EFFECTS OF GENERIC STRATEGIES ON THE COMPETITIVE ADVANTAGE OF FIRMS IN KENYA’S AIRLINE INDUSTRY: A SURVEY OF SELECTED AIRLINES

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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STUDENT’S DECLARATION

I, the undersigned, declare this my original work and has not been submitted to any other college, institution or university other than United States International University-Africa for academic credit.

Signed _________________________          Date: _________________________

Ruth Moraa Omwoyo (ID No: 645630)

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

Signed __________________________          Date: _________________________

Dr. Juliana M. Namada

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ABSTRACT

The purpose of the study was to examine the effects of generic strategies on competitive advantage on firms in Kenya’s airline industry. It focused on selected airlines. This study aimed at establishing how cost leadership strategy affect competitive advantage, determining how differentiation strategy affect competitive advantage and examining how focus strategy affect competitive advantage of firms in Kenya’s airline industry.

The study embraced a descriptive research method in analyzing, interpreting, and presenting data. The descriptive research method was the best for this study because it focused on the relationship between generic strategies and competitive advantage of selected firms within airline industry. The study used questionnaires to get data from respondents. The study focused on 100 management employees from Kenya Airways, Fly 540 and Fly-SAX. The study used census approach on the targeted population. The study adopted a descriptive and inferential statistics in information examination and presentation. The examination information was broke down utilizing Statistical Package for Social Sciences (SPSS) and Microsoft excel expectations programs. Tables were utilized as a part of information presentation.

The study found that companies in airline industry strive to supply a standard of high volume services at the most competitive prices to customers. Cost leadership strategy makes the companies to benchmark themselves against competing firms to access their relative costs. The study found that through differentiation strategy, companies in the airline industry create customer value by offering high quality products supported by good services at premium prices. The companies are marketing unique products for varied customer groups hence they have built value by creating attributes for its services at an acceptable cost. The study found that differentiation strategy in the airline industry has made companies to use technology to remain on the cutting edge of innovation. The study revealed that companies in airline industry have carried out their own strategic group-unique services within the industry and found that differentiation strategy cares for customers that are less sensitive to prices. The study reveals that focus strategy has made it possible for companies in airline industry to identify a market niche for buyers. The companies that focus on low cost strategy produce unique products that enhance value to the organizations. Focus strategy has made the companies to build relationships with customers and suppliers hence expanded on broader line that competitors cannot serve.
The study concludes that due to cost leadership, companies in airline industry strive to supply a standard of high volume services at the most competitive prices to customers. To achieve this, the companies exploit all potential cost drivers to allow the greater efficiency in each value adding activity. Differentiation strategy enables companies from airline industry to create customer value by offering high quality products supported by good services at premium prices. The study also concludes that focus strategy helps firms identify a market niche for buyers. The company using the approach can focus on either low cost strategy or differentiation strategy in a particular niche.

The study recommends the adoption of cost leadership strategy because it enables a company to improve its efficiency by controlling costs along the existing activity cost chain. Management of airline companies should to execute differentiation strategy because it enables the companies creates customer value by offering high quality products supported by good services at premium prices. The study also recommends the use of focus strategy because the approach can either focus on low cost strategy or differentiation strategy.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

According to Clark (2010), the relationship between strategic management and competitive advantage is that strategic management helps create competitive advantage by allowing firms to develop extraordinary capabilities that enable a firm to attain competitive advantage. A firm’s relative position within its industry determines whether a firm’s performance is above or below the industry average. The Low cost or differentiation advantage can grant an organization competitive advantage (Bansal, 2008). These two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance (market share, financial performance etc.) in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus (Li & Li, 2008).

Porter and Collins (2006) indicates that competitive advantage strategy consists of all approaches and moves a firm has taken or is taking to attract customers/buyers, withstanding competitive pressures and improve the market position. A firm is said to have competitive advantage when it is able to sustain profits exceeding the average for their industry (Porter, 1985). This additionally exists when a firm can convey same good/services as their rivals however at a lower cost alluded to as cost advantage and sometimes may deliver benefits that surpass those of contending items/benefits this alluded as separation preferred standpoint. This empowers a firm to make unrivaled benefits and predominant esteem for their customers (Frambach, Prabhu, and Verhallen, 2003).

According to Waggoner (2016), many firms make every effort to achieve competitive advantage but very few of these organizations understand what competitive advantage is and how it can be achieved and kept. The strongest competitive advantage is a strategy that that cannot be imitated by other companies and is viewed as an activity that creates superior value above its rivals (Bani-Han & AlHawary, 2009). Brandt (2013) adds that to competitive advantage firms want the gap between the cost of the product and the perceived value to be greater than the competition.
Generic Strategies can be defined as the strategies that were developed by Michael Porter that companies can use to achieve competitive advantage. These strategies include; cost leadership strategy, differentiation strategy and focus strategy (Economic Times, 2016). Subsequently, Tanwar (2013) states that, the three generic strategies as originally envisioned by Michael Porter represent the context in which the overall generic strategy of firms is pursued to achieve their strategic options and ultimately achieving competitive advantage. According to Okwach (2012), how a company competes in their business environment represents their competitive strategy that helps them gain competitive advantage in a unique way. Achieving competitive advantage gives organizations better position, strengthening the organization in the business environment (Brandt, 2013). Porter and Millar (2012) add that competitive strategies result in a strategic positioning giving a firm the competitive edge, and eventually, above industry performance.

Ireland, Hokisson and Hitt (2011) characterize cost leadership technique as a coordinated arrangement of move made to deliver goods or services with components that are satisfactory to clients at the most minimal cost, in respect to that of competitors. It represents to the endeavors by firms to produce upper hand through accomplishing low expenses in the business (Porter, 1985). In creating nations, for example, China, India, Malaysia and Indonesia they are favored as they have bring down work costs (Aulakh, Kotabe, & Teegen, 2000).

In cost leadership, an organization’s objective is to become the low cost producer in its industry. The foundations of cost advantage can be varied and many depend on the nature of the industry (Allen & Helms, 2001). These may be due to economies of scale, proprietary technology, preferential access to raw materials, and many more. A low cost producer usually establishes and takes advantage of all sources of cost advantage (Sashi & Stern, 2008). The assumption is that when an organization achieves and sustains overall cost leadership, then it will have above average performance in its industry, as long as it can command prices at or near the industry average (IFM, 2016). For example in the airline industry, low cost carriers (LCCs) emphasize cost reduction and control to compete with legacy carriers (Cederholm, 2016).

Overall cost leadership requires organizations to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry. Additional organization strategies aimed at controlling costs include construction of efficient-scale
facilities, tight control of costs and overhead, avoidance of marginal customer accounts, minimization of operating expenses, reduction of input costs, tight control of labour costs, and lower distribution costs (Treacy & Wiersema, 2009). The low-cost market leader usually gains competitive advantage by getting its costs of production or distribution lower than those of the other organizations in its market (Allen & Helms, 2009). Pricing is a key issue if an organization wants to pursue a Cost Leadership strategy as the target market scope is extremely price sensitive. A challenge with cost leadership generic is product price erosion, eventually leading to the product having to be retired from the market. Cost strategies usually work best when there’s a fierce price competition among rivals (Bansal, 2008).

Differentiation strategy can be defined as the designed set of actions to products goods and services that customers perceive as being different in ways that are important to them (Bani-Han & AlHawary, 2009). With a differentiation strategy the organization develops product or service features which are different from competitors’, are enticing to customers and functional, customer support and product quality (Ramayah, Samat & Lo, 2011). Differentiation includes manufacturing products or offering services unique in relation to and more appealing than those of competitors (Zekiri & Nedelea, 2011). In a differentiation strategy an organization’s aim is to be unique in the industry along some parameters that are widely valued by buyers (IFM, 2016). For differentiation strategy to work, customers must be relatively price-insensitive. Including product features means that the production or distribution costs of a differentiated product may be higher than the price of a generic, non-differentiated product. Customers must be willing to pay more than the marginal cost of adding the differentiating feature if a differentiation strategy is to succeed.

Differentiation strategy includes warranties, brand image, technology, features, service, quality (value) and dealer network (Rahman, 2011). Rahman (2011) state that firms pursuing a differentiation strategy are usually vulnerable to different competitive threats than firms pursuing a cost leader strategy. For example, imitation and changing consumer tastes may also reduce the perceived differences between products when competitors copy product features. Differentiation has many advantages for the firm which makes use of the strategy. Some problematic areas include the difficulty on part of the firm to estimate if the extra costs entailed in differentiation can actually be recovered from the customer through premium pricing (Zekiri & Nedelea, 2011). Moreover, successful
differentiation strategy of a firm may attract competitors to enter the company’s market segment and copy the differentiated product (Lynch, 2016).

According to Bansal (2008), the generic Focus strategy is founded on the choice of a narrow competitive scope within an industry. The organization adopting this generic strategy selects a niche or group of niches in the industry and customises its strategy to serving them to the exclusion of others. For example, in cost focus the organization seeks a cost advantage in its target segment, while in differentiation focus the organization will seek differentiation in its target market niche. Treacy and Wiersema (2009), explain that firms that apply Focus techniques give attention to certain specialty markets and, by comprehension the flow of these specialty markets and the remarkable needs of customers inside them, grow exceptionally with ease or very much indicated items for the market. An advantage of this approach is that such organizations serve customers in their market uniquely well, therefore tending to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors (Ramayah, et al., 2011).

Many airlines are still government-owned or government-controlled. Additionally, flag carriers have previously played a sentimental role for many countries and are perceived as symbols of pride and prestige. Due to this, perfect execution of strategy has been difficult to achieve until recently (Chan, 2000). Trends towards globalization have been noticeable in the airline industry. Collaboration and forming airline alliances is one of the strategies to cope with competition (Zekiri & Nedelea, 2011). Different alliances have been established, for example Star Alliance was founded in 1997, and One World was established in September 1998. On the other hand, low budget airlines such as Ryanair, Easy Jet, Go and others entered and revolutionised the market (Jacob & Jakešová, 2016).

The management strategies and practices of airlines have fundamentally changed due to deregulation, liberalization and competition. Cost management and productivity improvement has become a major focus of United States (US) airlines for much of the past twenty years, and non-US airlines have more recently been forced by competitive realities to face up to this challenge as well. A by-product of the quest for lower costs and increased productivity has been the pursuit of economies of scale by both US and non-US airlines (Massachusetts Institute of Technology (MIT), 2016). New security procedures have increased operating costs and induced more security-related flight disruptions and
delays (Bisignani, 2016). Airlines around the world are encountering a growing wave of liberalization and deregulation. This has resulted in increased competitive pressures, both from new entrant low-cost airlines and re-structured legacy carriers. The rapid growth of the global airline industry and the continued threat of terrorist attacks make safety and security issues critical to every airline, and every airline passenger. This has precipitated the strategy conundrum of low cost but without compromising on security and fleet renewals (MIT 2016).

In Africa, the rising demand for affordable travel options and an increasing reliance on air transportation has resulted in the low-cost airline model starting to lift off. In East Africa, “Fast Jet”, which operates out of Tanzania and is backed by the founder of Easy Jet, is one of several budget carriers changing the current landscape, with no frills, one-way fares starting at around $20 (Prisco & Nurse, 2016). According to the African Development Bank Group (AfDB), (2016), low cost strategy is important in Africa because it is thought that it will promote growth of the aviation industry if more and more people can afford to pay for the cost of air travel. Currently, only 10% of Africans travel by air but given the current rate of economic growth and emergence of the middle class, there will be high demand for services linked to air transportation. The airline industry in Africa has challenges because, the cost of doing business in the sector is still too expensive and if this trend continues many airlines will continue making losses and failing to break even. Also, the African airline sector has a lot of potential for growth but this growth has been below IATA predictions (Matsilele, 2016). Also, according to AfDB (2016), a number of governments are reluctant to open their skies to competition fearing undercutting because some of the local airlines may not be commercially viable and are just symbols of sovereignty. This approach may hinder strategy formulation and implementation.

Results of a study done in Kenya stated that the main challenges that face local Kenyan airlines are the dominance of few competitors in the market, retaliation from competitors when an airline changes strategy, low cost services from competitors; price wars with competitors, strong brand name of competitors and wider branch networks of competitors (UoN Repository, 2016). This alludes to the possibility of low cost strategy being employed by some of the airlines operating in Kenya, but does not discuss the resultant effects. Kenya Airways winning the 2016 award for the best Business Class Offering in
Africa (Brophy, 2016) suggests that Kenya Airways does employ differentiation strategy, but the impact on establishing competitive advantage needs to be investigated.

1.2 Statement of the Problem

Competitive advantage is all what most companies that operate in the same industry would like to achieve. Effective implementation of generic strategies enhances the achievement of competitive advantage. According to Porter (1985), the concept of competitive advantage is at the heart of any strategy, and in order to attain competitive advantage organizations have to make a choice of the type of competitive advantage they seek to attain and the scope within which they will attain it. In the airline industry, the nature of competition is a function of the market structure. The Kenyan airline industry work on their own in regards to the products and rates to be offered in the market after the withdrawal and avoidance of the government from active management of the market forces within the airline industry that has resulted to the attractiveness of the industry becoming a necessity (Mwaniki, 2014). Jurevicious (2013) states that, competitive advantage for various firms has become very difficult hence many firms copy each other’s strategies. This has led firms to aim at attaining sustainable competitive advantage even with the increasing dynamisms of the current world economy. Brandt (2013) found that companies in airline industry understand the importance of generic strategies but they don’t understand the practices of implementing the strategies to enhance their competitive advantages.

Various studies have been conducted in the airline industry in Kenya. Omondi (2006) focused on competitive strategies adopted by airlines operating in Kenya and Thiga (2002) on strategic responses of airlines operating in Kenya in the face of changing environmental conditions revealed pertinent strategic responses adopted by airlines concluded to be for survival and not come competitiveness. Gichohi (2010) revealed that both positive and negative changes in the economic, social and political landscape that have occurred in the country led to unprecedented financial pressure for the airlines industry resulting in the need for an inevitable re-appraisal in the way the industry works. Riwo-Abudho, Njanja and Ochieng (2013) indicate that to build sustainable competitive advantage requires integration of a firm’s processes, structure and culture. Mokaya, Kanyagia and Nchebere (2012) revealed that pricing strategies have significant effect on
cost strategies, differentiated benefits, perceived service quality, innovation and organizational performance.

These varied findings and opinions reveal there is need for evaluating the generic strategies affecting competitive advantage in the airline industry in Kenya and how the industry can understand and improve itself to attain competitive advantage.

1.3 Purpose of the Study

The purpose of the study was to examine the effects of generic strategies on competitive advantage on firms in Kenya’s Airline Industry.

1.4 Research Questions

1.4.1 How does cost leadership strategy affect competitive advantage?
1.4.2 How does differentiation strategy affect competitive advantage?
1.4.3 How does focus strategy affect competitive advantage?

1.5 Significance of the Study

1.5.1 Scholars

This research helps academicians gain knowledge generated by this study on the effects of generic strategies on competitive advantage from the perspective of Kenya’s Airline Industry. This is because there is little research done generic strategies and competitive advantage in the airline industry. Therefore this research provides a basis in which future scholars can expound and base their research on.

1.5.2 Policy Makers

The Kenyan government would use the findings of this study to establish a strategic steering committee to assist in formulating more business friendly policies for the airline industry and help companies in the industry attain competitive advantage.

1.5.3 Airline Stakeholders

This study equips stakeholders within Kenya’s airline industry with information and understanding of the strategies airlines need to adopt and compete effectively in the industry and the interaction that generic strategies may have in establishing competitive advantage and the circumstances conducive for application of each strategy. This also helps stakeholders in the airline industry determine the effectiveness of the employing competitive Strategies in their companies for implementation and long term sustainability
in the Airline Industry where there is stiff competition among airlines and new entrants are coming up every day to try and oust one another.

1.6 Scope of the Study

This study focused on establishing the effect of generic strategies on competitive advantage of Kenya’s airline industry. The study paid particular focus on Kenya Airways comparing the airline to other airlines operating locally including Fly 540 and Fly-SAX. The study focused on evaluating Kenya Airways market share as a measure of competitive advantage in comparison to the other airlines. The study was conducted on 50 employees in management position of the airlines working in their head offices in Nairobi. The research was carried out in five months in July 2016 to November 2016.

1.7 Definition of Terms

1.7.1 Competitive Advantage
This is the favorable market position an organization seeks in order to deliver a greater perceived value to a target market than what its competitors can provide (Rouse, 2016).

1.7.2 Generic Strategies
These are basic approaches to strategic planning that can be adopted by any firm in any market or industry to improve its competitive performance (Porter, 1985).

1.7.3 Cost Leadership Strategies
This is the attempt to become the lowest-cost producers in an industry (Lynch, 2016).

1.7.4 Differentiation Strategy
This is the creation of a product or service that is perceived as unique throughout the industry (Thomas & Walters, 2016).

1.7.5 Focus Strategy
This is a niche or segmentation strategy that involves concentrating on a particular customer, product line, geographical area, channel of distribution, stage in the production process or market niche (Thomas & Walters, 2016).

1.8 Chapter Summary
Chapter one presents the background information of the relationship between generic strategy and competitive advantages in the airline industry. This area additionally outlines the research questions, the essentials, significance and the extent of the study and also the
working meanings of particular terms utilized as a part of the study. Chapter two reviews literature which is guided by the research questions identified in chapter one. While Chapter three identifies the research methodology that highlights the various procedures and methods used by the researcher while conducting the research. Chapter four presents the results and findings while chapter five provides a discussion on the findings of the research guided by the specific research objective then a conclusion and recommendation of the study given.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
The chapter provides the literature review on the generic strategies of competitive advantage. The chapter is separated into various sections beginning with cost leadership strategy and competitive strategy; differentiation strategy and competitive advantage and Cost focus strategy and competitive advantage. This Chapter closes with a chapter summary.

2.2 Cost Leadership Strategy and Competitive Strategy
The cost leadership strategy is a joined course of action to deliver products or services with parts that are satisfactory to customers at an affordable cost, in regard to that of competitors. (Ireland, Hokisson, and Hitt, 2011). The cost initiative strategy represents attempts by firms to produce upper hand by accomplishing the most reduced cost in the business. The focus of firms actualizing a cost leadership system is on stringent cost control and effectiveness in every aspect of operation (Porter, 1985). An organization that chooses to take after a cost initiative strategy has the target of having the capacity to understand its offer at most reduced conceivable cost. The upper hand of cost leadership is accomplished by performing vital esteem chain activities at lower cost than contenders (Bansal, 2008).

2.2.1 Cost-Leadership Strategy
Cost-leadership technique endeavors to supply a standard, no-frills, high-volume item and no more aggressive cost to clients (Li and Li, 2008). Cost leadership techniques are preferred in creating nations, for example, Indonesia, Malaysia, India and China where they have bring down work cost, and thus, a lower generation cost (Kim, Nam, and Stimpert, 2006). A separation procedure is to make esteem to clients by giving prevalent quality, inventive items, brand image, and good services. This will differentiate the item which implies the item will be more competitive than others (Porter, 1985).

Cost Leadership has a tendency to be a larger number of competitors oriented as opposed to client situated (Frambach, Prabhu, and Verhallen, 2003). Cost Leadership requires a solid concentrate on the supply side instead of the request side of the market, as this requires an abnormal state of contender introduction (Day and Wensley, 1998).
Consequently, firms seeking after a cost initiative methodology should ceaselessly benchmark themselves against other contending firms with a specific end goal to survey their relative cost (and therefore profitability) position in commercial center. A firm that seeks after cost initiative system accomplishes an ease position by underlining on forceful development of effective scale offices, energetic quest for cost diminishments for a fact, tight cost and overhead control, shirking of negligible client records, and cost minimization in ranges like innovative work (R&D), administrations, deals drive, publicizing, and some more (Porter, 1985).

Kim, Nam and Stimpert (2006) found that Cost-leadership procedure has been effectively actualized in Japan. For instance, the Toyota organization framework - Its prevalent aggressiveness in cost diminishment, quality and conveyance time, has given the impulse to an overall move toward expanding proficiency through cost-cutting techniques (Schonberger, 1994). In Japan, client administration is characterized to some degree uniquely in contrast to in the West, which may clarify its nearness in this Cost-leadership consider cosmetics (Allen and Helms, 2001).

2.2.2 Building a Low-Cost Advantage

The low-cost strategy is based on locating and leveraging every possible source of cost advantage in a firm’s value chain of activities (Li & Li, 2008). Once a firm pursuing a low cost leadership strategy has discovered an important source of cost improvement and reduction, how, it must then seek new ways to lower its activity costs even further over time (Sashi & Stern, 2008). In other words, the sources of low-cost advantage are not enduring or sustainable without continuous improvement and ongoing searches for improved process yields, streamlined product design, or more efficient means of delivering a service (Treacy & Wiersema, 2009).

Building a cost-based advantage thus requires the firm to find and exploit all the potential cost drivers that allow for greater efficiency in each value-adding activity (Abu Aliqah, 2012). A cost driver is an economic or technological factor that determines the cost of performing some activity. According to Brandt (2013), important cost drivers that shape the low-cost leadership strategy include (1) economies of scale, (2) experience or learning curve effects, (3) degree of vertical integration, and even (4) location of activity performance. Firms can tailor their use of these cost drivers to build low-cost leadership across different value-adding activities (Allen & Helms, 2009).
In pursuing a cost-based advantage, Mooney (2007) states that no firm can obviously ignore such product attributes as quality, service, and reliability. If it does, its offering may become so unacceptable that consumers will refuse to buy it or will buy it only if the price is reduced to a level below what is needed to sustain profitability (Mooney, 2007). A firm pursuing a cost-based advantage must therefore strive to achieve some degree of quality parity or proximity with other firms that have defined the standards of product quality valued by customers (Bansal, 2008).

Striving to be the low-cost producer is a powerful competitive approach in markets where many buyers are price-sensitive. The aim is to open up a sustainable cost advantage over competitors and then use lower cost as a basis for Rouse (2016) either underpricing competitors or gaining market share at their expense or earning a higher profit margin selling at the going price. A cost advantage will generate superior profitability unless it is used up in aggressive price-cutting efforts to win sales from rivals (Zekiri & Nedelea, 2011). Firms that achieve low-cost leadership typically make low cost relative to competitors the theme of their entire business strategy—though they must be careful not to pursue low cost so zealously that their products end up being too stripped down and cheaply made to generate buyer appeal (Bani-Han & AlHawary, 2009).

2.2.3 Opening up a Cost Advantage

According to Ramayah, Samat and Lo, (2011), to attain a cost gain, a firm's increasing costs across its activity-cost chain must be lower than contestants' collective costs. There are two ways to accomplish this: Do a better job of improving efficiency and controlling costs along the existing activity-cost chain. Revamp the firm's activity-cost chain to bypass some cost-producing activities altogether. Both approaches can be used simultaneously (Ramayah, et, al., 2011). Successful low-cost producers usually achieve their cost advantages by exhaustively pursuing cost savings throughout the activity-cost chain. No area is overlooked. Normally, low-cost producers have a very cost-conscious organizational culture symbolically reinforced by Spartan facilities, limited perks for executives, intolerance of waste, intensive screening of budget requests, and broad employee participation in cost control efforts. But while low-cost producers are champions of frugality; they tend to commit funds aggressively to cost-saving improvements (Zekiri & Nedelea, 2011).
A firm intent on being a low-cost producer has to scrutinize each cost-creating activity and identify what drives the cost of the activity (Thompson & Strickland, 2012). Then it has to use its knowledge about the cost drivers to manage the costs of each activity down further year after year. Where possible, the entire activities are eliminated from the activity-cost chain entirely. Companies can achieve dramatic cost advantages from restructuring the cost-chain and eliminating unnecessary cost-producing activities (Rahman, 2011).

2.2.4 The Appeal of being a Low-Cost Producer

Being the low-cost producer in an industry provides some attractive defenses against the five competitive forces: As concerns rival competitors, the low-cost company is in the best position to compete offensively on the basis of price, to defend against price war conditions, to use the appeal of a lower price to win sales (and market share) from rivals, and to earn above-average profits (based on bigger profit margins or greater sales volume) in markets where price competition thrives (Sashi & Stern, 2008). As concerns buyers, the low-cost company has partial profit margin protection from powerful customers, since such customers are rarely able to bargain price down past the survival level of the next most cost-efficient seller (Olson & Swanson, 2010).

Olson and Swanson (2010) found that as concerns suppliers, the low-cost producer is more insulated than competitors from powerful suppliers if greater internal efficiency is the primary source of its cost advantage. As concerns potential entrants, the low-cost producer can use price-cutting to make it harder for a new rival to win customers; the pricing power of the low-cost producer acts as a barrier for a new entrant (Rahman, 2011). As concerns substitutes, a low-cost producer is better positioned than higher-cost rivals to use low price as a defense against substitutes trying to gain market inroads (Ilovi, 2011).

A low-cost producer's ability to set the industry's price floor and still earn a profit erects barriers around its market position. Anytime price competition becomes a major market force, less efficient rivals get squeezed the most. Firms in a low-cost position relative to rivals have a significant edge in appealing to buyers who base their purchase decision on low price (Dirisu, Oluwole, & Ibidunni, 2013). A competitive strategy based on low-cost leadership, according to Ireland, et al., (2011) is particularly powerful when: (a) Price competition among rival sellers is a dominant competitive force, (b) the industry's product
is an essentially standardized, commodity-type item readily available from a variety of sellers (a condition that allows buyers to shop for price), (c) there are few ways to achieve product differentiation that have value to buyers (put another way; the differences from brand to brand don't matter much to buyers), (d) most buyers use the product in the same ways—with common user requirements, a standardized product can fully satisfy the needs of all buyers, in which case price, not features or quality; becomes the dominant competitive force (e) buyers incur low switching costs in changing from one seller to another, thus giving them flexibility to shop for the best price and (f) buyers are large and have significant power to bargain down prices (Ilovi, 2011).

2.2.5 The Risks of a low-Cost Producer Strategy

Each generic strategy has its risks, including the low-cost strategy (Cohen, 2004). For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Technological achievements can open up cost decreases for adversaries that invalidate low-cost producer's past speculations and hard-won picks up in productivity (Aulakh, et al., 2000). Equal firms may think that it’s simple or potentially reasonable to emulate the pioneer's minimal effort strategies, consequently making an advantage brief. Additionally, several firms following a focus strategy and targeting various narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share (Spencer, Joiner, & Salmon, 2009).

A company driving hard to push its costs down can become so fixated on cost reduction that it fails to pick up on such significant market changes as growing buyer preference for added quality or service, subtle shifts in how buyers use the product, or declining buyer sensitivity to price and thus gets left behind as buyer interest swings to quality; performance, service, and other differentiating features (Allen & Helms, 2001). In sum, heavy investments in cost reduction can lock a firm into both its present technology and its present strategy; leaving it vulnerable to new technologies and to growing customer interest in something other than a cheaper price (Michael, Robert, & Duane, 2008). According to Bansal (2008), becoming a low-cost producer requires enough capital to achieve economies of scale large enough to provide a distinct price advantage over competitors. This requirement is one reason why many companies are not able to be low-cost producers. Wal-Mart is likely the best example of a low-cost producer with massive
economies of scale. A best-cost provider may get squeezed between strategies of firms using low-cost and differentiation strategies. Treacy and Wiersema (2009) found that low-cost leaders may be able to siphon customers away with a lower price. The authors affirmed that high-end differentiators may be able to steal customers away with better product attributes.

Competition-based pricing is a model that relies on the pricing habits of your competition. It does not take into account product cost, your profit margin or product demand (Olson & Swanson, 2010). In some cases, a firm may be forced to sell product at a loss to remain competitive. Always being the lowest-priced supplier sometimes creates the perception that your product quality is lower than that of the competition. Some consumers might assume that counterfeit or reconditioned products are the means by which you maintain your low prices (Spencer, Joiner, & Salmon, 2009).

2.3 Differentiation Strategy and Competitive Advantage

Another strategic approach to building competitive advantage is that of pursuing differentiation strategies. Differentiation strategies are based on providing buyers with something that is different or unique, that makes the company’s product or service distinct from that of its rivals (Koter & Keller, 2011). The key assumption behind a differentiation strategy is that customers are willing to pay a higher price for a product that is distinct (or at least perceived as such) in some important way. Superior value is created because the product is of higher quality, is technically superior in some way, comes with superior service, or has a special appeal in some perceived way (Allen & Helms, 2001). In effect differentiation builds competitive advantage by making customers more loyal-and less price-sensitive-to a given firm’s product. Additionally, consumers are less likely to search for other alternative products once they are satisfied (Shammot, 2011).

2.3.1 Generic of Differentiation Strategy

The generic of differentiation strategy includes coming up with a market rank that is perceived as being unique industry-wide and that is maintainable over the long run (Porter, 1985). This can be based on the design or brand image, distribution, and any other feature (Frambach et. al, 2003). Generally, differentiation firms build customer value by offering high-quality products and services at affordable prices (Walker & Ruckert, 1987). The successfulness of differentiation strategy relays on how the firm can
ensure equality of its product gain and product costs for their consumers, in relation to their competitiveness (Slater & Olson, 2001). Firms practicing differentiation strategy aim to achieve and market unique products for a specific target group. They strive to come up with better ways of meeting customer needs in general in order to ensure that customer needs are catered for and loyalty, which can be used to determine a minimum price for the products (Morshett, Swoboda, & Schramm-Klein, 2006).

Firm’s that practice differentiation strategy come up with ways to convince customers that their products or services bear unique characteristics that are extraordinary from those of its competitors in terms of image and reputation, reliability, design features and quality (Dean & Evan, 1994). An organization builds this perception by involving qualitative difference in its products and services, through getting involved in advertisement programs, marketing techniques, and charging affordable prices (Miller, 1986). According to Acquaah and Ardekani (2008), differentiation firms are able to attain a competitive advantage over their rivals because of the uniqueness their products and services bear. Porter (1985) stated that, competitive strategies deal with the growth of quality that represent a company and differentiate the value it creates and offers different to that of its competitors. Additionally, “the main idea is about how the firm can uniquely compete in the market place” (Pearce & Robinson, 2007).

The differentiation strategy has been successfully put to operation in companies of advanced countries and these companies are likely venture into the less developed countries as foreign companies (Aulakh et al, 2000). As foreign firms, they have an advantage over domestic firms in regard to adoption of a differentiation strategy (Allen & Helms, 2001). The foreign firms that have an advantage in terms of financial and technological resources, trained human capital, new and modern management systems, and innovative production methods better satisfy the conditions needed to put to operation a differentiation strategy (Aulakh et al., 2000).

Differentiation may be achieved in a number of ways. According to Rahman (2011) the product may incorporate a more innovative design, may be produced using advanced materials or quality processes, or may be sold and serviced in some special way. Often, customers will pay a higher price if the product or service offers a distinctive or special value or “feel” to it (Ireland, et al., 2011). Differentiation strategies offer high profitability when the price premium exceeds the costs of distinguishing the product or
service. Examples of companies that have successfully pursued differentiation strategies include Prince in tennis rackets, Callaway in golf clubs, Mercedes and BMW in automobiles, Coors in beer, Beretta in guns, Brooks Brothers and Paul Stuart in classic-cut clothing, Dinners Club/Carte Blanche in credit cards, Bose in stereo speakers, American Express in travel services, J.P. Morgan Chase in investment banking, Krups in coffee makers and small kitchen appliances, and Benetton in sweaters and light fashions.

2.3.2 Building a Differentiation-Based Advantage

Anything a firm can do to create buyer value represents a potential basis for differentiation (Treacy & Wiersema, 2009). Once a firm finds good sources of buyer value, it must build the value-creating attributes into its product at an acceptable cost. A differentiator can incorporate attributes that raise the product's performance or make it more economical to use. A firm can also incorporate features that enhance buyer satisfaction in tangible or intangible ways during use (Abu & Aliqah, 2012). Differentiation possibilities can grow out of activities performed anywhere in the activity-cost chain. McDonald’s gets high ratings on its French fries partly because it has very strict specifications on the potatoes it purchases from its supplier. The quality of Japanese cars stems primarily from Japanese automakers’ skills in manufacturing and quality control. IBM boosts buyer value by providing its customers with an extensive array of services and technical support. Leon Leonwood Bean (L. L. Bean) makes its mail-order customers feel secure by providing an unconditional guarantee with no time limit: ‘All of our products are guaranteed to give 100 percent satisfaction in every way. Return anything purchased from us at any time if it proves otherwise. We will replace it, refund your purchase price, or credit your credit card, as you wish.” Commercial airlines use their empty seats during off-peak travel periods (i.e., their excess capacity) as the basis for awarding free travel to frequent flyers (Mooney, 2007).

According to Treacy and Wiersema (2009), firms practicing differentiation seek to design and produce highly distinctive or unique product or service attributes that create high value for their customers. Within the firm, differentiation-based sources of competitive advantage in value-adding activities can be built through a number of methods. An important strategic consideration managers must recognize is that differentiation does not mean the firm can neglect its cost structure (Li & Li, 2008). While low unit cost is less important than distinctive product features to firms practicing differentiation, the firm’s
total cost structure is still important. In other worlds, the costs of pursuing differentiation cannot be so high that they completely erode the price premium the firm can charge. Firms pursuing differentiation must still control expenses to balance somewhat higher costs with a distinctive edge in key activities. The cost structure of a firm or business pursuing a differentiation strategy still needs to be carefully managed, although attaining low-unit costs is not the overriding priority (Olson & Swanson, 2010). A firm selecting differentiation must therefore aim at achieving cost parity or, at the very least, cost proximity relative to competitors by keeping costs low in areas not related to differentiation and by not spending too much to achieve differentiation. Thus, the cost structure of a firm practicing differentiation cannot be that far above the industry average. Also, differentiation is not an end in itself; companies must continue to search for new ways to improve the distinctiveness or uniqueness of their products/services (Allen & Helms, 2009).

Seven-Eleven (formerly Southland Corporation) has practiced differentiation to avoid direct competition with large supermarket chains. It offers consumers greater convenience in the form of nearby location, shorter shopping time, and quicker checkout (Spanos, Zaralis, & Lioukas, 2004). It achieves these benefits by designing a business system within the value chain that is different from that of supermarket chains in several key respects: smaller stores, more store locations, and narrower product line. Its approach is higher cost than that of supermarket chains, so 7-Eleven must ordinarily charge higher prices to achieve profitability (Sashi & Stern, 2008). However, customers are generally willing to pay a premium in exchange for the greater convenience 7-Eleven provides. 7-Eleven still services for cost parity, however, by buying merchandise in bulk and keeping close control of inventory. Its current management team is placing renewed emphasis on cost reduction by introduction computerized ordering and tracking systems in U.S stores for even better product turnaround and inventory control (Treacy & Wiersema, 2009).

In almost all differentiation strategies, attention to product quality and service represent the dominant routes for firms to build competitive advantage (Bansal, 2008). For example, firms may improve a product’s quality or performance characteristics to make it more distinctive in the customer’s eyes, as Lexus does with its sleek line of automobiles or Tiffany & Company does with its broad line of jewelry and gift items (Treacy & Wiersema, 2009). The product or service can also embody a distinctive design or offering that is hard to delicately, thus conveying an image of unique quality; as with Krups coffee
and espresso makers or with American Express in travel services and charge cards. After-sales service, convenience, and quality are important means to achieve differentiation for numerous firms, such as for IBM in computer and electronic commerce technology or Hewlert-Packard in desktop printers and digital imaging technologies (Kim, Nam, & Stimpert, 2006).

Technologically advanced products offer a natural route to pursue differentiation; new features convey a sense of quality that enables firms to distinguish themselves from competitors, as Sony has done with great success in its Walkmans, Discmans, Trinitron television sets, and now Play station 1 and 2 video game systems (Rahman, 2011). However, these same technologies also require the firm to remain on the cutting edge of innovation and quality accelerate new product development and to stay in touch with customer’s needs and market trends (Shammot, 2011). It is not unusual for firms practicing differentiation to invest in production processes that use specially designed equipment that makes it hard for rivals to imitate the product’s quality. Olympus Optical fine camera lenses are one example. Olympus’s skills in fine optics and lens grinding make it difficult for other competitors to rapidly imitate its fine quality of cameras, microscopes, and other laboratory instruments that command premium prices through the world (Thompson & Strickland, 2012).

According to Rahman (2011), any potential source of increased buyer value represents an opportunity to pursue a differentiation strategy. Buyer value can be increased or made more distinctive through several approaches, including (1) lowering the buyer’s cost of using the product, (2) increasing buyer satisfaction with the product, and (3) modifying the buyer’s perception of value. Of course, these three approaches to increasing buyer value are not mutually exclusive; a distinctive product or service that lowers buyer’s direct costs can certainly increase their level of satisfaction as well (Kim, Nam, & Stimpert, 2006). Nevertheless, increasing buyer value on any dimension usually means a need to reconfigure or to improve other activities within the firm’s value chain (Ireland, Hokisson, & Hitt, 2011).

2.3.3 Advantages of Differentiation

A big advantage behind the differentiation strategy is that it allows firms to insulate themselves partially from competitive rivalry in the industry (Kim, Nam, & Stimpert, 2006). When firms produce highly sought-after, distinctive products, they do not have to
engage in destructive price wars with their competitors. In effect, successful pursuit of high differentiation along some key product attribute or buyer need may allow a firm to carve its own strategic group within the industry (Ireland, Hokisson, & Hitt, 2011). This has been particularly the case in the food preparations industry, where large manufacturers try to avoid direct price-base competition with one another through frequent product differentiation and new product introductions (Kim, Nam, & Stimpert, 2006).

A major advantage behind differentiation is that customers of differentiated products are less sensitive to prices. In practical this attitude means that firms may be able to pass along price increases to their customers. Although the price of Lexus automobiles have risen steadily over the past several years, demand for these cars also continues to rise, as does buyer loyalty. The high degree of customer satisfaction with Lexus cars has translated over to the sport utility vehicle segment, where vehicles command a far higher price and profit. Buyer loyalty means that successful firms may see a substantial increase in repeat purchases for the firm’s products (Ramayah, et al., 2011).

Another advantage is that strategies based on high quality may, up to a point, actually increase the potential market share that a firm can gain (Ireland, Hokisson, & Hitt, 2011). One landmark study noted, in fact, that competitive strategies based on high product quality actually increased market share resulted in significantly increased profitability. Product quality often leads to higher reputation and demand that translate into higher market share (Rahman, 2011). Finally, differentiation processes substantial loyalty barriers that firms contemplating entry must overcome. Highly distinctive or unique products make it difficult for new entrants to compete with the reputation and skills that existing firms already possess (Schonberger, 1994). Nordstrom’s ability to woo and retain customers in the cutthroat fashion and clothing retailing industry enabled the leading-edge store chain to anticipate its customer’s needs and to offer them special promotions before they become available to the general buying public. Nordstrom’s focus on superior customer service has, until recently, allowed the form to sell top-of-the line brands that offer a much higher margin than brands targeted to the middle market (Treacy & Wiersema, 2009).
2.3.4 The Risks of a Differentiation Strategy

There are, of course, no guarantees that differentiation will produce a meaningful competitive advantage (Thompson & Strickland, 2012). If buyers see little value in uniqueness (a standard item meets their needs), a low-cost strategy can easily defeat a differentiation strategy. In addition, differentiation can be defeated from the outset if competitors can quickly copy the attempt at differentiating. Rapid imitation means that firms never achieve real differentiation because competing brands keep changing in like ways despite continued efforts to create uniqueness. Thus, to be successful at differentiation, a firm must search out durable sources of uniqueness that cannot be quickly or cheaply imitated (Spanos, Zaralis, & Lioukas, 2004).

Aside from these considerations, other common pitfalls include: Trying to differentiate on the basis of something that does not lower a buyer’s cost or enhance a buyer’s well-being (as perceived by the buyer) (Shammot, 2011). Over differentiating so that price is too high relative to competitors or product quality or service levels exceed buyers’ needs. Trying to charge too high a price premium (the bigger the premium, the more buyers can be lured away by lower-priced competitors) (Thompson & Strickland, 2012). Ignoring the need to signal value and depending only on tangible product attributes to achieve differentiation. And not understanding or identifying what buyers consider as value (Olson & Swanson, 2010).

According to Ireland, et al. (2011) increased cost differential between low cost producers and the differentiating firm will motivate brand loyalty customers to switch brands. Thus, buyers would sacrifice some additional features and image for huge savings in cost. Imitation might narrow down the perceived difference. If a differentiating firm lags behind too much, a low cost firm may take over the market of the differentiating firm. The Japanese motor cycle producer Kawasaki for instance, made inroads into the territory of differentiated players such as Harley-Davidson and Triumph by offering big cost savings to buyers. Shammot (2011) believes that the risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

A differentiation strategy calls for creating a product or service with sufficiently distinctive attributes that it sets your business apart from the competition. If your
differentiation strategy works, you may be able to charge your customers a premium for your product or service. However, such a strategy may backfire without sufficient market acceptance. You also face other risks that can impact your bottom line (Spanos et al. 2010). A differentiation strategy may not be ideal for every company. It is difficult to maintain differentiation for an indefinite amount of time because of competition (Thompson & Strickland, 2012). Many companies attempt to find the right balance by competing on such things as price, service and quality, or on any combination of attributes that it believes are important to its customers to gain a competitive advantage. For example, a company that differentiates itself based on price may sacrifice quality to attract customers who are price sensitive. During market downturns, the company may enjoy higher sales than one that competes based on differentiation quality (Ramayah, et, al., 2011).

2.4 Cost Focus Strategy and Competitive Advantage

Focus strategies, according to Allen and Helms (2009), are assigned to help a firm target a specific niche within an industry. Unlike both low-cost leadership and differentiation strategies that are designed to target a broader or industry-wide market, focus strategies aim at a specific and typically small niche. These niches could be a particular buyer group, a narrow segment of a given product line, a geographic or regional market, or a niche with distinctive, special tastes and preference (Schonberger, 1994). The basic idea behind a focus strategy is to specialize the firm’s activities in ways that other broader-line (low-cost or differentiation) firms cannot perform as well, Superior value, and thus higher profitability, are generated when other broader-line firms cannot specialize or conduct their activities as well as a focused firm. If a niche or segment has characteristics that are distinctive and lasting, then a firm can develop its own set of barriers to entry in much the same way that large established firms do in broader markets (Allen & Helms, 2001).

2.4.1 Focus Strategy

Focusing starts by choosing a market niche where buyers have distinctive preferences or requirements (Allen & Helms, 2009). The niche can be defined by geographic uniqueness, by specialized requirements in using the product, or by special product attributes that appeal only to niche members. A focuser's reason for competitive advantage is either lower costs than rivals in serving the market specialty or a capacity to
offer specialty individuals something other than what's expected from other competitors (Sashi & Stern, 2008). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy compared to the rest of the market. A focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes (Aulakh, et al., 2000).

Examples of firms employing a focus strategy include Tandem Computers (a specialist in "nonstop" computers for customers who need a "fail-safe" system), Rolls Royce (in super luxury automobiles) (Li & Li, 2008), Apple Computer in desktop publishing (Apple computers produce typeset-quality reports and graphics), Fort Howard Paper (specializing in paper products for industrial and commercial enterprises only) (Wiersema, 2009), commuter airlines like SkyWest and Atlantic Southeast (specializing in low-traffic, short-haul flights linking major airports with smaller cities 50 to 250 miles away), and Bandag (a specialist in truck tire recapping that promotes its recaps aggressively at over 1,000 truck stops) (Ireland, Hokisson, & Hitt, 2011).

Using a focus strategy to achieve a cost breakthrough is a fairly common technique (Li & Li, 2008). Budget-priced motel chains like Days Inn, Motel 6, and LaQuinta have lowered their investment and operating cost per room by using a no-frills approach and catering to price-conscious travelers (Abu & Aliqah, 2012). Discount stock brokerage houses have lowered costs by focusing on customers mainly interested in buy-sell transactions who are willing to forgo the investment research, investment advice, and financial services offered by full-service firms like Merrill Lynch. Pursuing cost advantage through focusing works well when a firm can find ways to lower costs by limiting its customer base to a well-defined buyer segment (Ramayah, Samat, & Lo, 2011).

2.4.2 Building a Focus-Based Advantage

Firms can build a focus in one of two ways. They can adopt a cost-based focus in serving a particular niche or segment of the market, or they can adopt a differentiation based focus. Focus strategies are different from low-cost leadership and differentiation strategies in terms of the scope of the target market (Spencer, Joiner, & Salmon, 2009). Within a particular targeted market or niche, however, a focused firm can pursue many of the target market. Within characterize as the broader low-cost or differentiation approaches to building competitive advantage (Treacy & Wiersema, 2009). Thus, many
of the sources of competitive advantage discussed earlier for cost and differentiation also apply to focus strategies at the niche or segment level. It is important to remember that focus strategies attempt to pursue low-cost or differentiation with respect to a much narrower targeted market niche or product segment. Thus, the resources and skills that the firm or business uses must be specialized as well (Zekiri & Nedelea, 2011).

Olson and Swanson (2010) found that Krispy Kreme Doughnuts, Solectron, magna International, Southwest Airlines, American iron Horse, Bang and Olufsen, Nucor, chaparral Steel, and Patek Philippe have one thing in common? These firms have adopted a well-defined focus/specialization strategy that has enabled them to earn high profits in industries that are fundamentally unattractive or fast changing. All of these companies have reconfigured their focus-driven value chain to emphasize either differentiation or cost-based sources of competitive advantage (Treacy & Wiersema, 2009). Each of these companies has targeted a particular type of buyer or product segment that other broader-line competitors cannot serve as well. In effect firms with highly refined focus/specialization strategies have developed a distinctive competence in defending their niches from larger firms that have difficulty understanding or serving their target customers (Frambach, Prabhu, & Verhallen, 2003).

Brand name recognition is underscored to be pivotal to a firm with a focus on the customer (Cohen, 2004). A firm may adopt focus strategy by either differentiating or focusing on cost. It is asserted that if a company, for instance, opts to implement a focusing strategy by differentiation, then it ought to have all the options required by differentiation strategy and compete only in one market. In the same breadth, if it decides to focus on prices, then the focus should be limited to a specific market branch (Zekiri & Nedelea, 2011). The scholars further postulated that, the competitive skill of the firms that adopt the focus strategy particularly by differentiation, rely on the ability of the competitors in issuing or providing a better product in the market. In addition, it is noted that such firms may sometimes take the lead probably due there being no other company offering the same product which ultimately enables them to have control over the customers (Abu & Aliqah, 2012).

Ge and Ding (2005) when studying market orientation, competitive strategy and firm performance amongst Chinese entities, pointed out that a quality enhancement strategy is considered to focus on enhancing and improving the quality of a product and/or service.
However, against this backdrop, previous researchers cautioned that focusing on customers and competitors could lead to inertia and can discourage groundbreaking innovations (Jaworski & Kohli, 1993). On a positive note, Han, Kim, and Srivastava (1998) concurred that focusing on changing markets gives rise to new ideas and innovative solutions, and that market orientation is one of the major factors that distinguish between successful and unsuccessful innovations. In the same light, it is posited that the focus on quality ought to be transferred from a process-driven to a customer-driven discipline.

Kwasi and Acquaah (2008) conducted an empirical study on manufacturing strategy, competitive strategy and firm performance in Ghana. The author noted that firms in this sector should become more customer and competitor-focused by coming up with strategies to enhance quality, build relationships with customers and suppliers, and also enhance distribution and delivery of their products. In a study of insurance firms in Kenya, it is noted that both differentiation focus and cost focus strategies are adopted in a narrow market segment (Kiragu, 2014). Cost focus strategy involves firms that seek a lower cost advantage in just one or few market segments. The differentiation focus strategy, on the other hand, involves business enterprises that seek to differentiate within just one of few target market segments. Ilovi (2011) studied sustainable competitive advantage in the insurance industry in Kenya. The author recommended that players in this sector should constantly evaluate their strategies with their objective of being ahead of their competitors. This, the study notes, could be achieved through adoption of cost reduction strategies, focus strategy and investing in resources.

### 2.4.3 Advantages of Focus Strategies

The biggest advantage of a focus strategy is that the firm is able to carve a market niche against larger, broader-line competitors (Abu & Aliqah, 2012). Some firms pursuing this strategy have even been able to locate niches within niches (e.g. handcrafted, Oriental musical instruments), thus further insulating themselves from the attention and efforts of larger, industry-wide players that cannot serve the niche as well (Dean & Evan, 1994). Thus, defensibility and avoidance of direct, price-based competition are big advantages that accrue to a focus/specialization strategy (Rahman, 2011).

In many cases, a focus/specialization strategy enables a firm to improve other sources of value-adding activities that contribute to cost or differentiation (Porter, 1985). Consider
for example, the case of McIlhenny Company. Its expertise with Tabasco sauces gives it some ability and detailed knowledge of how to make Bloody Mary mixes as well (Day & Wensley, 1998). Thus, focus/specialization strategies may enable firms to utilize their specialized distinctive competence or set of assets to create new niches. Solectron’s growing expertise with electronics-based manufacturing from work outsourced by larger firms has given the firm valuable experience and even critical mass to take on larger projects that move beyond the personal computer industry and into other electronics segments, such as cellular phones and telecommunications equipment. Magna International’s experience with bumpers and front-end systems has given it the capability to design entirely new subsystems and assemblies at cost and quality levels that are by some measures superior to that of in-house production by the Big Three automakers (Sashi & Stern, 2008).

2.4.4 Risks of a Focus Strategy

One is the chance that competitors will find ways to match the focused firm in serving the narrow target market (Shammot, 2011). Second is the potential for the niche buyer's preferences and needs to shift toward the product attributes desired by the market as a whole; such erosion opens the way for rivals with broad market appeal (Koter & Keller, 2011). Third is the chance that the segment will become so attractive that it becomes inundated with competitors, causing profits to be splintered (Thompson & Strickland, 2012).

Bansal (2008) found that increasing cost differentiated between broad-range competitors and the focus firm might offset the differentiation achieved through focus and turn the customers towards firms that offer a broad range of products. Perceived or actual differences between products and services might disappear (Dirisu, Oluwole, & Ibidunni, 2013). Other firms might find submarkets within the target market of the focus firm and out focus the focuser (Sashi & Stern, 2008). Aulakh, et al. (2000) found that the risks of a focus strategy include; a competitor's ability to use its core competencies to out-focus the focuser by serving an even more narrowly defined segment, a competitor's ability to use its core competencies to out-focus the focuser by serving an even more broadly defined segment, decisions by industry-wide competitors to use their resources to serve a wider range of customers' needs than the focuser has been serving and decisions by focused competitors to use their resources to serve a wider range of customers' needs.
2.5 Chapter Summary
This chapter examined the effects of generic strategies on competitive advantage on firms in Kenya’s airline industry. It discussed the cost leadership strategy affecting competitive advantage, differentiation strategy on competitive advantage and focus/specialization strategy on competitive advantage. The next chapter, research methodology, explores the best methodology the research used to reach to the solution of the problem.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This section describes the research strategy and methodology that were utilized to complete the study. The chapter describes the population and sampling design. Sampling design further defines the: sampling frame, sampling technique, sample size and research procedures. Described also in the chapter are data collection and analysis techniques which were employed.

3.2 Research Design
A research design is the arrangement and structure of examination so considered as to arrive to answers to research questions (Cooper and Schindler, 2010). It communicates both the structure of the research problem and the arrangement of examination used to get empirical evidence on relations of the issue. As per (Britt, 2010), research design is an arrangement or organized system of how one expects to take care of the examination issue and to extend information and comprehension. Through a clear and well-developed research plan, the reader can develop a confidence in the methods used as the researcher maximizes validity and minimizes error.

The research design that was utilized in this study was distinct in nature. Descriptive studies depict qualities connected with the subject populace (Cooper & Schindler 2010). It aims to answer who, what, where, when or how much about a situation under study. A descriptive design helped provide a clear examination of the effects of generic strategies on competitive advantage on firms in Kenya’s airline Industry.

3.3 Population and Sampling Design

3.3.1 Population
According to Schindler, (2008) population is the average sum of elements collected upon which opinions can be drawn. A Population is defined as a collection of all the items of interest in a study, while a sample can be defined as a subset from the population. This study therefore focused on the management population of Kenya Airways and locally operating airlines including Fly 540 and Fly-SAX targeting 100 management employees in the firms.
Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Population</th>
<th>Number of Managers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya Airways</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>Fly 540</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Fly-SAX</td>
<td>10</td>
<td>5</td>
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<tr>
<td>Total</td>
<td>100</td>
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3.3.2 Sampling Design

A sample is defined as a subset group from the population that is the smaller representation of the population (Salikind, 2012). Sampling design is a method that is used in selecting an appropriate representation from the total sample size of the population under study. Sampling enables: cutting down cost, confidentiality and anonymity of the respondents, non-interference with the population, and saves time on data collection. Sampling design is a working plan specifying the population frame, sample size, sample selection, and estimation method in detail.

3.3.3 Sampling Frame

According to Cooper and Schindler (2010) a sampling frame is a collection of elements from which a sample is drawn and is similar to the population of the study. The list can be based on geographical areas, institutions, individuals, or other units (Collis & Hussey, 2011). In this study the sampling frame was drawn from human resource departments of Kenya Airways, Fly 540 and Fly-SAX.

3.3.4 Sampling Technique

According to Collins and Hussey (2011) sampling technique is procedure used to choose elements from the population that represents the population of study. This study did not employ a sampling technique but will conduct a census on the target population. The study used census approach because the population of management of Kenya Airways, Fly 540 and Fly-SAX is small to draw a sample frame. Kothari (2004) defines a census
as a procedure where all members of the population of study through a research process are involved in data collection process. The census was conducted on all 100 employees in management roles at Kenya Airways, Fly 540 and Fly-SAX.

3.3.5 Sample Size

A sample size is the part of a subset of individuals from a population to produce little knowledge about the entire population, mostly with the aim of making predictions based on statistical inference. According to Saunders and Thornhill (2007) a sample size is a set of elements from which data is gathered. A good sample size should be able to display details that are effective and comprehensive. In this study, a total of 100 managers at Kenya Airways, Fly 540 and Fly SAX head office were involved in this research through carrying out a census.

Table 3.2: Sample Size

<table>
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<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
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3.4 Data Collection Methods

Cooper and Schindler (2010) define primary data as information observed or gathered from firsthand involvement. Information was gathered from primary sources using questionnaires. The survey was intended to catch the fundamental data required for examination. Questionnaire was used as a data collection tool because is the best tool to enhance response rate, it is very convenient and collects the relevant information needed for analysis. The questionnaire consisted of both structured and unstructured questions.

The survey comprised of both structured and unstructured questions. The researcher assisted the respondents, where necessary to understand the significance of the study and ensure that the response is compatible with the objective of the study. The questionnaire was appended with a letter to the respondents informing them of confidentiality and utilization of the data they would disperse.
3.5 Research Procedure

According to Cooper and Schindler (2012), research procedures involve a clear and concise description of all the steps undertaken in the study for the purpose of explicability. In designing and testing the questionnaire, a copy was given to the research supervisor for review and analysis. As this was going on, the researcher shall follow up with the research office for an official introduction letter to take to the management of different travel agents and tour as identified in the sample size section.

A pilot study was directed utilizing five respondents to discover the reasonableness of the instrument (questionnaire) before regulating it in the study. Pre-testing empowered the researcher fine tune the questionnaire and improves the objectivity and viability. It took around 15-20 minutes for the questionnaire to be completed. Attached the survey was a letter of acquaintance that guarantees secrecy with the respondent.

3.6 Data Analysis Methods

According to Cooper, Schneider (2008) information investigation is a research technique for the goal, orderly and subjective depiction of the show substance of a communication. For achievement of quality in this study, quantitative strategy for information investigation was utilized. As indicated by Babbie and Mouton (2010) descriptive statistics require a procedure of adjusting a mass of raw data into tables, graphs, with recurrence appropriation and rates, which are an imperative piece of understanding the information. The research data was examined using Statistical Package for Social Sciences (SPSS) program and presented using tables to give a clear picture of the research findings at a fleeting look.

Key among the quantitative tools that were employed are descriptive statistics, which include measures of central tendencies, such as means, median, Standard deviation, mode, cross-tabulations, frequencies and percentages. These tools of analyses were used for instance to determine views of commonality and deviations from commonality. Regression is another useful statistic that described the degree of relationship between variables used. The study also utilized measures of central tendency. Covariance was applied in testing the causal relationship in this study. This test was done to determine the relationship between generic strategies and competitive advantage.
3.7 Chapter Summary

Chapter three has described the method and measures that was used to carry out the research. It opens with a short introduction stressing the general methodology and the layout of the chapter. The chapter also emphasized the method that was used to conduct the research and its use justified. The population was well-defined and the sampling technique, and sample size described. Finally, the data assortment techniques and research procedures to be used have been deliberated. The next section to follow is Chapter 4 which converses the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter depicts the analyzed results and findings of the study on the examining the effects of generic strategies on competitive advantage of companies in airline industry. The first part is about the response rate. The next section that follows covers background information, which points out the demographic introduction of the respondents. The third part deals with cost leadership strategy and competitive advantage. The fourth part is about differentiation strategy and competitive advantage. The fifth part is on the focus strategy and competitive advantage in the airline industry and the final section is the summary of the whole chapter.

4.1.1 Response Rate

Figure 4.1: Response Rate

A response rate is the sum of respondents or individuals who got involved in a study and it is displayed in a percentage form. This study had a population size of 100 managers working with Kenyan airline industry.

The study in Figure 4.1 displays the response rate of the study. The study clearly indicates that 80% of the respondents took part in the study while 20% out of the 100% did not participate in the study. We can therefore conclude that, the response rate was good to be used.
4.2 Background Information

4.2.1 Gender of Respondents

**Figure 4.2: Gender of Respondents**

Figure 4.2 is used to display the gender of the study. It is indicated that 30 percent of managers in the Kenyan airline industry are women and 70 percent are men. This therefore means that majority of the managers are men and therefore the airline enjoys flexibility in working since men can work for longer hours than women and go for night shifts and 3-5day seminars which is a big challenge to married women.

4.2.2 Level of Education of Respondents

**Figure 4.3: Level of Education of Respondents**

Table 4.3 represents the level of education of the population working at the Kenyan airline industry. The level of education was categorized into four levels as; secondary level education, tertiary level education, graduate level education and post graduate level education. From the figure, it is revealed that, 10 percent of the respondents had secondary level certificate, 8.75 percent had tertiary level diploma, 63.75 percent had graduate degree level of education, and 17.50 percent had post graduate degree level of
education. This means that most of the managers hold graduate degree level of education which is an advantage to the airline since the managers are qualified to make informed decisions.

4.2.3 Working Experience of Respondents

![Bar chart showing the working experience of respondents.](image)

**Figure 4.4: Working Experience of Respondents**

Figure 4.4 depicts the respondents’ year of working experience at Kenyan airline industry. From the figure, 6 percent of managers have less than three years of working experience in the industry, 73 percent of the managers have four to six years of working experience in the airline industry, 13 percent of the managers have seven to ten years of working experience in the airline industry and 9 percent of the managers in the airline industry have more than ten years of working experience. The study implies that 73 percent of the managers, who were the majority, had a work experience of 4 to 6 years. This means that majority of the workers have moderate work experience and so the airline should engage their managers in trainings to enable them gain knowledge and expertise in management skills.
4.2.4 Gender and Length of Service of Respondents

Figure 4.5: Gender and Length of Service of Respondents

To show the relationship between gender and length of service of managers at airline industry, Figure 4.5 was used. The table indicates that 5.3 percent of male respondents have been in the airline industry for 0 to 3 years, 59.6 percent have been in the airline industry for 3 to 6 years, 31.6 percent have been in the airline industry for 6 to 10 years and 3.5 percent of respondents have been in the airline industry for more than 10 years. The study also shows that 13 percent of female respondents have been in the industry for 0 to 3 years, 60.9 percent have been in the airline industry for 3 to 6 years and 26.1 percent have been in the airline industry for 6 to 10 years. This means that majority of the managers are familiar with the airline management and have the best knowledge on how to operate the airline.
4.2.5 Experience and Level of Education

Figure 4.6: Experience and Level of Education of Respondents

Figure 4.6 reveals that relationship between respondents’ level of education and work experience. The figure shows that 60 percent of respondents with less than three years of work experience have secondary level education, 20 percent have tertiary level education, and 20 percent of the respondents have graduate level education. The study also reveals that 5.2 percent of respondents with 4 to 6 years of work experience have secondary level education, 10.3 percent have tertiary level of education, 67.2 percent have degree level of education and 17.2 percent have post degree level of education.

For respondents with 7 to 10 years of experience, 10 percent have secondary education, 70 percent of the respondents have graduate level education and 20 percent have post graduate level education. The study also reveals that 14.3 percent of respondents with more than 10 years of work experience have secondary education, 57.1 percent have graduate degree level and 28.6 percent have post graduate degree level of education. The implication of the findings is that as the year of experience in the management position grows up, more managers tend to advance their studies. Cost Leadership Strategy and Competitive Advantage.
4.3 Cost Leadership Strategy and Competitive Advantage
The first objective of the study was to examine the effects of cost leadership strategy on competitive advantage in Kenyan airline industry. The study sought information from market position, value addition, benchmark, cost advantage, competitors, capital, and supply standard.

4.3.1 Descriptive of Cost Leadership Strategy
Tests for descriptive statistics were performed using statistical software called SPSS. The descriptive results for variable of cost leadership strategy were provided in terms of the mean and standard deviation. The total number of respondents analyzed in each measure was 80. This was determined by the number of valid complete questionnaires in each case.

Table 4.1: Cost Leadership and Competitive Advantage

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company strives to supply a standard of high volume services at the most competitive prices to customers</td>
<td>80</td>
<td>2.61</td>
<td>.907</td>
</tr>
<tr>
<td>The Company benchmarks itself against competing firms to access their relative cost</td>
<td>80</td>
<td>4.69</td>
<td>.466</td>
</tr>
<tr>
<td>The company exploits all potential cost drivers to allow the greater efficiency in each value adding activity</td>
<td>80</td>
<td>4.71</td>
<td>.455</td>
</tr>
<tr>
<td>The Company underpins their services to open up a suitable cost advantage over competitors</td>
<td>80</td>
<td>4.44</td>
<td>.592</td>
</tr>
<tr>
<td>The company has improved its efficiency by controlling costs along the existing activity cost chain</td>
<td>80</td>
<td>3.61</td>
<td>.787</td>
</tr>
<tr>
<td>The company pursues cost savings through the cost chain not overlooking anything</td>
<td>80</td>
<td>4.63</td>
<td>.644</td>
</tr>
<tr>
<td>Cost advantage is achieved through restructuring the cost chain eliminating unnecessary cost producing activities</td>
<td>80</td>
<td>4.25</td>
<td>.849</td>
</tr>
<tr>
<td>The company is a low cost producer in the airline industry</td>
<td>80</td>
<td>4.61</td>
<td>.606</td>
</tr>
<tr>
<td>The company sets the industry price to earn a profit around its market position</td>
<td>80</td>
<td>4.79</td>
<td>.412</td>
</tr>
<tr>
<td>The company is a low cost producer due to substantial capital that the company holds</td>
<td>80</td>
<td>4.65</td>
<td>.781</td>
</tr>
</tbody>
</table>

The mean for cost leadership strategy ranged from 2.61 to 4.79. The findings of the study mean that firms in airline industry utilized cost leadership strategy to enhance competitiveness of the firms hence achieving competitive advantage. Even though the study shows that respondents agreed that most of the variables of cost leadership strategy enhance competitive advantage, they highly disagreed on the first variable that company
strives to supply a standard of high volume services at the most competitive prices to customers hence the lowest mean of 2.61.

The standard deviation for cost leadership strategy and competitive advantage lowest figure was 0.412 while the highest was 0.907. The highest was that the company sets the industry price to earn a profit around it market position while the lowest was that the company strives to supply a standard of high volume services at the most competitive prices to customers. It means that firms in airline industry implement focus strategy to enhance competitive advantage.

4.3.2 Cost Leadership Strategy and Competitive Advantage

To determine relationship between cost leadership strategy and competitive advantage regression was done between cost leadership strategies as a predictor variable against the competitive advantage achieved in the airline industry.

Table 4.2: Model Summary of Cost Leadership Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.847a</td>
<td>.717</td>
<td>.713</td>
<td>.23117</td>
</tr>
</tbody>
</table>

Note: a. Predictors: (Constant), Cost Leadership Strategy

The $R^2$ of the model was 0.717. This means that 71.7 percent of the variations in the competitive advantage achieved is as a result of execution of cost leadership strategy of the firms in the airline industry. The 28.3 percent difference is due to factors not predicted in this model symbolized by the error term. Given this strong model, the study tested whether there is a strong empirical ground to conclude that cost leadership strategy significantly enhances competitive advantage.

Table 4.3: ANNOVA of Cost Leadership Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>10.558</td>
<td>1</td>
<td>10.558</td>
<td>197.568</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>4.168</td>
<td>78</td>
<td>.053</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>14.726</td>
<td>79</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Competitive Advantage, b. Predictors: (Constant), Cost Leadership Strategy
From ANNOVA in Table 4.3, there is a p-value of 0.000. The study concludes that there is a significant relationship between cost leadership strategy and competitive advantage in the airline industry. This implies that cost leadership strategy has a significant influence in enhancing competitive advantage.

The standardized coefficient is 0.847 and p value is 0.000. The study used linear regression model to test the relationship between cost leadership strategy and competitive advantage in the airline industry. The linear equation model is stated as: \( Y = a + a1X1 + \varepsilon \): Where \( Y=\text{Competitive Advantage} \), \( a = \text{Constant value} \), \( X1 = \text{Cost Leadership Strategy} \) and \( \varepsilon = \text{error term} \)

The following were the results of the model in Table 4.4,

**Table 4.4: Coefficients Variation of Cost Leadership Strategy and Competitive Advantage**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.388</td>
<td>.322</td>
<td>-1.205</td>
<td>.23</td>
</tr>
<tr>
<td>Cost Leadership Strategy</td>
<td>1.049</td>
<td>.075</td>
<td>.847</td>
<td>14.05</td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Competitive Advantage

The study thus represents competitive advantages as, \( \text{Competitive advantage} = 1.049 + 0.847 \text{ cost leadership} + \varepsilon \)

It means that a unit change in cost leadership strategy causes a change of 0.847 in competitive advantage in airline industry.

**4.4 Differentiation Strategy and Competitive Advantage**

The second objective of the study was to assess how differentiation strategy affects competitive advantage of firms in Kenya airline industry. The study sought information from customer value, unique products, value attribute, technology, unique strategy, price sensitivity, quality services, un-imitated uniqueness, and tangible product attributes.

**4.4.1 Descriptive of Differentiation Strategy**

The study adopted mean and standard deviation (S.D) as statistical tools that were used to rank the significance of the variables. The total number of respondents analyzed in each measure was 80.
Table 4.5: Differentiation Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company creates customer value by offering high quality products supported by good services at premium prices</td>
<td>80</td>
<td>4.80</td>
<td>.513</td>
</tr>
<tr>
<td>The company markets unique products for varied customer groups</td>
<td>80</td>
<td>4.71</td>
<td>.660</td>
</tr>
<tr>
<td>The company has built value by creating attributes for its services at an acceptable cost</td>
<td>80</td>
<td>4.08</td>
<td>.808</td>
</tr>
<tr>
<td>The company uses technology to remain on the cutting edge of innovation</td>
<td>80</td>
<td>4.39</td>
<td>.584</td>
</tr>
<tr>
<td>The company has carried out its own strategic group-unique services within the industry</td>
<td>80</td>
<td>4.33</td>
<td>.883</td>
</tr>
<tr>
<td>Customers are less sensitive to prices</td>
<td>80</td>
<td>4.20</td>
<td>1.011</td>
</tr>
<tr>
<td>The potential market share of firms is increased due to high quality services</td>
<td>80</td>
<td>3.89</td>
<td>1.067</td>
</tr>
<tr>
<td>The company sources for uniqueness that cannot be quickly imitated</td>
<td>80</td>
<td>3.31</td>
<td>1.411</td>
</tr>
<tr>
<td>The company differentiates on the basis of services that do not lower a buyer’s cost or enhance their well being</td>
<td>80</td>
<td>3.40</td>
<td>1.063</td>
</tr>
<tr>
<td>The company depends on tangible product attributes to achieve differentiation</td>
<td>80</td>
<td>3.68</td>
<td>1.209</td>
</tr>
</tbody>
</table>

The means for differentiation strategy and competitive advantage ranged from 3.31 to 4.80. This means that on average, firms in airline industry implement differentiation strategy to enhance competitive advantage. This is shown with the moderate opinions of the respondents about differentiation strategy and competitive.

The study also shows that the standard deviation for differentiation strategy and competitive advantage ranged from 0.513 to 1.411. This means that there was high deviation among the opinions of the respondents about implementing differentiation strategy to achieve competitive advantage. The opinions were especially highly deviated on the statement that the company sources for uniqueness that cannot be quickly imitated.

4.4.2 Regression Analysis of Differentiation Strategy and Competitive Advantage

The study sought to statistically test whether differentiation strategy significantly affects competitive advantage of firms in the airline industry. This was tested using the perceived differentiation strategy as a predictor variable against the competitive advantage achieved in the airline industry.
Table 4.6: Model Summary of Differentiation Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.866&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.750</td>
<td>.747</td>
<td>.21710</td>
</tr>
</tbody>
</table>

Note: a. Predictors: (Constant), Differentiation Strategy

The R² from this test is 0.750 meaning that 75 percent of the variation in competitive advantages of the airline firms results from differentiation strategy. The remaining 25 percent is due to other factors not tested in this model.

Table 4.7: ANOVA of Differentiation Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>11.050</td>
<td>1</td>
<td>11.050</td>
<td>234.451</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>3.676</td>
<td>78</td>
<td>.047</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14.726</td>
<td>79</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Competitive Advantage, b. Predictors: (Constant), Differentiation Strategy

The ANOVA in Table 4.7 above has a p-value of 0.000. The study concludes that there is a significant relationship between differentiation strategy and competitive advantage in the airline industry.

The study used linear regression model to test the relationship between differentiation strategy and competitive advantage in the airline industry. Table 4.8 depicts the results of the model.

Table 4.8: Coefficients Variation of Differentiation Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.290</td>
<td>.187</td>
<td></td>
<td>6.915</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>.695</td>
<td>.045</td>
<td>.866</td>
<td>15.31</td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Competitive Advantage

The study thus represents competitive advantages as,
Competitive advantage = 0.695 + 0.866 differentiation strategy + €

It means that a unit change in differentiation strategy causes a change of 0.866 in competitive advantage in airline industry.

**4.5 Focus Strategy and Competitive Advantage**

The objective of the study was to examine the effects of focus strategy on competitive advantage in Kenyan airline industry. The study sought information from market niche, low cost strategy, value enhancement, relationship building, expansion, value addition activities, and market barriers.

**4.5.1 Descriptive of Focus Strategy**

Tests for descriptive statistics were performed using a statistical software call SPSS. The descriptive results for variable of focus strategy were provided in terms of the mean and standard deviation. The total number of respondents analyzed in each measure was 80.

**Table 4.9: Focus Strategy and Competitive advantage**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company has identified a market niche for buyers</td>
<td>80</td>
<td>3.90</td>
<td>1.038</td>
</tr>
<tr>
<td>The company focuses on low cost strategy</td>
<td>80</td>
<td>4.60</td>
<td>.587</td>
</tr>
<tr>
<td>The company produces unique products that enhances value to the organizations</td>
<td>80</td>
<td>4.15</td>
<td>.813</td>
</tr>
<tr>
<td>The company builds relationships with customers and suppliers</td>
<td>80</td>
<td>3.55</td>
<td>1.113</td>
</tr>
<tr>
<td>The company has expanded on broader line that competitors cannot serve</td>
<td>80</td>
<td>3.98</td>
<td>.842</td>
</tr>
<tr>
<td>The firm has improved on other sources that are of value adding activities</td>
<td>80</td>
<td>4.03</td>
<td>.842</td>
</tr>
<tr>
<td>The firm targets a specific niche within an industry</td>
<td>80</td>
<td>3.58</td>
<td>1.065</td>
</tr>
<tr>
<td>The Firm specializes in activities in ways that other firms cannot perform</td>
<td>80</td>
<td>3.84</td>
<td>1.185</td>
</tr>
<tr>
<td>Firm develops its own set of barriers to market entry by other competitors</td>
<td>80</td>
<td>4.04</td>
<td>.892</td>
</tr>
<tr>
<td>Companies are able to achieve cost breakthrough</td>
<td>80</td>
<td>4.26</td>
<td>.759</td>
</tr>
</tbody>
</table>

The mean for focus strategy ranged from 3.55 to 4.60. The findings of the study mean that firms in airline industry implement focus strategy to achieve competitive advantage. The study shows that respondents moderately agreed that focus strategy enhance competitive advantage.
The focus strategy and competitive advantage had standard deviation range from 0.587 to 1.113. It means that there is a great variation in implementing focus strategy for firms in airline industry.

4.5.2 Regression Analysis of Focus Strategy and Competitive Advantage

Table 4.10 shows that the coefficient of determination for the relationship between focus strategy and competitive advantage was 0.872 and this means that 87.2 percent of competitive advantage in airline industry was explained by focus strategy. The remaining 12.8 percent was explained by other factors not considered in the model.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.934a</td>
<td>.872</td>
<td>.870</td>
<td>.15552</td>
</tr>
</tbody>
</table>

Note: a. Predictors: (Constant), Focus Strategy

Table 4.11 shows the overall model significance with a p-value of 0.000. The study hence concluded that focus strategy has a significant influence on an organization’s achievement of competitive advantage.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>12.840</td>
<td>1</td>
<td>12.840</td>
<td>530.884</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>1.886</td>
<td>78</td>
<td>.024</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>14.726</td>
<td>79</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Competitive Advantage
b. Predictors: (Constant), Focus Strategy

Table 4.12 shows the beta coefficients of focus strategy. The beta coefficient of focus strategy was positive meaning that a unit change in the application of focus strategy causes a positive change in the achievement of competitive advantage.
Table 4.12: Coefficient of Variation of Focus Strategy and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.308</td>
<td>.123</td>
<td>10.603</td>
<td>.000</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>.705</td>
<td>.031</td>
<td>.934</td>
<td>23.041</td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Competitive Advantage

The relationship in the table was represented by the following equation:

Competitive Advantage = 0.705 + 0.934 focus strategy + €

The regression equation shown above indicates that a unit change in the execution of focus strategy causes an increase of 0.705 in competitive advantage.

4.6 Chapter Summary

The results and findings of the study have been provided in this chapter. These results and findings were based on the data given out by the respondents from Kenyan airline industry. The chapter provided analysis on the response rate, background information, cost leadership strategy, differentiation strategy and focus strategy in enhancing competitive advantage. The next chapter provides the summary, discussion, conclusions and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter offers the discussion, conclusions and recommendations of the research. In the first part, the summary of the study is offered. The discussion and conclusion of the study is in part two and three correspondingly. Part four validates the recommendations.

5.2 Summary

The purpose of the study was to examine the effects of generic strategies on competitive advantage on firms in Kenya’s airline industry. This study aimed at establishing how cost leadership strategy affect competitive advantage, determining how differentiation strategy affect competitive advantage and examining how focus strategy affect competitive advantage of firms in Kenya’s airline industry.

The research embraced a descriptive study method in examining, deducing, and presenting data. The descriptive research method was the best for this study because it focused on the relationship between generic strategies and competitive advantage of firms within airline industry. The study used questionnaires to get data from respondents. The study focused on 100 management employees from Kenya Airways, Fly 540 and Fly-SAX. The study used census approach on the targeted population. The study embraced descriptive and inferential insights in information investigation and presentation. The study data was analyzed utilizing Statistical Package for Social Sciences (SPSS) and Microsoft excel expectations programs. Tables were utilized as a part of information presentation.

The study examined how cost leadership strategy affects an organization’s competitive advantage. The study found that companies in airline industry strive to supply a standard of high volume services at the most competitive prices to customers. Cost leadership strategy makes the companies to benchmark themselves against competing firms to access their relative costs. In airline industry, the companies exploit all potential cost drivers to allow the greater efficiency in each value adding activity. The study found that companies in airline industry underpin their services to open up a suitable cost advantage over competitors hence improve the efficiency by controlling costs along the existing
activity cost chain. The study established that cost advantage is achieved through restructuring the cost chain by eliminating unnecessary cost producing activities.

The study revealed how differentiation strategy affects competitive advantage in the airline industry. The study found that through differentiation technique, organizations in the aircraft business make client esteem by offering superb items upheld by great administrations at premium costs. The companies are marketing unique products for varied customer groups hence they have built value by creating attributes for its services at an acceptable cost. The study found that differentiation strategy in the airline industry has made companies to use technology to remain on the cutting edge of innovation. The study revealed that companies in airline industry have carried out their own strategic group- unique services within the industry and found that differentiation strategy cares for customers that are less sensitive to prices. Due to high quality services, the potential market share of the firms in the airline industry has been increasing.

The study examined the effect of focus strategy on competitive advantage of firms in airline industry. The study reveals that focus strategy has made it possible for companies in airline industry to identify a market niche for buyers. The companies that focus on low cost strategy produce unique products that enhance value to the organizations. Focus strategy has made the companies to build relationships with customers and suppliers hence expanded on broader line that competitors cannot serve. From the study, it was observed that firms in airline sector have specialized in activities in ways that other firms cannot perform and this has helped them to improve on other sources that are of value adding activities. The study also found that due to focus strategy, firms in airline industry have targeted a specific niche within an industry.

5.3 Discussion

5.3.1 Cost Leadership and Competitive Advantage

The study analysed the effect of cost leadership on competitive advantage of firms in airline industry. The study found that the companies in airline industry strive to supply a standard of high volume services at the most competitive prices to customers. The study supports the findings of Li and Li (2008) who contend that cost-initiative technique attempts to supply a standard, no-frills, high-volume item and the most competitive cost to customers. Kim et, al. (2006) then found that cost leadership procedures are favoured in creating nations, for example, Indonesia, Malaysia, India and China where they have
bring down work cost, and consequently, a lower production cost. Frambach et al. (2003) found that cost leadership has a tendency to be a greater number of contenders situated as opposed to client arranged consequently require a solid focus on the supply side instead of the request side of the market, as this requires an abnormal state of competitor introduction.

The study found that companies in airline industry benchmarks themselves against competing firms to access their relative costs. Porter (1985) affirms that organizations that seek after cost initiative procedure accomplish an ease position by stressing on forceful development of effective scale offices and incredible quest for cost diminishments as a matter of fact. They also avoid marginal customer accounts and enhance minimization of costs in areas like research and development, services, sales force and advertising. Sashi and Stern (2008) revealed that the low-cost strategy is based on locating and leveraging every possible source of cost advantage in a firm’s value chain of activities. Treacy and Wiersema (2009) on the other hand confirm that to sustain low-cost advantage, it is imperative to continuous improve and search for improved process yields, streamlined product design, or more efficient means of delivering a service.

The study showed that companies in airline industry exploit all potential cost drivers to allow the greater efficiency in each value adding activity. Abu Aliqah (2012) argues that it is important for a firm to build a cost-based advantage to utilize all the potential cost drivers that enhance value-adding activities. Allen and Helms (2009) on the other hand found that a cost driver is an economic or technological factor that determines the cost of performing some activities. Allen and Helms assert that firms can tailor their use of cost drivers to build low-cost leadership across different value-adding activities. In pursuing a cost-based advantage, Mooney (2007) revealed that no firm can obviously ignore such product attributes as quality, service, and reliability.

From the study, it is well demonstrated that companies in the airline industry has improved its efficiency by controlling costs along the existing activity cost chain. The study supports the findings of Ramayah, et al., (2011) who found that to achieve a cost advantage, a firm's cumulative costs across its activity-cost chain must be lower than competitors' cumulative costs. The study also found that airline companies pursue cost savings through the cost chain and they do not overlook anything. Zekiri and Nedelea (2011) believe that low-cost producers have a very cost-conscious organizational culture.
Zekiri and Nedelea assert that even though low-cost producers are champions of frugality; they tend to commit funds aggressively to cost-saving improvements. Rahman (2011) adds that a firm that intent on being a low-cost producer has to scrutinize each cost-creating activity and identify what drives the cost of the activity.

From the study it is found that company in airline sector underpin their services to open up a suitable cost advantage over competitors. Bansal (2008) argues that becoming a low-cost producer requires enough capital to achieve economies of scale large enough to provide a distinct price advantage over competitors. Contrary, Spencer, Joiner and Salmon (2009) found that competition-based pricing is a model that relies on the pricing habits of your competition. It does not take into account product cost, profit margin or product demand. To support the argument of Spencer, Joiner and Salmon, Olson and Swanson (2010) revealed that a firm may be forced to sell product at a loss to remain competitive. Olson and Swanson assert that always being the lowest-priced supplier sometimes creates the perception that your product quality is lower than that of the competition.

The study also reveals that cost advantage is achieved through restructuring the cost chain eliminating unnecessary cost producing activities. Rahman (2011) argues that a low cost producer firm uses its knowledge about the cost drivers to manage the costs of each activity down further year after year. If the company founds that certain activities are increasing costs, it eliminate the whole activities from the activity cost chain.

5.3.2 Differentiation Strategy and Competitive Advantage

The study found that for organizations in carrier industry to accomplish competitive advantage, they make client esteem by offering quality products supported by good services at premium cost. Porter (1985) found that the generic of differentiation technique includes making a market position that is seen as being one of a kind expansive and that is maintainable as time goes on. Frambach et, al., (2003) confirm that organizations that offer brilliant items at a premium cost depend on design, brand image and distribution. Then again, Slater and Olson (2001) contend that the adequacy of differentiation technique relies on upon how well the firm can adjust item advantages and item costs for the client, in respect to focused offerings. Morshett, et, al., (2006) found that companies using a differentiation strategy strive to create unique products.
From the study, it is found that companies in airline industry market unique products for varied customer groups. Morshett, et al., (2006) assert that differentiation method makes firms make a superior fulfillment satisfaction of client needs in one or a few item ascribes so as to create consumer loyalty and satisfaction. This as indicated by Morshett, et al., (2006) is regularly used to charge a base cost for the items. Dean and Evan (1994) in their study found that a firm that seeks after a differentiation system tries to make a recognition in the brains of clients that their items or service have predominant attributes that are remarkable from those of its rivals as far as features and notoriety, dependability, outline components and quality. Acquaah and Ardekani (2008) attest that differentiation firms can accomplish competitive advantage over their adversaries due to the apparent uniqueness of their products and services.

From the study, it is confirmed that companies in the airline industry have built value by creating attributes for its services at an acceptable cost. To support the study, Abu and Aliqah (2012) affirm that differentiation strategy helps a company incorporate attributes that raise the product's performance or make it more economical to use. Abu and Aliqah found that a firm using differentiation strategy incorporate features that enhance buyer satisfaction in tangible or intangible ways during use. Treacy and Wiersema (2009) found that organizations practicing differentiation seek to design and produce highly distinctive or unique product or service attributes that create high value for their customers.

The study reveals that in airline industry, companies are using technology to remain on the cutting edge of innovation. Shammot (2011) confirms that innovation accelerates new product development and makes and organization to stay in touch with customer’s needs and market trends. Kim, et, al., (2006) assert that technologically advanced products offer a natural route to pursue differentiation. This kind of differentiation enhances new features that convey a sense of quality that enables firms to distinguish themselves from competitors. Thompson and Strickland (2012) found that firms practicing differentiation invest in production processes that use specially designed equipment that makes it hard for rivals to imitate the quality of the product.

From the study, it is confirmed that in the airline sector, companies carry out their own strategic group unique services within the industry. Kim, et, al., (2006) confirms that uniqueness in the service offered by companies due to differentiation strategy allows firms to insulate themselves from competitive rivalry in the industry. In addition
Ramayah, et al., (2011) found that customers of differentiated products are less sensitive to prices. In practical this attitude means that firms may be able to pass along price increases to their customers.

The study found that airline companies’ sources for uniqueness that cannot be quickly imitated has created high quality services and this has increased potential market share. From the study by Schonberger (1994), it is confirmed that differentiation processes substantial loyalty barriers that firms contemplating entry must overcome. Highly distinctive or unique products make it difficult for new entrants to compete with the reputation and skills that existing firms already possess. Rahman (2011) noted that competitive strategies based on high product quality actually increased market share resulted in significantly increased profitability. The latter author found that product quality often leads to higher reputation and demand that translate into higher market share.

5.3.3 Focus Strategy and Competitive Advantage

The study confirms that the companies in airline industry are using focus strategy identify a market niche for buyers. Lynch (2016) affirms that the organization adopting the focus strategy selects a niche or group of niches in the industry and customises its strategy to serving them to the exclusion of others. Ramayah, et al., (2011) firms that practice Focus systems give attention on certain specialty markets and, by comprehension the elements of these specialty markets and the interesting needs of clients inside them, develop uniquely or very much indicated items for the market. Organizations applying focus technique approach serve clients in their market remarkably well, in this manner tending to construct solid brand dedication among their customers.

The study found that companies using focus strategy produce unique products that enhance value to the organizations. Schonberger (1994) in their study found that a focus strategy is to specialize the firm’s activities in ways that other broader-line (low-cost or differentiation) firms cannot perform as well. Aulakh, et al., (2000) found that in focusing strategy, a firm chooses a market niche where buyers have distinctive preferences or requirements. The writer expresses that a focuser's reason for upper hand is either lower costs than contestants in serving the market specialty or capacity to offer specialty individuals something else from different competitors.
The study found that companies using focus strategies build relationships with customers and suppliers. Kwasi and Acquaah (2008) confirm that firms that build relationships with customers and suppliers are more customer and competitor-focused. Ilovi (2011) revealed that competitive advantage can be achieved through adoption of cost reduction strategies, focus strategy and investing in resources. Kiragu (2014) in his study found that cost focus strategy involves firms that seek a lower cost advantage in just one or few market segments. He also discovered that the differentiation focus strategy involves business enterprises that seek to differentiate within just one of few target market segments.

From the study, it was confirmed that companies that use focus strategy have expanded on broader line that competitors cannot serve. To support the findings, Rahman (2011) found that a firm using focus strategy is able to carve a market niche against larger, broader-line competitors. The author found that some firms pursuing this strategy have even been able to locate niches within niches thus further insulating themselves from the attention and efforts of larger, industry-wide players that cannot serve the niche as well. Day and Wensley (1998) reveal that a focus strategy enables a firm to improve other sources of value-adding activities that contribute to cost or differentiation. On the other hand, Sashi and Stern (2008) found that focus strategies enable firms to utilize their specialized distinctive competence or set of assets to create new niches.

The study revealed that focus strategy enables firms specialize in activities in ways that other firms cannot perform. Allen and Helms (2001) found that focus strategy helps a firm offer superior value that competing firms cannot offer in the same way. This approach guarantees superior value that helps a company generate higher profitability. Zekiri and Nedelea (2011) argue that firms with highly refined focus or specialization strategies have developed a distinctive competence in defending their niches from larger firms that have difficulty understanding or serving their target customers. Spencer, et, al., (2009) found that within a particular targeted market or niche, a focused firm can utilize either cost leadership or differentiation approaches.

The study found that firms in airline industry have improved on other sources that are of value adding activities. This has enabled the firms to develop their own set of barriers to market entry and have made it hard for new entrants to penetrate the market. Allen and Helms (2001) found that if a niche or segment has characteristics that are distinctive and
lasting, then a firm can develop its own set of barriers to entry in much the same way that large established firms do in broader markets.

5.4 Conclusions

5.4.1 Cost Leadership and Competitive Advantage

The study concludes that due to cost leadership, companies in airline industry strive to supply a standard of high volume services at the most competitive prices to customers. To achieve this, the companies exploit all potential cost drivers to allow the greater efficiency in each value adding activity. They also benchmark themselves against competing firms to access their relative cost. The study also concludes that companies in airline industry have improved their efficiency by controlling costs along the existing activity cost chain. This is done by pursuing cost savings through the cost chain and they don’t overlook anything. The study concludes that cost advantage is achieved through restructuring the cost chain and eliminating unnecessary cost producing activities. It is concluded from the study that companies from airline industry underpins their services to open up a suitable cost advantage over competitors.

5.4.2 Differentiation Strategy and Competitive Advantage

From the study it is concluded that differentiation strategy enables companies from airline industry to create customer value by offering high quality products supported by good services at premium prices. This is done by creating attributes for the services offered by the company at an acceptable cost hence building company value. The study concludes that the companies in the airline industry carry out their own strategic group unique services within the industry. This has been made easier by using technology to remain on the cutting edge of innovation. The study also concludes that differentiation strategy has enhanced firms’ sources for uniqueness because their services cannot be quickly imitated. Due to the latter, the quality of services of the firms is enhanced and the potential market share increased. The study concludes that differentiation approach helps firms market unique products for varied customer groups hence customers are less sensitive to prices.

5.4.3 Focus Strategy and Competitive Advantage

The study concludes that focus strategy helps firms identify a market niche for buyers. The company using the approach can focus on either low cost strategy or differentiation strategy in a particular niche. A firm with a focus strategy produces unique products that
enhance value to the organizations. The strategy also helps in building relationships with customers and suppliers. The study also concludes that the focus strategy has enabled companies improve on other sources that are of value adding activities. This has helped in expanding on company’s broader line that competitors cannot serve. From the study, it is concluded that when a firm targets a specific niche within an industry, the firm specializes in activities in ways that other firms cannot perform. Focus strategy enables firms develop their own set of barriers to market entry hence limiting the rate of new entrants.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Cost Leadership and Competitive Advantage
The study recommends the management of companies in airline industry and other companies to appropriately adopt cost leadership strategy as it help companies supply a standard of high volume services at the most competitive prices to customers. Efficiency in each value adding activity is enhanced because cost leadership strategy exploits all potential cost drivers. Cost leadership strategy is good for a company because it enables the organization to benchmark itself against competing organizations hence being able to access their relative cost. The study recommends the adoption of cost leadership strategy because it enables a company to improve its efficiency by controlling costs along the existing activity cost chain. The study found that due to cost leadership, a firm pursues cost savings through the cost chain and not by overlooking anything. According to the study, cost advantage is achieved through restructuring the cost chain eliminating unnecessary cost producing activities.

5.5.1.2 Differentiation Strategy and Competitive Advantage
The study recommends management of airline companies to execute differentiation strategy because it enables the companies creates customer value by offering high quality products supported by good services at premium prices. Differentiation strategy has enabled companies built value by creating attributes for its services at an acceptable cost. The study recommends the use of differentiation approach because it has enabled companies carry out their strategic group unique services within the industry. The strategy is easily achieved because the companies use technology to remain on the cutting edge of innovation that helps to limit easy imitation of the company brands.
Differentiation approach helps companies to market unique products for varied customer groups hence customers are less sensitive to prices.

5.5.1.3 Focus Strategy and Competitive Advantage

The study found that focus strategy helps a company identify a market niche for their products/services. The study recommends the use of focus strategy because the approach can either focus on low cost strategy or differentiation strategy. Focus strategy enables firms produce unique products that enhance value to the organizations. The study recommends focus strategy because the firm using it targets a specific niche within an industry hence enhances specialization in activities in ways that other firms cannot perform. Focus strategy has enabled firms to improve on other sources that are of value adding activities. This has also helped in developing sets of barriers to new entrants from entering the market.

5.5.2 Recommendation for Further Research

The study was only carried in companies from one industry (Kenyan airline industry). Further researches about effects of generic strategies on the competitive advantage should be carried on in other industries like, financial, industrialization and agricultural.

The study encourages future scholars to assess the factors that enhance effective implementation of generic strategies in organizations.
REFERENCES


Rahman, M. (2011). *Differentiation of services to achieve competitive advantage: airlines meeting the needs of the physically challenged persons*.


APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Dear Sir/Madam,

RE: REQUEST TO PARTICIPATE IN A RESEARCH STUDY

I am a Graduate student at school of Business at United States International University-Africa. I am carrying out a research project which is a partial requirement for the degree of Masters in Business Administration (MBA). The purpose of this research is to investigate the Effects of Generic Strategies on the Competitive Advantage of Firms in Kenya’s Airline Industry.

To complete my study I will need to collect relevant information from your airline. I am therefore requesting for permission to collect and use your company’s information which will be collected using the attached interview guide.

Kindly note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for academic purposes only. Your assistance will be highly appreciated.

I look forward to your prompt response.

Regards
Ruth Moraa
APPENDIX II: QUESTIONNAIRE

GENERAL INFORMATION

1. Indicate your gender
   Male  
   Female  

2. Number of years in the management role at the company
   Less than 3 years  
   4-6 years  
   7-10 years  
   More than 10 years  

3. What is your highest level of school completed?
   Secondary level  
   Tertiary level (colleges, polytechnics)  
   University  
   Post Graduate  

4. What is the number of employees in your company
   Below 50  
   50-100  
   100-1000  
   Above 1000  

5. What is the length of your service to the company?
   0-3 years  
   3-6 years  
   6-10 years  
   Above 10 years  

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SECTION B: COST LEADERSHIP STRATEGY

Kindly indicate the extent to which you agree with the following statements on cost leadership strategy. Kindly (✓) tick appropriately on a scale of 1-5. 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree

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<th>Statements</th>
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<tr>
<td>The company strives to supply a standard of high volume services at the most competitive prices to customers</td>
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<td>The Company benchmarks itself against competing firms to access their relative cost</td>
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<td>The company exploits all potential cost drivers to allow the greater efficiency in each value adding activity</td>
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<td>The Company underpins their services to open up a suitable cost advantage over competitors</td>
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<td>The company pursues cost savings through the cost chain not overlooking anything</td>
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<td>Cost advantage is achieved through restructuring the cost chain eliminating unnecessary cost producing activities</td>
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<td>The company is a low cost producer in the airline industry</td>
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<td>The company sets the industry price to earn a profit around its market position</td>
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<td>The company is a low cost producer due to substantial capital that the company holds</td>
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## SECTION C: DIFFERENTIATION STRATEGY

Kindly indicate the extent to which you agree with the following statements on Differentiation Strategy. Kindly (✓) tick appropriately on a scale of 1-5. **1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree**

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<tr>
<td>1 The Company creates customer value by offering high quality products supported by good services at premium prices</td>
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<td>2 The company markets unique products for varied customer groups</td>
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<td>3 The company has built value by creating attributes for its services at an acceptable cost</td>
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<td>4 The company uses technology to remain on the cutting edge of innovation</td>
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<td>5 The company has carried out its own strategic group- unique services within the industry</td>
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<td>6 Customers are less sensitive to prices</td>
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<td>7 The potential market share of firms is increased due to high quality services</td>
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<td>8 The company sources for uniqueness that cannot be quickly imitated</td>
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<td>9 The company differentiates on the basis of services that do not lower a buyer’s cost or enhance their well being</td>
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<td>10 The company depends on tangible product attributes to achieve differentiation</td>
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SECTION D: FOCUS STRATEGY

Kindly indicate the extent to which you agree with the following statements on Focus Strategy. Kindly (✓) tick appropriately on a scale of 1-5. 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree

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<tr>
<td>The company has identified a market niche for buyers</td>
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<td>The company focuses on low cost strategy</td>
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<td>The company produces unique products that enhances value to the organizations</td>
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<td>The company builds relationships with customers and suppliers</td>
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<td>The company has expanded on broader line that competitors cannot serve</td>
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<td>The firm has improved on other sources that are of value adding activities</td>
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<td>The firm targets a specific niche within an industry</td>
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<td>The Firm specializes in activities in ways that other firms cannot perform</td>
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<td>Firm develops its own set of barriers to market entry by other competitors</td>
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<td>Companies are able to achieve cost breakthrough</td>
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SECTION E: COMPETITIVE ADVANTAGE

On a scale of 1-5 **1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree.** Indicate by (√) ticking appropriately the level at which the following generic strategies affect competitive advantages:

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<td>1 The company’s profitability level is on the rise every year</td>
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<td>2 The company ensures that customers are satisfied with their services</td>
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<td>3 The company has effective means of delivery of timely services</td>
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<td>4 The company ensures frequent product development is practiced</td>
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<td>5 The company practices efficiency in its services</td>
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<td>6 The firm has superior positioning in the industry</td>
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<td>7 The set target goals of the company are met successfully</td>
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<td>8 The company responds to market growth and is expanding constantly</td>
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**THANK YOU FOR YOUR TIME**
### Appendix III: Sample Frame

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<tr>
<th>Company</th>
<th>Number of Managers</th>
</tr>
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