic Planning.

The second step was taken in the 1970s, when it was discovered that the internal capability of the firm has to be transformed whenever a firm makes a discontinuous change in its strategy. The process of

determining the capability needed to support the new strategy has been named **Capability Planning**.

The fourth and most recent step evolved from the organizational resistance, which was encountered by early efforts to implant strategic planning into the firm. The early prescription for overcoming the resistance was to secure enthusiastic support from top management. This turned out to be a necessary but far from sufficient solution. A currently emerging (1980s onwards) comprehensive approach is management of discontinuous change, which takes account of psychological, sociological, political and system characteristics of complex organizations.

Therefore, strategic management is a systematic approach for managing strategic changes which consists of the following:

(a) Positioning of the firm through strategy and capability planning;
(b) Real-time strategic response through issue management;
(c) Systematic management of resistance during strategy implementation.

The management system used by a firm is a determining component of the firm's responsiveness to environmental changes because it determines the way that management perceives environmental challenges, diagnoses their impact on the firm, decides what to do, and implements the decisions. The levels of turbulence in the business
environment have been changing with time. Ansoff (1990:35) states that as these levels of turbulence change, management has been developing systematic approaches to handling the increasing unpredictability, novelty and complexity. As the future becomes more complex, novel and less foreseeable, systems are becoming correspondingly more sophisticated, each complementing and enlarging upon the earlier ones. Thus, Ansoff has grouped the systems of management into four distinctive stages. These are:-

1. Management by control of performance, which was adequate when change was slow;
2. Management by extrapolation, when change accelerated, but the future could be predicted by extrapolation of the past;
3. Management by anticipation, when discontinuities began to appear but change, while rapid, was still slow enough to permit timely anticipation and response.
4. Management through flexible and rapid response, which is currently emerging, under conditions in which many significant challenges develop too rapidly to permit timely anticipation.

2.2 COMPETITIVE ADVANTAGE

According to Michael Porter (1986:2), international competition has become one of the most important issues facing firms and governments today. But the issue of international trade and competition is not new, having evolved over hundreds of years. "The
growing importance of international competition is well recognized both in the business and academic communities, for reasons that are clear when one examines just about any data set that exists on international trade and investment.\(^2\)

However, in the recent past, this issue has renewed interest, with the explosion of international trade and investment into new levels of competition with many multinational companies realizing that competing internationally as being a necessity rather than a matter of discretion. Firms no longer view the domestic and foreign spheres as separate and different but they see the whole, and thus must conceive and implement overall strategies for competing globally. "This change has been accelerated by the emergence across a wide range of industries of potent new international competitors, from countries such as Japan, Korea, and Taiwan".\(^3\)

At the same time, much of what firms have learned about international competition must be relearned because of a rapidly changing environment. Old ways of competing internationally have become obsolete; and new concepts have brought new industry players to prominence.

Firms are today searching for ways to convert world-wide production, marketing, research and development, and financial presence into competitive advantage. They face both pressures and offers of support

from home and host governments and must decide on when and how to respond.

2.3 THE CHANGING ENVIRONMENT OF INTERNATIONAL COMPETITION

Many organizations in Kenya are today faced with international competition amid currents and cross currents of change that heightened after the liberalization of the economy. Particularly with the liberalized economies of the world since 1980s, a number of broad forces have led to growing international competition and widespread globalization of industry scope and the Kenyan market has not been spared either. Some of the forces that have contributed to this turbalence are continuations of well – established trends, whereas others have emerged more recently. Michael Porter (1986:3-4) classifies them as:

✓ Growing Similarity of Countries:

The growing similarity in available infrastructure, distribution channels, and marketing approaches is continuing. More and more products and brands are available everywhere, manifesting similar buyer needs in different countries. Television advertising and large retail chains are just two examples of once isolated phenomena that are rapidly becoming universal.
✓ Fluidity of Global Capital Markets:
National capital markets are merging into a global capital market, characterized by large flows of funds between countries. Freer and more global capital markets have amplified the short-run variability of exchange rates as well as forces that are equalizing the cost of capital among countries;

✓ Falling Tariff Barriers:
Successful rounds of bilateral and multilateral agreements have lowered tariff levels markedly since World War II. At the same time, regional economic pacts such as the European Community (EC) and the East African Community (EAC) have been formed to facilitate trade and other relations among countries.

✓ Technological Restructuring:
Industry after industry has been significantly affected by some technological revolutions that are re-shaping competition. These developments are significant enough to shake-up industry structures and create unprecedented opportunities for shifts in international industry leadership.

✓ Integrating role of Technology:
Technology is not only reshaping industries but contributing to bringing countries together. Electronics and new materials are working together
to yield more compact, lighter products that are less costly to ship to any part of the world. Transportation costs have fallen; increasingly ease of communication and data transfer are creating opportunities to link operations in different countries.

Finally, information is flowing more freely to buyers located everywhere, and buyers are increasingly aware of and demanding products of world class.

 ✓ New Global Competitors:

 New players from other parts of the world like East Asia, Europe, America, and Australia have become full-fledged international competitors in the space of less than a decade. They have exploited the new international competitive conditions as well as the cross-cutting technological changes to leapfrog well-established rivals.

 ✓ Slowing Rates of Economic Growth:

 The world is today faced by a slowed and fitful world economic growth. Consequently, firms have been faced with slow and even negative growth and intense competitive rivalry. Less opportunities at home has made succeeding in international competition particularly important for firms, and the absence of buoyant growth has reshaped the attitudes of governments towards foreign penetration at home and the success of local companies abroad.
✓ New Forms of Government Inducements:

Another manifestation of the rising intensity of international competition is the growing rivalry among governments to attract foreign investments. Prospective foreign investors are greeted by dozens of bidders offering enticing packages that can strongly affect the economic attractiveness of locational choices. Governments are also increasingly aggressive in assisting their local firms to compete overseas.

✓ Proliferating coalitions among firms from different countries:

The increasing globalization of industry combined with the upheaval of competitive positions have spawned a proliferation of coalitions among firms from different countries. Firms are seeking to combine strengths and overcome weaknesses through collaboration that is broader and deeper than the marketing joint ventures and technology licences of the past.

Theoretically, therefore, strategic planning, and creating and sustaining a competitive advantage in the business environment is necessary. When these tactics are perfected, they enable the organization to attain a high growth by avoiding threats in the environment while at the same time exploiting opportunities in the same environment.
Nevertheless, every organization has a strategy that differs from that of a competitor, hence the top management is charged with the responsibility of developing and implementing strategies that can ensure the continued survival and growth of the firm.

2.4 PATTERNS OF INTERNATIONAL COMPETITION

The pattern of international competition differs markedly from industry to industry. According to Porter, "industries vary along a spectrum from multidomestic to global in their competitive scope" (Porter, 1986: 17). In multi-domestic industries, competition in each country is essentially independent of competition in other countries. A multidomestic industry is one that is present in many countries, but one in which competition occurs on a country-by-country basis. In a multidomestic industry, a multinational firm may enjoy a competitive advantage from the one-time transfer of know-how from its home base to foreign countries. However, the firm modifies and adapts its intangible assets in order to employ them in each country, and the competitive outcome over time is then determined by conditions in each country. The competitive advantages of the firm, then, are largely specific to the country. The international industry becomes a collection of essentially domestic industries – hence the term multidomestic. Industries where competition has traditionally exhibited this pattern include retailing, consumer packaged goods, distribution, insurance, consumer finance, and caustic chemicals.
A global industry is an industry in which a firm's competitive position in one country is significantly affected by its position in other countries or vice-versa. Therefore, the international industry is not merely a collection of domestic industries but a series of linked domestic industries in which the rivals compete against each other on a truly world-wide basis. Industries exhibiting or evolving towards the global pattern today includes the tyre industry, commercial aircraft, semiconductors, copiers and automobiles.

The implications for international strategy of this distinction between multidomestic and global industry are quite profound. In a multidomestic industry, a firm can and should manage its international activities like a portfolio. Its subsidiaries or other operations around the world should each control all the important activities necessary to do business in the industry and should enjoy a high degree of autonomy. The firm's strategy in a country should be determined largely by the competitive conditions in that country; the firm's international strategy should be country-centred strategy.

In a multidomestic industry, competing internationally is discretionary. A firm can choose to remain domestic or can expand internationally, if it has some advantage that allows it to overcome the extra costs of entering and competing in foreign markets. To become competitively dominant, corporations must have strategies, business processes, management systems, organizational culture, and
values that extend beyond the excellence of individual executives, organizations, or generations of corporate structures.

An organization must be structured to have the ability to respond excellently to external stimulus of global environmental conditions, market forces, opportunity, and industry dynamics. Those organizations that cannot respond are bound to retarded growth and ultimate extinction.

In this kind of environment, it will be increasingly difficult for corporations to sustain a leadership position. It will be impossible for corporations to achieve dominance without processes that recognize and anticipate future factors to respond in a way that gives them sustainable competitive advantage.

Competitive advantage seeks to position the company for future opportunities and growth through strategy and seeks to enable rapid and effective response to the opportunity through quality initiatives and offerings that delight customers.

To sustain industry and market-leadership, a firm must deploy policies that align and integrate strategy and quality initiatives. The principles and management practices of strategic thinking, strategic management, organizational transformation, organizational learning
and total quality management all address change, improvement, excellence, industry and market leadership. Competitive advantage builds on these principles and goes beyond.

John G. Sigonis and Beverly Goldberg, in their book “Corporation on the Tightrope” (1996: 3-4) states that “Business success does not rest on the infallible judgement. It rests rather upon the courage to experiment and the ability to learn from mistakes not succeed, is in the longrun, safer than too great caution. The minute a businessman (or woman ceases to be an experimenter and comes to regard himself .......... Experimentation, even taking into account the experiments that do (or herself) as an expert in business theory and practice, he (she) may be sure that dry rot has set in”.

2.5 EXISTING RESEARCH

Previous studies conducted in Kenya on organizations that offer services suggest that there is a need for aggressive implementation of TQM and strategic management concepts and principles so as to reverse the negative trends experienced by organizations in today’s ever-changing business environment.

Whereas it is true that other factors, such as the general economic slump currently being experienced in the country, unchecked dumping of goods in the market, and the unstable local currency have all contributed to the current negative performance of some organizations, it is worthwhile to note that such factors can be overcome, in a big way,
if a more radical approach to modern ways of business administration are implemented.

A research study conducted by Pamela A. Ambundo, "Total Quality Management, the case of Barclays Bank of Kenya", revealed that customers perceived themselves as having been receiving poor quality services when the bank fails to meet their needs (2000:81). The ability to solve errors and complications on transactions, efficiency and staff approachability were important factors that contribute to high quality service among customers.

Emma Achoki, in her study of "Strategic Responses To Changing Environmental Conditions in Not-For-Profit Organizations", observed that organizations should deliberately analyze and develop a clear understanding of the environmental factors that affect their operations and the effects of the changes in the environmental variables in their organizations (2000:47). This research seeks to expand these studies to cover those organizations that produce goods, and FSEA will be the organization under study.
CHAPTER THREE

RESEARCH METHODOLOGY

This study was a pioneering one, in that no other study of this nature in the tyre industry had been undertaken in Kenya prior to this one. It was a survey of the factors that lead to the creation and sustainance of competitive advantage in the business environment of the tyre industry.

3.1 THE POPULATION

The population of this study was the tyre dealers and distributors in Nairobi and Thika districts. This population was considered representative of the entire population of the tyre dealers and distributors in the country basically because these areas, particularly Nairobi province accounts for approximately 45% of the entire motor vehicle population in the country and is also the home of over 60% of all the tyre dealers in the country.

The results of the study’s population could justifiably be expected to be replicated in the other dealers across the country as the tyre dealers exhibit similar business characteristics while in the course of doing business. A sample survey covering 70 approved dealers in Nairobi and Thika was conducted. This represented 30% of the total dealers of tyres in Nairobi and Thika.
The choice of dealers in preference to end-users was basically because they interact directly with the tyre manufacturers and users; and most important is their ability to influence a sale; as majority of end-users will rely on information from the dealers before making a final choice of purchase.

3.2 SAMPLING FRAME

The sampling frame was the listing of dealers as it appears on the FSEA dealer catalogue. A random sampling technique was employed from this list to avoid biased information. This was considered the most comprehensive classified list of dealers in the country as available statistics shows that all major dealers of tyres, may it be in competition or FSEA exclusively have a strong attachment on FSEA brands, thus they deal with FSEA directly.

3.3 THE SAMPLING TECHNIQUE

A stratified sampling technique was adopted through formation of classes on the basis of dealers’ levels of specialization in the tyre industry as well as their financial capacity as this enables them to control their market segments. Therefore, the following classes were employed for this study:–

✓ Franchise Holders (dealers with over 90% specialization in a particular brand of tyres)
✓ General Distributors (Dealers with multiple brands in their stocks, no attached loyalty to a specific brand, but financially powerful);
✓ Subdealers (Dealers with limited financial muscle but prefer stocking various brands in limited quantities);
✓ Petrol Station outlets (Fuel outlets that seek to have a tyre-care centre in addition to their main line of operation that is fuel business);
✓ Drive-In Tyre Care Centre (Specialized tyre outlets with modern wheel equipments that seek to satisfy the needs of the upper class of the society through provision of advanced tyre and other automobile services).

A random sample was then drawn from each of the classes and independently studied. The total number of dealers studied was 70 or approximately 30% of the total tyre dealers in the area.

<table>
<thead>
<tr>
<th>CLASS</th>
<th>POPULATION</th>
<th>% AGE</th>
<th>SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise Holders</td>
<td>12</td>
<td>50%</td>
<td>6</td>
</tr>
<tr>
<td>General Distributors</td>
<td>48</td>
<td>30%</td>
<td>15</td>
</tr>
<tr>
<td>Sub-dealers</td>
<td>73</td>
<td>30%</td>
<td>25</td>
</tr>
<tr>
<td>Petrol Station Outlets</td>
<td>57</td>
<td>30%</td>
<td>20</td>
</tr>
<tr>
<td>Drive-In Tyre Care Centre</td>
<td>4</td>
<td>100%</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>194</td>
<td>36%</td>
<td>70</td>
</tr>
</tbody>
</table>
3.4 DATA COLLECTION METHOD

A structured questionnaire containing both closed and open-ended questions was administered to the proprietors as well as attendants of the dealerships.

Dealer performance data was obtained from FSEA records as well as sales data provided by the dealers themselves (secondary data). This data was used to analyze the trends in tyre sales before and after liberalization of the economy. A pilot test was conducted to a group of 5 dealers and necessary refinements/modifications were made. Then the questionnaires were issued to the dealers for filling. This was only after personally discussing with them the basis and purposes for the research. The questionnaires were collected one week later.

3.5 DATA ANALYSIS & PRESENTATION

Data analysis included both qualitative and quantitative techniques. Some of the techniques that were employed included:-

✓ Measurement of central tendency and dispersion eg. mean and standard deviation;
✓ Simple linear regression analysis;

The above methods were used for data analysis so as to provide accuracy and speed while analysing the data.

Responses from the open-ended questions were interpreted, coded and their frequencies were determined.

The following tools were used during data analysis.
✓ Cross-tabulation to check on differences between respondents and the central tendencies of the responses to each of the factors studied;

✓ Frequencies to determine the commonness of each of the factors that were to be highlighted by dealers;

✓ Descriptive statistics like mean, range, median, variance and standard deviation to determine central tendencies.

The analyzed data was then interpreted and presented in frequency tables and bar charts.
CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Summary of Responses

Data analysis and interpretation will be done in this section. The information will be presented as per the objectives of the research. A total of 70 FSEA appointed dealers were contacted and 54 (or 77%) of them responded.

Data is initially presented in table form so as to illustrate information with more than one variable. Other information is explained in writing only. In the written explanation, an attempt is made in some places to relate the research findings with conclusions and views made by various scholars referred to in the literature review.

The research findings as per the 54 respondents, are presented in the following sub-sections.
Table 1: Summary of types of dealerships

<table>
<thead>
<tr>
<th>Form of Dealership</th>
<th>Number in Sample</th>
<th>Responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise Holders</td>
<td>6</td>
<td>4</td>
<td>66.7%</td>
</tr>
<tr>
<td>General Distributors</td>
<td>15</td>
<td>13</td>
<td>86.7%</td>
</tr>
<tr>
<td>Sub-dealers</td>
<td>25</td>
<td>21</td>
<td>84%</td>
</tr>
<tr>
<td>Petrol-Station outlets</td>
<td>20</td>
<td>14</td>
<td>70%</td>
</tr>
<tr>
<td>Drive-In Tyre Care Centres</td>
<td>4</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>70</td>
<td>54</td>
<td>77.14%</td>
</tr>
</tbody>
</table>

n=54

Franchise Holders refers to dealers with over 90% specialization of FSEA stocks and with all modern tyre equipment like computerized wheel balancer, tyre changer and hydraulic car-lifting machines as well as thoroughly trained staff on tyre-handling techniques; they are financially powerful.

General distributors refers to dealers with multiple brands of tyres in stock, no attached loyalty to a specific brand, but with at least 75% of FSEA stocks; they are also financially powerful.

Sub dealers refers to dealers with limited financial muscle but prefer stocking various brands in limited quantities. They have approximately 60% of FSEA brands;
Petrol Station Outlets refers to fuel outlets that seek to have a tyre-care centre in addition to their main line of operation, that is, fuel business.

Drive-in Tyre Care Centers refer to specialized tyre outlets with modern wheel equipments that seek to satisfy the needs of the upper class of the society through provision of advanced tyre and other automotive services.

4.2 Product ratio in appointed dealerships

The researcher intended to establish the current stocking levels in terms of product ratios in dealerships; so as to know the trends of product ratio after liberalization of the economy. The following Table 2 gives a summary of product ratio.

Table 2: Summary of product ratios at dealerships

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive dealership of BS/FSEA products</td>
<td>12.96%</td>
</tr>
<tr>
<td>Product – variety dealership with a bigger BS/FSEA product ratio</td>
<td>24%</td>
</tr>
<tr>
<td>Product - variety dealership with a smaller BS/FSEA product ratio</td>
<td>63.04%</td>
</tr>
</tbody>
</table>

n = 54
The majority of respondents, that is, 63.04%, confirmed that they deal more with other brands of tyres other than BS/FSEA products.

Some of the reasons cited for their choice of increased stocking of products other than those of BS/FSEA include low profit margins on BS/FSEA products, more incentives provided by foreign companies on their products (example, quick response to customer demand), favourable prices for imported brands, a wider variety of tyres by foreign companies and higher quality of imported brands.

For those who exclusively deal with BS/FSEA brands (12.96%) they cited favourable discounts given by FSEA on bulk purchase, business relationship with FSEA stretching over a long period of time and fair credit facilities enjoyed from FSEA as reasons for their loyalty to FSEA. Yet others like petrol station outlets exclusively deal with FSEA because tyres are second line of business and thus care less on the negative factors cited above by other dealers.

However, some 24% of the respondents had a bigger FSEA product ratio in comparison to competitor brands but still preferred to stock other brands because of increasing customer demands for imported brands characterized by higher quality, cheaper products, superior aesthetics, and a wider variety to choose from.
4.3 Effects of liberalization on business

The researcher anticipated to establish both positive and negative effects of liberalization to the dealerships. The data in Table 3 below shows the response obtained.

Table 3: Effects of liberalization policies on business

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberalization policies had effects on the business</td>
<td>88.9%</td>
</tr>
<tr>
<td>Liberalization policies had no effects on the business</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

n = 54

Majority of respondents, that is 88.9%, confirmed that the liberalization policies had both positive and negative effects on their dealerships.

Some of the positive effects highlighted include competitive pricing of tyres, wider choice of products, improved quality of products, easy access of products from abroad (reduced import restrictions) and better customer-care services. In general, all the answers focused on improved products, distribution (place), price, promotion, people (manufacturers’s human resources) that is, the 5 Ps of marketing.

However, there were negative effects experienced too. These included sinful smuggling of products into the market, leading to availability of cheap products due to duty evasion. This negatively affects
dealerships as profitability is reduced due to unfair cut-throat competition. Other negative effects include substandard goods being now available in the market; dumping of goods (via diversion of goods meant for other neighbouring markets) and frequent currency fluctuation due to lack of Government control leading to unstable prices.

The 11.1% respondents who had responded to “no effect” of liberalization were all new dealerships who had been appointed after the liberalization of the economy and thus could not tell if they were affected in any way.

Some respondents argued that the liberalization of the economy has generally generated many changes whose value would be difficult to measure, for example, the improved quality of service and improved product quality.

According to the respondents, a major benefit is that FSEA, and all other major players in the local market are now aware of the competitive threats facing them. This calls upon them to realize and understand the concept of the internal and external customer care and realize the necessity of satisfying customer needs if the organization is to become a leader in each sector of its business.
4.4 Changes experienced by dealers after liberalization

The researcher intended to establish if there were changes in the way FSEA relates to them after the liberalization of the Kenyan economy. The data in Table 4 below shows the responses obtained.

Table 4: Significant changes in FSEA relationship with dealerships since liberalization.

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>There were changes from FSEA after liberalization</td>
<td>92.59%</td>
</tr>
<tr>
<td>There were no changes from FSEA after liberalization</td>
<td>7.41%</td>
</tr>
</tbody>
</table>

n = 54

Majority of the respondents, that is 92.59% indicated that FSEA has reacted to liberalization policies so as to remain in business. Some of the strategies and techniques FSEA adopted included introduction of credit facilities to appointed dealers, training of dealers and their staff on tyre-handling procedures, easy access to top management, introduction of marketing techniques (such as mass media advertising, product awareness, clinics and road-shows), hiring of competent staff, and introduction of customer-care department within sales and marketing.
The respondents felt that perhaps the biggest change is that of attitude. Not only has the workforce changed, but that of middle and senior managers as well. Although this culture change is by no means complete, there is objective evidence that the organization is moving in the desired direction. The tyre dealers believe that through sustaining this commitment and working as a team, they will help FSEA to effect and realize the required change.

4.5 Important aspects for a manufacturer's improved presence in the market.

The researcher intended to establish what factors are necessary towards continued growth of market share for any competitor in the market.

The following table summarizes the important aspects and their value to the customers.
The most popular aspects/attributes for a manufacturer's improved presence in the market includes good market intelligence (96.30%), good quality products (94.43%), competitive pricing (88.90%) and quick and efficient problem solving (83.4%).

Some respondents argued that companies must have well-deployed listening posts to gather fact-based information about the market and industry; they also must have management systems that continuously...
monitor, analyze and model this information. These listening posts provide the fact-based information for environmental scanning, the input to predict analytical modeling, and the trend data to assess shifts and anticipate change in consumer, industry or market preferences.

According to the respondents, the listening posts could be the dealers, market research, competitor analysis, Government reports, consultant reports, industry trade journals and industry-wide data bases.

The percentage of response (96.30% for market-intelligence) illustrates the importance of information as a tool for creating and sustaining competitive advantage.

Only a few respondents (2.85%) mentioned that physical presence (local production) and regular dealership visits were significant aspects for a manufacturer. This strongly confirms that the notion of promoting locally produced goods is fast fading in the country, as the world increasingly becomes a global village as a result of globalization.

4.6 Important features for a tyre buyer

In every purchase made for a commodity, there is a need or want that one seeks to fulfil. The researcher thus identified some specific features that could help in fulfilling the needs or wants for the buyers. The following table helps to relate some of the features important for a tyre buyer.
Table 6: Ranking of important features for tyre customers

<table>
<thead>
<tr>
<th>Feature</th>
<th>Ranking and Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Price</td>
<td>62.96</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>5.56</td>
</tr>
<tr>
<td>Quality</td>
<td>96.30</td>
</tr>
<tr>
<td>Brand name</td>
<td>48.14</td>
</tr>
<tr>
<td>Durability</td>
<td>88.9</td>
</tr>
<tr>
<td>Availability</td>
<td>98.15</td>
</tr>
</tbody>
</table>

\(n = 54\)

Key:

Score 1 = Most important

Score 6 = Least important

According to the respondents, the most significant items in determination of a purchase is availability of a product, quality, durability and price in that order. The explanations given for the above responses all indicated that there is a need for producing products and services that can be afforded by the intended users while bearing in mind the difficult economic times; thus a combination of a good quality product that is durable and affordable. This, according to them will almost guarantee a repeat purchase.
4.7 Dealer participation in new product development

The researcher intended to establish the level of participation of dealers in major decisions concerning tyre manufacture. The following table illustrates the responses.

Table 7: Dealer participation in new product development

<table>
<thead>
<tr>
<th>Level of participation</th>
<th>Percentage of Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very much</td>
<td>11.10%</td>
</tr>
<tr>
<td>Much</td>
<td>33.30%</td>
</tr>
<tr>
<td>Fair</td>
<td>24.07%</td>
</tr>
<tr>
<td>Little</td>
<td>25.93%</td>
</tr>
<tr>
<td>Very little</td>
<td>5.60%</td>
</tr>
</tbody>
</table>

n = 54

The results indicate that only 11.1% of FSEA dealerships participate in decisions involving development of new products. Majority of dealerships were not satisfied with the way they are either excluded or involved little in decision concerning tyre development and thus their expressions in either much, fair and little participation.

The respondents were in agreement that no organization can assume it is competing in a static environment where competitive forces are stable and predictable. New forces are constantly emerging which
abolish cherished assumptions, create new industry structures, and facilitate entry of hungry and smart new competitors.

An important observation made by respondents is that any organization that does not wish to be overtaken must be constantly alert for shifts in existing forces and for new, emerging environmental shifts via incorporating consumer tastes and preferences in its products and services.

This process requires the continuous analysis and study of customer attitudes and values. Some respondents believe that to make every customer life cycle experience memorable and to exceed the performance of the competition, every business processes must be customer-centric. To develop this cultural characteristic, an effective approach is to have customers actively participate in key business process of the firm such as new product development, product introduction and product planning cycles. This accelerates customers' understanding of their role in value creation and learning about the direct impact of their contribution to customer satisfaction. This continuous contact with customers reinforces a market and service orientation and culture.
4.8 Responsiveness of FSEA to complaints and suggestions

The researcher intended to establish how fast FSEA responds to market demands on tyres. The following Table 8 illustrates the responses obtained.

Table 8: FSEA's responsiveness to complaints and suggestions.

<table>
<thead>
<tr>
<th>Degree of responsiveness</th>
<th>Percentage of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Quick</td>
<td>7.41%</td>
</tr>
<tr>
<td>Quick</td>
<td>12.96%</td>
</tr>
<tr>
<td>Fair</td>
<td>33.33%</td>
</tr>
<tr>
<td>Slow</td>
<td>40.74%</td>
</tr>
<tr>
<td>No action</td>
<td>5.56%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The respondents were in agreement that the purpose of business is to keep existing customers and to create new customers by consistently delivering more value than the competition. Thus, in order to maintain an externalized perspective, the respondents believed that companies must develop processes that integrate customers into all aspects of the business. It must develop a customer-centric culture. Customer satisfaction is not a one-time event, and that was the general feeling across the respondents.
4.9 Customer level of satisfaction on FSEA products and services.

The researcher intended to address the vital issue of customer satisfaction with responses from this question. First of all, how the company determines and improves proper customer satisfaction relative to competition, so as to ensure a repeat purchase is important. This in return will help in improvement of overall customer relationship and expand market share.

The question was intended to establish how FSEA determines current and near-term requirements and expectations of customers, and how satisfaction is determined, including how customers of competitors are considered. Table 9 summarizes the responses obtained.

Table 9: Customer satisfaction on FSEA’s services

<table>
<thead>
<tr>
<th>Level of Satisfaction</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totally satisfied</td>
<td>11.81%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>19.92%</td>
</tr>
<tr>
<td>Neither satisfied or dissatisfied</td>
<td>53.70%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>14.57%</td>
</tr>
<tr>
<td>Totally dissatisfied</td>
<td>NIL</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
</tr>
</tbody>
</table>

n = 54
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</tr>
<tr>
<td>Neither satisfied or dissatisfied</td>
<td>53.70%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>14.57%</td>
</tr>
<tr>
<td>Totally dissatisfied</td>
<td>NIL</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
</tr>
</tbody>
</table>

n = 54
Though none of the respondents indicated totally dissatisfied, majority of respondents were neither satisfied nor dissatisfied (53.7%); and an equally high number of respondents were dissatisfied (14.57%). Compared to only 11.81% of the respondents who were totally satisfied by FSEA’s services.

All totally satisfied customers were mainly referring to passenger car tyres and all of the dissatisfied customers were for heavy-duty tyres. The dissatisfied customers observed that FSEA takes a long time to pay or settle claim tyres and tubes; and this was really frustrating them. Majority of them felt that FSEA should improve on quality of heavy-duty tyres to minimize product claims and thus in a big way reduce the time wasted on adjusting/paying claims. Another area of dissatisfaction was on delays in delivering of products as well as on processing of orders. The respondents argued that it is important to address these areas as they adversely affect quality of services.

For an organization to survive and prosper, it must understand and fully appreciate that it is necessary to guarantee customer satisfaction. It must focus on the chain of events from the supplier, through internal customers and suppliers, to the end-customer in an attempt to ensure they meet customer requirements; and that was the specific opinion made in regard to customer service.
Mechanisms need to be established to identify where to improve. Total Quality Program should be used to identify areas where better management would result in cost reduction and customer satisfaction.

Customer dissatisfaction indicators according to the respondents, could include complaints, claims, refunds, recalls, returns, repeat services, litigation, replacements, downgrades, repairs, warranty work, warranty costs, mishipments, and incomplete orders. The respondents agreed that FSEA can successfully solve all of these gray areas.

4.10 Tyre brand of preference

In order for an organization to claim market leadership in its area of operations; it is essential for it to have products that are most preferred by users of the products. Thus, the researcher set to establish the tyres of preference in the market so as to adduce whether FSEA’s products are of best choice.

The following Table 10 illustrates the responses of tyre preference.
Table 10: Preference of tyre brand

<table>
<thead>
<tr>
<th>Brand</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michelin</td>
<td>27.8</td>
<td>20.37</td>
<td>24.07</td>
<td>11.11</td>
<td>9.2</td>
<td>5.6</td>
<td>1.85</td>
<td>100</td>
</tr>
<tr>
<td>Kumho</td>
<td>3.7</td>
<td>5.56</td>
<td>27.77</td>
<td>31.48</td>
<td>24.07</td>
<td>1.85</td>
<td>5.56</td>
<td>100</td>
</tr>
<tr>
<td>Pirelli</td>
<td>22.22</td>
<td>25.93</td>
<td>20.37</td>
<td>11.11</td>
<td>9.26</td>
<td>3.7</td>
<td>7.41</td>
<td>100</td>
</tr>
<tr>
<td>Dunlop</td>
<td>14.81</td>
<td>25.92</td>
<td>11.12</td>
<td>9.26</td>
<td>3.7</td>
<td>14.82</td>
<td>20.37</td>
<td>100</td>
</tr>
<tr>
<td>BS/FS</td>
<td>16.6</td>
<td>7.4</td>
<td>21.1</td>
<td>33.2</td>
<td>10.22</td>
<td>10.22</td>
<td>1.26</td>
<td>100</td>
</tr>
<tr>
<td>Goodyear</td>
<td>18.53</td>
<td>29.63</td>
<td>22.22</td>
<td>12.96</td>
<td>11.11</td>
<td>3.7</td>
<td>1.85</td>
<td>100</td>
</tr>
<tr>
<td>Apollo</td>
<td>1.85</td>
<td>1.85</td>
<td>7.41</td>
<td>31.48</td>
<td>25.96</td>
<td>14.81</td>
<td>16.67</td>
<td>100</td>
</tr>
<tr>
<td>Siam-Mustang</td>
<td>7.4</td>
<td>11.11</td>
<td>24.07</td>
<td>12.96</td>
<td>18.52</td>
<td>22.22</td>
<td>3.7</td>
<td>100</td>
</tr>
<tr>
<td>Hankook</td>
<td>3.7</td>
<td>7.41</td>
<td>25.93</td>
<td>22.22</td>
<td>27.78</td>
<td>5.56</td>
<td>7.4</td>
<td>100</td>
</tr>
</tbody>
</table>

n = 54

(Key: 1 = Most Preferred; 7 = Least preferred)

The results indicate that Michelin tyre was the most preferred with 27.8% of respondents ranking it first. It was followed by Pirelli at 22.22% and Goodyear at 18.53%. Firestone products were a distant fourth with 16.6%. There were some major reasons given for the choice and this included quality of a product being a major determinant in preference. Other reasons were favourable pricing of products,
availability of products, and promotion activities like advertising on the mass media to create awareness amongst the end-users.

The following bar graph helps to illustrate the product rating.

A bar graph of Preference of tyre brand

However, the respondents noted that FSEA might be disadvantaged because of high production costs hence failure to be competitive as offshore companies have relatively low production costs. Quality marks from the customers on Firestone products are also very low; as well as acrimonious relationship with dealers and end users resulting from unsettled claim tyres covered under warranty. This has resulted in loss of patience by the end-users, and thus contributing to low preference.
4.11 Poorly addressed issues by FSEA

The researcher intended to seek the opinion of the FSEA customers in respect to their past experience while dealing with FSEA. Some important issues were noted as summarized in the following Table 11. This was meant to examine the company's systems for customer learning and for building and maintaining good customer relationships. With the focus on competitive advantage, customer satisfaction becomes the means to obtain market share-growth.

**Table 11: Poorly addressed issues by FSEA**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage of response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delays in product delivery</td>
<td>55.56%</td>
</tr>
<tr>
<td>Quality consistency being poor</td>
<td>51.80%</td>
</tr>
<tr>
<td>Minimal product promotion</td>
<td>77.80%</td>
</tr>
<tr>
<td>Poor pricing</td>
<td>92.59%</td>
</tr>
<tr>
<td>Leadership/Management inadequences</td>
<td>88.89%</td>
</tr>
</tbody>
</table>

n = 54

The above results clearly depict that the poorly addressed issues by FSEA to be a serious lack of customer focus. This in return generates dissatisfaction. The most dissatisfier was pricing that attracted 92.59% response, indicating that FSEA products might be beyond the reach of consumers. Poor leadership was also a major source of dissatisfaction, attracting 88.89% of respondents. Respondents mentioned that there were worrying trends of discontinuous quality on goods from FSEA.
Thus, some products could easily fluctuate in terms of quality and this contributes to a general lack of confidence while using the products.

4.12 Level of understanding of the Kenyan market by FSEA

Competitive dominance means establishing and gaining market share in new opportunities or in adverse conditions of the market. It means that the firm is able to increase its customer base at a rate that exceeds the growth rate of all other traditional and established competitors. It also means that a firm is able to create new business before, or faster than, any competitor. The simple fact that more customers are voting with their money on a firm's products and services is an indicator that they are satisfied with the benefits they experience and the value they receive. Thus the researcher intended to measure this variable in relation to FSEA. The following table indicates the responses obtained.

Table 12: FSEA's understanding of Kenyan tyre market.

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSEA understands better the Kenyan market</td>
<td>42.59%</td>
</tr>
<tr>
<td>Competition understands better the Kenyan market</td>
<td>57.41%</td>
</tr>
</tbody>
</table>

n = 54
Majority of respondents believed that FSEA does not realize that times are changing and if it does, then it is extremely hesitant to change with times, or simply underestimates competition. Hence they believe that competition will continue gaining ground because they are more flexible to change and adopt. However, the 42.59% who felt that FSEA understands the Kenyan market better believed that FSEA is unable to act because of unfair competition and thus is unable to effectively compete. For example, they cited dumping of goods into the local market that adversely affects FSEA’s competing status.

4.13 FSEA product attributes (Reliability, efficiency, and overall quality) in comparison to competing brands.

Reliability, efficiency and overall quality functions are deemed to be the focal point of an organization. Thus these functions could be equipped to gauge internal and external customers’ expectations and degree of satisfaction. Hence the researcher set out to establish the customer perceptions on these attributes towards FSEA.
Table 13  FSEA's product attributes in comparison to competition

<table>
<thead>
<tr>
<th>Grading</th>
<th>Product Category</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior</td>
<td>PTR</td>
<td>8</td>
<td>14.80%</td>
</tr>
<tr>
<td>Good</td>
<td>LTS, TT</td>
<td>11</td>
<td>20.40%</td>
</tr>
<tr>
<td>Fair</td>
<td>PSR, TBS</td>
<td>23</td>
<td>42.60%</td>
</tr>
<tr>
<td>Poor</td>
<td>LTR</td>
<td>9</td>
<td>16.60%</td>
</tr>
<tr>
<td>Very Poor</td>
<td>TBR</td>
<td>3</td>
<td>5.60%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>54</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

n = 54

Key:

PTR  =  Passenger Textile Radial
PSR  =  Passenger Steel Radial
LTS  =  Light Truck Bias
LTR  =  Light Truck Steel-belted
TBS  =  Truck and Bus Bias
TBR  =  Truck + Bus Steel-belted
TT   =  Tractor tyres

14.8% of respondents felt that FSEA has superior products in the PTR category. In the LTS, and TT category a 20.4% of the population thought FSEA products were of good quality and reliable. However, majority of respondents (42.6%) believe that FSEA products are of average in terms of quality, reliability and overall efficiency. A
significant 22.2% of the respondents had the opinion that FSEA's products were either poor or very poor. In relation to quality of goods, these respondents felt that FSEA products wear-out fast, yet they are expensive. Majority of these respondents were citing buses, trucks, and matatu tyres.

### 4.14 Important aspects to observe for a tyre manufacturer

Meeting market opportunity requirements implies that key product and service requirements achieve rapid market acceptance. Product and service requirements are an external customer translation; market requirements are the external customer needs and wants to be satisfied.

Table 14 below summarizes the responses in regard to this.
Table 14: Important aspects to observe for a tyre manufacturer.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Rank (% of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>87.03, 9.26, 3.71</td>
</tr>
<tr>
<td>High technology</td>
<td>94.44, 5.56</td>
</tr>
<tr>
<td>Strong Dealer relationship</td>
<td>70.37, 14.81, 7.41, 3.71, 1.85, 1.85</td>
</tr>
<tr>
<td>High quality</td>
<td>98.15, 1.85</td>
</tr>
<tr>
<td>Product aesthetics</td>
<td>22.22, 12.96, 14.81, 11.11, 16.67, 18.52, 3.70</td>
</tr>
<tr>
<td>Product variety</td>
<td>24.07, 14.81, 16.67, 22.22, 14.81, 1.85, 1.85, 3.70</td>
</tr>
<tr>
<td>Competitive pricing</td>
<td>85.19, 12.96, 1.85</td>
</tr>
<tr>
<td>Environmental Conscious</td>
<td></td>
</tr>
<tr>
<td>Modern management styles</td>
<td>3.70, 14.81, 66.67, 14.81</td>
</tr>
<tr>
<td>Product promotion</td>
<td>57.41, 35.19, 7.40</td>
</tr>
</tbody>
</table>

n = 54

Key: 1 = Most important
10 = Least important

The results indicate that high quality goods and services (98.15%), use of high technology (94.44%), reliability of the goods and services (87.03%) and competitive pricing (85.19%) are key aspects to be observed by a tyre manufacturer. These aspects, the respondents
believe, will enhance customer satisfaction and assure market acceptance of the organization in question.

The respondents further suggested that meeting market requirements implies that key product and service requirements achieve rapid market acceptance. Product and service requirements are the external customer needs and wants to be satisfied.

4.15 Role of dealers in FSEA’s strategy

The complexity of most of the processes that are operated in industry and commerce, and the services they provide places them beyond the control of any one individual organization. The only efficient way to tackle process improvement or problems is through the use of some form of teamwork.

Thus the researcher set out to establish if the FSEA’s dealers clearly understand the roles they play in the overall success or failure of FSEA’s strategy. The table below shows the responses obtained:

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer(s) understands their role in the overall FSEA strategy</td>
<td>98.15%</td>
</tr>
<tr>
<td>Dealer(s) do not understand their role in the overall FSEA strategy</td>
<td>1.85%</td>
</tr>
</tbody>
</table>

n = 54
98.15% of dealers indicated that they understood their roles in the overall FSEA’s strategy. They all agreed on the importance of team approach to problem solving that results to many advantages over allowing individual organizations to work separately.

Some of the roles and advantages highlighted by the dealer “team” relationship with FSEA included.

- a greater variety of complex problems are, or may be tackled, that is, those beyond the capability of any one individual organization — by pooling of expertise and resources;
- Problems are exposed to a greater diversity of knowledge, skill, experience, and are solved much more easily and efficiently;
- the approach is more satisfying to team members and boosts morale and ownership-through participation in problem-solving and decision making;
- Problems those cross-organizational boundaries can be dealt with more easily, and the potential or actual conflicts are more likely to be identified and solved;
- the recommendations are more likely to be implemented than individual suggestions; as quality of decision making in good teams is high.
CHAPTER FIVE

CONCLUSIONS AND SUGGESTIONS

5.1 CONCLUSIONS

According to the evidence presented in this research, one result of liberalization was the exposure of management inadequencies that have long lain hidden. They were not easy to spot before because local comparisons, coloured by identical cultural influences, have been insufficient to reveal them for what they were: they were the products of a management culture that developed in older, less complex times; those times of comparative economic isolation and insulation featured by advantages of special industrial know-how that have now evaporated, and an absence of strong outside competition to force introspection and change. Those days are over everywhere and over as dramatically and completely in Kenya as anywhere especially after liberalization of the economy. It's a new game, and FSEA has to awaken adequately to the new rules and its portent for the future. Failure to accomplish this will mean that the current market share, estimated to be approximately 50% (refer to 1.1, p5) will further be eroded by competition.

The new era (after liberalization) presents new realities such as borderless market place and discriminating consumers who are unmoved by appeals to select home-built products for patriotic reasons. This research has conclusively established that relatively
small percentage of consumers (2.85%) are swayed by patriotic appeals while making a decision to buy. Consumers look for the best value (quality and durability considered) and buy that product. In doing so, they are indifferent to the macroeconomic effects of their decision(s). However, the cumulative effects of their individual decisions are profound—that is all too clear.

The trend towards choosing foreign made products in Kenya is accelerating, not diminishing. The responses obtained on this issue clearly showed that 63.04% of tyre dealerships dealing more with imported products compared to only 12.96% of dealerships with exclusive dealership of local products. Therefore, the need for FSEA to change is all clear. Incentives must be put into place by FSEA to reverse this trend of more orientation towards imported products. Quick customer service, favourable pricing of products, and most importantly, high quality goods and services are a must for any meaningful progress. Relying on goodwill (only 12.96% of FSEA customers cited a long-time business relationship) – can easily backfire as end-users dictate more and more on what they want. The need is for objective introspection, candor regarding shortcomings, and the readiness to change. The findings of this study give reason to believe that FSEA has undertaken a serious step towards change, but only in terms of public relations, and human resources training. 92.59% of respondents observed this in regard to changes made by FSEA after liberalization. However, change cannot be in piecemeal. There is a
need to establish and define the true requirements for the products and services. This will entail reviewing the market needs, particularly in terms of unclear or un-stated expectations or preconceived ideas held by customers (only 44.47% of customers are involved in making decisions of product development). Each organization is responsible for determining the key characteristics that determine the suitability of the product or service in the eyes of the customer. This may of course call for the use of market research-techniques, data-gathering, and analysis of customer complaints.

Excellent communication between customers and the supplier (that is, FSEA) is the key to total quality. It will eradicate the “demanding nuisance” view of customers, which, it seems, pervades FSEA. Poor communications often occur (in this case, 55.53% dealerships say they rarely participate in new product development) in the supply chain between producers and the distributors and ultimately to the end-consumer. Thus FSEA must establish systems for feedback of customer information and reaction, and these systems should be defined on a continuous monitoring basis. Any information pertinent to the product or service should be collected and collated, interpreted, analyzed, and communicated, to improve the response to customer experience and expectations. These same principles must be applied inside the organization if continuous improvement at every transformation process interface is to be achieved.
These same principles must be applied inside the organization if continuous improvement at every transformation process interface is to be achieved. This should be carried out remembering that strategic management is a systematic process as was discussed in Chapter 2.

One aspect of the analysis of market demand that extends back into FSEA is the review of market readiness of a new product or service. This research has established some items that require urgent attention, including assessment of:

- the suitability of the distribution and customer service systems;
- training of personnel in the field;
- availability of support staff;
- evidence that the organization (FSEA) is capable of meeting customer requirements.

All organizations receive a wide range of information from customers through invoices, payments, requests for information, letters of complaints, responses to advertisements and promotion, among other methods. An essential component of a system for the analysis of market demand is that this data is channeled quickly into the appropriate areas for action, and if necessary, response. The important point to stress is that FSEA keeps very close to the customer. Market research, coupled with analysis of complaints data, is an essential part of finding out what the customer requirements are, and breaking out from the obsession with inward scrutiny that bedevils quality.
Quality of products and services, that is, meeting the customer requirements gives people in different functions of an organization a common language of improvement. Thus, FSEA needs to spend less of its precious time on useless activities – such as correcting errors, finding out why things are late, rectifying and re-working, apologizing to customers for mistakes, poor quality and lateness. Rather it should focus on doing things right at the first time.

Therefore, inorder for FSEA to create and sustain competitive advantage in the changing business environment it is of extreme importance that it observes the following key highlights:

✔ The reputation enjoyed by an organization is built on quality, reliability, delivery and price. These attributes scored over 90% of approval by customers. Quality is the most important of these competitive weapons; and quality improvement is primarily the responsibility of management.

✔ Reputation for poor quality last for a long time, and good or bad reputation can become national or even global. The management of quality can be learnt and used to improve reputation;

✔ Quality is meeting the customer requirements, and this is not restricted to the functional characteristics of the product or service;
Reliability is the ability of the product or service to continue to meet the customers requirements over time. Hence quality improvement is continuous process;

Organizations delight the customer(s) by consistently meeting their requirements and then achieve a reputation of excellence.

FSEA must recognize, throughout its ranks, that the purpose of all the work and all the efforts to produce and sell a product is to serve the customers better. This means that it must always know how well the outputs are performing in the eyes of the customer, through measurement and feedback. In order for an organization to stay a leader, it must relentlessly create more customer value and it must continuously and constantly surprise competition.

5.2 SUGGESTION FOR FUTURE RESEARCH

The researcher hopes that this work will encourage future research on the role of leadership, information technology (IT) and human resources (HR) in creating and sustaining competitive advantage in the changing business environment.

Leadership transitions, IT and the HR are inextricably linked; likewise, organizational change and leadership succession goes hand in hand. To be useful, studies of leadership must begin and end with a clear focus on the phenomenon of HR Management and IT.
When people work in organizations that they believe to be fair, in which everyone is empowered and willing to give of themselves to get the job done, in which the traditions of loyalty and caring are the hallmarks, people tend to work to a higher level, and the values of the organization's culture are absorbed by employees, becoming part of them. They begin to believe that the customer is someone to whom they owe the finest possible products and services. They work harder to fulfill their promises, to exceed customer expectations, to ensure that products are flawless and produced on time and within budget. In other words, they take pride in their work. When that happens, an organization builds a reputation for quality, which attracts more customers and increases its market share and profitability, thus attaining competitive advantage.

It is necessary to carry out further research on this area to establish the relationship of these factors to the competitive advantage.
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   Quorum Books, connecticut (1995);

Appendix 1

Eric Kimathi Kirima,  
c/o U.S.I.U – Africa,  
P. O. Box 14634,  
NAIROBI.

7TH September, 2000

Dear Sir/Madam,

RE: CREATING AND SUSTAINING COMPETITIVE ADVANTAGE IN THE CHANGING BUSINESS ENVIRONMENT: A CASE STUDY OF FIRESTONE EAST AFRICA (FSEA).

I am a graduate student from the United States International University – Africa. I am carrying out a research on the above stated subject.

The purpose for this research is to establish whether FSEA is meeting customer needs by rightly creating and sustaining competitive advantage in the fast-changing business environment, more so after the liberalization of the Kenyan economy.

Hence your views are an important ingredient in establishing the current position of FSEA in the industry in wake of this change.

Kindly note that in some sections of this questionnaire, both Firestone (FS) and Bridgestone (BS) are considered one and same firm, as Bridgestone Corporation owns some shares at FSEA and provides both management and technical back up to FSEA.

All information received will be treated in confidence and the analysis will be in aggregates as several respondents are involved in this exercise.

Kindly complete the attached questionnaire and return to the undersigned by 20th September 2000, so as to enable reviewing of the responses received from you.

Thank you for taking part in this research.

Sincere regards.

ERIC KIMATHI KIRIMA  
RESEARCHER
Appendix 2

QUESTIONNAIRE

Please answer all the questions by putting a tick (✓) in the box that most closely matches your views or, alternatively write in the space provided.

Date: _________________________________

Name of the Company: ___________________________

Town: _________________________________

Period of business existence: ____________________ years.

Q1. What type of tyre business are you in?

☐ Franchise holder
☐ General distributor
☐ Sub-dealer
☐ Petrol Station outlet
☐ Drive-in Tyre Care Centre

Q2. (a) Do you exclusively deal with Bridgestone/Firestone (BS/FSEA) products?

☐ Yes
☐ No
(b) Please explain the reason behind your answer in Q2 (a).

Q3. (a) Has liberalization of the economy (in 1993) had any effects on the way you relate to FSEA?

☐ Yes
☐ No

(b) If yes, please list down the positive effects you have experienced:

(i)

(ii)

(iii)

(iv)

(c) List down the negative effects you have experienced:

(i)

(ii)

(iii)

(iv)

(v)

Q4. (a) Have there been significant changes in the way FSEA used to relate to
You before and after liberalization?

- [ ] Yes
- [ ] No

(b) If yes, please explain ________________________________

Q5. In today’s tyre industry that is characterized by variety of products, which of the following do you think is important for any manufacturer’s improved presence in the market?

- [ ] Good quality
- [ ] Improved market intelligence
- [ ] Quick and efficient problem – solving
- [ ] Local production
- [ ] Regular visits to dealerships
- [ ] Dealer training on products
- [ ] Better pricing
- [ ] Having information on products available.

Q6. Rank the following attributes in order of importance to you while making a decision on tyre purchase. Use a scale of between 1-6. NB: 1=Most important

- [ ] Price
- [ ] Aesthetics
- [ ] Quality
- [ ] Brand name
Q7. Is your request for development and or, improvement on Bridgestone/Firestone products reflected on new products?

- □ Very much
- □ Much
- □ Fair
- □ Little
- □ Very little

Q8. How quick does FSEA take action on complaints and or, suggestions presented to them?

- □ Very quickly
- □ Quick
- □ Fair
- □ Slow
- □ No action

Q9 (a) How satisfied are you with the services provided by FSEA?

- □ Totally satisfied
- □ Satisfied
- □ Neither satisfied nor dissatisfied
- □ Dissatisfied
- □ Totally dissatisfied

(b) Please explain your stand ____________________________

Q10 (a) Rank the following tyre brands (using a scale of 1-7) in terms of preference. (NB: 1 = Most important; 7 = Least important)

Michelin □  Kumho □  Dunlop □
(b) What are the major reasons for your preference in Q10 (a)?

(i) __________________________

(ii) __________________________

(iii) __________________________

Q11 What issues do you feel are either poorly addressed (or not addressed at all) by FSEA?

(i) __________________________

(ii) __________________________

(iii) __________________________

(iv) __________________________

Q12. Compared to other companies competing with FSEA locally, do you think FSEA understands and serves better the Kenyan market after liberalization?

☐ Yes

☐ No

Please explain ____________________________________________

________________________________________________________________________

________________________________________________________________________
Q13. Which of the following comments best describes the reliability, efficiency, and overall quality of FSEA products in comparison to competing brands?

[ ] Superior [ ] Good [ ] Fair [ ] Poor [ ] Very poor

(b) Please explain your answer in Q 12(a) __________________________

Q14. In your opinion, rank the following aspects, in order of importance for any tyre manufacturer.

[ ] Reliable manufacturer
[ ] Use of high technology
[ ] Strong relationship with reliable dealers
[ ] Long-lasting products (High Quality)
[ ] Superior product aesthetics
[ ] Produces wide variety of tyres
[ ] Uses competitive pricing
[ ] Environment conscious
[ ] Use of modern business management styles eg. TQM
[ ] Others, Please specify __________________________

Q.15 (a) As a tyre dealer do you understand the role you play as an important component of the overall strategy of FSEA?

[ ] Yes
[ ] No
(b) If yes, please list down the important roles you play in FSEA' strategy.

(i)

(ii)

(iii)

(iv)