EFFECTS OF GENERIC STRATEGIES ON COMPETITIVE ADVANTAGE IN TELECOMMUNICATION INDUSTRY IN KENYA: A CASE OF SAFARICOM LIMITED

BY

ABDIRIZAK IBRAHIM AHMED

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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ABDIRIZAK IBRAHIM AHMED

This Research Project Report Has Been Submitted to Chandaria School of Business in Partial Fulfilment of Requirement for Masters’ Degree in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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STUDENT DECLARATION

I, the undersigned declare that this project is my original work and that it has not been submitted to any other college or other institution of higher learning for academic credit other than United States International University - Africa

Signed: ___________________________  Date: ___________________________
Abdirizak Ibrahim (ID: 649909)

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

Signed: ___________________________  Date: ___________________________
Dr. Paul Katuse

Signed: ___________________________  Date: ___________________________
Dean, Chandaria School of Business
ABSTRACT

The purpose of this study was to examine the effects of generic strategies on competitive advantage in telecommunication industry using Safaricom Limited as a case study. The proposed research objectives include: to determine the effect of cost leadership strategy on competitive advantage at Safaricom Limited, to determine the effect of differentiation strategy on competitive advantage at Safaricom Limited and to determine the effect of focus strategy on competitive advantage at Safaricom Limited.

Descriptive research design was used for this particular study. With a population of 137 managers working at Safaricom Limited, a sample of 101 was used in drawing conclusions or the study to represent the entire population. A closed-ended questionnaire was used for data collection since the study used primary data in addressing the research objectives. Data analysis used both descriptive statistics and inferential statistics which were analyzed using SPSS software. The findings were presented in tables and figures.

The first objective of this study was to establish the effect of cost leadership strategy on competitive advantage. The findings show that there exists a statistically significant relationship between cost leadership strategy and competitive advantage, \( r (0.561); p\text{-value} < 0.01 \). The second research objective sought to determine the effect of differentiation strategy on competitive advantage. The findings of the study show that there is a statistically significant relationship between differentiation strategy and competitive advantage, \( r (0.259); p\text{-value} < 0.05 \). The third research objective of this study sought to determine the effect of focus strategy on competitive advantage. The findings show that there exists a statistically significant relationship between focus strategy and competitive advantage, \( r (0.248); p\text{-value} < 0.05 \).

The study concludes that cost management practices in the company’s operations to produce a product that caters for a low end market is essential for the company’s market share as well as its competitive advantage. Equally, innovation and the use of advanced technology plays a great role in producing a low cost effective goods and services that accurately meets the needs of the target market.

This study concludes that the differentiation strategy enhances quality management practices in the organization which is critical for consumers. This study concludes that differentiation strategy is essential for product positioning in the marketplace. The study also concludes that differentiation strategy enhances innovation in the company as it ensures that employees
focus on developing products that are different form competition. The findings show that there exists a statistically significant relationship between focus strategy and competitive advantage. Therefore, this study concludes that, focus strategy is essential in creating specialization in the company with an attempt of addressing specific needs in the market. The study also concludes that focus strategy enhances the company’s market share due to the ultimate focus on a certain niche market as opposed to being in various market segments.

This study recommends that Safaricom should invest in cost management practices across its product and service portfolio to gain the ultimate competitive advantage in the telecommunication industry. This will ensure that the company is established as the market leader in the telecommunication sector which is attributed by threats on new entrants into the market. This study recommends that Safaricom Limited should invest heavily in customer relationship management for the company to enhance competitive advantage from its target market. This study recommends that the company should invest in total quality management to ensure that quality is achieved throughout its products since the customers of differentiated product pay attention to the product’s quality and attributes. This study recommends that Safaricom should invest in highly specialized expert to develop specific products for their niche market to enhance its market share. This study also recommends that the company should embrace creativity and innovation by allowing employees to come up with ideas that will accurately address the needs of the niche market.

This particular study focused on the effects of generic strategies on competitive advantage in telecommunication industry with a specific focus on Safaricom Limited. The scope of this study was limited to telecommunication industry. Therefore, future studies should cover the effects of generic strategies in respect to competitive advantage in other sectors like pharmaceuticals, transport, education, manufacturing, and agricultures.
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Lastly, I wish to acknowledge my family who cheered me on.
DEDICATION

I dedicate this research project to all leaders; both existing and aspiring with a special dedication to all Telecommunication companies’ employees who seek to become effective leaders. May this research project demystify your role as a leader and help you build organizations where the organization will be able to identify the gap that needs to be covered.

I also dedicate this research to my family: Mr. & Mrs. Ibrahim Ahmed, Saruro Abdulle, Fadumo Ibrahim Hared and all my brothers and sisters who are always on my side with bless and motivation. Thank you for the investment you made in me, both financial and moral, the discipline has gotten me this far. You have all constantly been a source of wisdom, encouragement and support. Your support and prayers have been my greatest source of strength.
# TABLE OF CONTENTS

STUDENT DECLARATION............................................................................................................. ii
ABSTRACT..................................................................................................................................... iii
ACKNOWLEDGEMENT.................................................................................................................. v
DEDICATION............................................................................................................................... vi

CHAPTER ONE ............................................................................................................................ 1

1.0 INTRODUCTION.................................................................................................................... 1
    1.1 Background of the Problem.............................................................................................. 1
    1.2 Statement of the Problem............................................................................................... 5
    1.3 General Objective........................................................................................................... 6
    1.4 Specific Objectives.......................................................................................................... 6
    1.5 Significance of the Study............................................................................................... 6
    1.6 Scope of the Study.......................................................................................................... 7
    1.7 Definition of Terms........................................................................................................ 7
    1.8 Chapter Summary.......................................................................................................... 7

CHAPTER TWO ............................................................................................................................ 8

2.0 LITERATURE REVIEW ......................................................................................................... 8
    2.1 Introduction.................................................................................................................... 8
    2.2 The Effect of Cost Leadership Strategy on Competitive Advantage ......................... 8
    2.3 The Effect of Differentiation Strategy on Competitive Advantage .......................... 12
    2.4 The Effect of Focus Strategy on Competitive Advantage........................................... 16
    2.5 Chapter Summary.......................................................................................................... 20

CHAPTER THREE ....................................................................................................................... 21

3.0 RESEARCH METHDOLOGY ............................................................................................. 21
    3.1 Introduction................................................................................................................... 21
    3.2 Research Design........................................................................................................... 21
    3.3 Population and Sampling Design................................................................................ 21
    3.4 Data Collection Methods.............................................................................................. 23
    3.5 Research Procedures..................................................................................................... 23
    3.6 Data Analysis Methods................................................................................................. 24
    3.7 Chapter Summary.......................................................................................................... 24

CHAPTER FOUR .......................................................................................................................... 25
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

In the recent years, there has been a significant growth of intensity competition in virtually all scopes of business in both markets upstream for raw inputs like suppliers, components, capital and technology and the market downstream for consumer products and services (Yamin & Mavondo, 2013). A turbulent business environment is highly competitive calling upon businesses to rethink their business strategies. The intensity of competition is described as neither a coincidence nor the bad luck but rather dependent on the industry environmental forces that the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, availability of substitute products and rivalry among existing competitors (Kyengo, Ombui, & Iravo, 2016). The collective strength of the industry environmental forces is what determines the profit potential in the industry where the profitability potential is measured in terms of long-run return on the invested capital (Cavaleri & Shabana, 2018). Therefore, for companies to remain competitive both in the local market and international market, they must defy best practices that are regarded relatively stable and predictable world and develop competitive strategies that will enhance a sustainable of competitive advantage.

Heywood and Kenley (2008) regards competitive advantage as taking of the offensive actions that are geared to create a defendable position in an industry, to cope successfully with industry competitive forces and therefore yield a superior performance in the industry. Verbeke (2012) further indicate that the reason behind competitive strategies is get the competitors play your game in a way the company is likely to outwit the competitors. A company has a competitive advantage when it implements a strategy that the competitors are unable to replicate of they find it costly in trying to imitate. Competitive advantage is therefore achieved when the company successfully formulates and implements a value creating strategy. It is essential for firms to understand how to exploit this competitive advantage as they seek above average returns (Gupta, 2014).

In America, competitive advantage can be achieved by using generic strategies of either cost leadership strategy or differentiation strategy. Firms strive in fighting commoditization and refrain from price-based competitive advantage despite the industry recipe and their own traditional marketing strategies which could hinder this strategy (Felzensztein, 2014). The author argues that the non-priced based value creation paths requires a sound degree of
exploration to overcome these barriers. The capacity to navigate through the challenging environment and the nuances of combining strategic management and entrepreneurship is becoming a focus of most companies in mature industries in the United States. The positional advantages of superior consumer value and lower costs relative to competitors are gained when the unique skills and resources are utilized completely (Bilgihan & Wang, 2016). A study conducted on technology induced competitive advantage with a case of lodging industry and found out that the information technology induced competitive advantage is possible when firms in the hotel industry choose to integrate all the possible strategies cutting across cost leadership and differentiation to create synergy. The firms also need to allocate resources effectively in investing in an innovative and sophisticated technology to reflect differentiation strategy (Cavaleri & Shabana, 2018).

In United Kingdom, firms can only produce products and services at a cost that is lower than the competitors’ and offer the same product at a lower price and goods and services that are more desirable in terms of quality to customers as a result of differentiation (Clarke- Hill & Robinson, 2016). A firm that is able to achieve cost and differentiation strategy are better placed in generating more sales and better profit margins than the competitors. Lin and Tsai (2009) indicate that a more productive entity generates more sales or superior returns than its rivals in the industry. A sustainable competitive advantage emanate from many factors like effective cost structures, superior brand and quality improvements, efficient product distribution networks, valuable intellectual properties like copyright and patent for innovations that differentiates them from competitors in competing in the same industry (Pehrsson, 2017).

In Chile, a study was conducted on the Chilean Salmon farming industry by Felzenstein (2014) to further explore generic strategies. Since the end of the 20th century the industry had rapidly evolved being the main players in the global markets despite its competitiveness had diminished and should be investigated. The issue for the Chilean Salmon farming sector was on how the industry should enhance value creation through differentiation and innovative marketing strategies or alternatively through cost reduction. More specifically, was to investigate what was the nature and extent of differentiation that led to a prosed generic strategy that the company can adopt. The executives of Chilean Salmon industry preferred competitive strategy of cost leadership strategy rather than differentiation, that the firm should play down commoditization and pursue the differentiation strategies with the attention to emergent environmental features.
In South Africa, organizational transformations and the improvement of service quality which have proven a challenge for South African utilities companies. A well and widely accessible and affordable infrastructure services are essential for the productivity are essential for companies to deliver quality through differentiation strategy (Worch, 2014). The maintenance of infrastructure systems and service standards is a challenging issue because of the massive investment needs and the diverse demands that various customer groups and other stakeholders have. Additionally, the utility companies in South African and other southern African countries operate in dynamic and complex environment since countries are currently undergoing massive transformation processes coming along with competition among firms, therefore differentiation strategy is essential for a firm that wants attract competitive advantage. It is crucial for utility firms not only build infrastructure facilities and services fast enough but also provide service to the changing demands of dynamic business world based on generic strategies to enjoy a sustainable competitive advantage (Yeganeh, 2016).

In a Zambia, the company’s competitiveness largely relies on strategies that a firm adopts to outperform its rivals in the market, such as differentiation strategy and cost leadership strategy or focus strategy (Phiri, 2016). Firms that practices cost leadership strategy may increase market share since they will possess a low price advantage that enhances more sales. Lower prices can lead to a higher demand and therefore, a larger market share. Firms in Zambia that implement that differentiation strategy a company is able to create entry barriers to potential entrants. Firms achieve this by creating customer and brand loyalty as a result of producing unique products and services. Companies implement the strategy by offering unique goods or services from those of the competitors in the market (Tanwar, 2013). Product differentiation tailors the products perfectly with the aim of suiting the need of the customers since the company needs to consider the distinct features of the company form the rest of the companies.

In Uganda, the banking sector has recently undergone the significant restructuring through the transformation of electronic and internet based banking all with the attempts of gaining competitive advantage through differentiation (Kamukama, 2019). In addition, revenues of commercial banks have continued to reduce and its effect has led a closure of several commercial banks. It is widely accepted that the survival of commercial banks highly depends on their competitiveness in the dynamic business environment by offering unique products and at affordable rates to attract customers, hence, firms can gain competitive advantage based on these strategies. Abesiga (2015) small and medium enterprises in Uganda
fail to attain competitive advantage due to lack of implementing competitive strategies such as cost leadership or differentiation strategy to build a competitive advantage among their customers. The findings indicate that companies should reinforce the important position of managerial competencies, differentiation in producing unique products and cost leadership strategy to achieve a competitive advantage in the dynamic business environment.

In Kenya, the telecommunication industry is one of the critical sectors in the country’s economy and forms a critical component for economic growth. The sector has been crucial for mobile money transfers and information communication technology infrastructure expansion (Mareuse, 2018). Telecommunication firms that have strong financial background in Kenya, have long realized that the key operational aspect and their strategy is to deploy different competitive strategies based on the prevailing market trends (Frederick, 2017). The telecommunication industry in Kenya is mandated by the Communications Authority Kenya which carries out regulation of the activities of the telecommunications, radio and television broadcasting, multimedia including internet, and postal services. The Communications Authority of Kenya is responsible for licensing of telecommunication operators and service providers, it formulates and implements telecommunication policies and monitoring of actions and the performance of players in the industry (Nyakora, 2017).

Safaricom Limited is the leader in mobile network operations in Kenya that provides integrated services of mobile phone voice calls, mobile payment services, short messages, fixed voice calls and mobile banking services (Alushula, 2018). The company has carried out product and service segmentation successfully over the years by packaging their service and products in a manner that is appealing to all of its clientele like mobile data, prepaid and postpaid billing systems, mobile data and internet for households. The driving force behind the success of Safaricom Limited is innovation through its organizational units which encourage entrepreneurship mentality. This has helped the company become trend setters in the Kenyan telecommunication industry (Mareuse, 2018). Safaricom Limited has been profound at taking advantage of its strengths in advancing its potential opportunities. With a continuous differentiation that is driven by innovation the company has been able to transverse multiple sectors such as telecommunication, money transfer services, data services, online transport brokerages. The company has managed to stay ahead of the curve by using their strategic unit that is constantly developing various ways of creating improved and better strategic partnerships to drive their competitive advantage at the marketplace. Consequently, this enables the company to earn above average returns which has been
fundamental for attracting investors both locally and internationally to support various investments of the company due to its profitability potential (Frederick, 2017).

1.2 Statement of the Problem

The increased competition in the dynamic business environment tend to exert pressure on companies to be proactive and formulate successful strategies that facilitates proactive response to the anticipated and actual changes in the industry (Abesiga, 2015). With the aim of being proactive, the competitive strategies that are used by various firms are dependent on the industry within which the organization operates in, the environmental forces posed by the external and internal environment, organizational resources and organizational capabilities among other factors (Charoenngam & Teeratansirikool, 2013).

Safaricom Limited being in the telecommunication industry it is characterized by complexity and dynamicity because competitors are always on the look for any action taken by one member in the industry in order to react with reactionary strategies as well as product offers to stay ahead of competition (Frederick, 2017). Since consumer preferences are dynamic in nature, any firm operating in this industry needs to be proactive in order to remain relevant. This makes it necessary for Safaricom Limited to develop competitive thinking, innovation and continuous monitoring and evaluation of these strategies to have a sustainable competitive advantage (Alushula, 2018).

Numerous studies have been conducted locally, Muigai (2018) carried out study on the effect of generic strategies on competitive advantage of media agencies and found out that the implementation of cost leadership strategy has a significant relationship with performance, Frederick (2017) carried out study on strategic thinking and competitive advantage of Safaricom Limited and established that strategic planning is an important prerequisite for strategic thinking practices while Nyakora (2017) conducted a study on strategy and competitive advantage of Safaricom Limited and found out that there differences in organizational culture influence the competitive advantage. Based on these studies, none of them has investigated the effects of generic strategies as a whole framework on competitive advantage in telecommunication industry posing a gap that needs to be addressed. This study seeks to establish the effects of generic strategies on competitive advantage in telecommunication industry with Safaricom as a case study.
1.3 General Objective
The general objective of this study will be to determine the effects of generic strategies on competitive advantage with Safaricom as a case study.

1.4 Specific Objectives
The following research objectives will guide this study.

1.4.1 To determine the effect of cost leadership strategy on competitive advantage at Safaricom Limited.

1.4.2 To determine the effect of differentiation strategy on competitive advantage at Safaricom Limited.

1.4.3 To determine the effect of focus strategy on competitive advantage at Safaricom Limited.

1.5 Significance of the Study
The following stakeholder will benefit from this study.

1.5.1 Safaricom Limited
Safaricom Limited will benefit from the findings of this study as it highlights the effects of generic strategies on competitive advantage. The company can rely on these findings to make informed decisions concerning competitive advantage especially when competing on the grounds of cost, focus and differentiation.

1.5.2 Telecommunication Sector
The players in telecommunication industry will benefit from the findings of this study since they will gain knowledge on the effects of generic strategies on competitive advantage. This is crucial for companies that intend to pursue a competitive advantage in telecommunication sector in the country.

1.5.3 Researchers and Academicians
Researchers and academicians will also gain additional knowledge on the effects of generic strategies on competitive advantage. Researchers can also use the findings of the study in their literature when researching on generic strategies and competitive advantage of companies in telecommunication industry.
1.6 Scope of the Study
This study will focus on the effect of generic strategies on competitive advantage at Safaricom Limited. The study will be limited to cost leadership strategy, differentiation strategy and focus strategy variables. The study will target managers that is top level, middle level and lower level managers working at Safaricom Limited. The study is expected to take a period of two to three months. The study is limited to Nairobi County and only Safaricom duty stations in Nairobi will be targeted.

1.7 Definition of Terms
1.7.1 Cost Leadership Strategy
According to Baack and Boggs (2008) cost leadership strategy refers to establishment of a competitive advantage by having the lowest cost of operations in the sector which is driven by company size, efficiency, scale, scope and cumulative experience.

1.7.2 Differentiation Strategy
Differentiation strategy refers to the strategy that aims at distinguishing products or services, from other similar services or products that are offered by the competitors in the same industry. The strategy entails the development of unique products or service that are unique for customers in terms of product features, design, and quality brand image and customer service delivery (Charoenngam & Teeratansirikool, 2013).

1.7.3 Focus Strategy
Powers and Lahn (2014) defines focus strategy is a marketing strategy whereby a firm concentrates its organizational resources on entering or expanding in a narrow market or industry segment. The strategy is usually used when the firm knows its segment and has product to competitively satisfy its needs.

1.8 Chapter Summary
This chapter has presented the introduction section of the study. It has covered the background of the problem, statement of the problem, followed by the general objective of the study. Research objectives that will guide the study has also been presented, significance of the study highlighting various beneficiaries of the study. The scope of the study has also been presented, and definitions of key words used in the study have been defined in this chapter. The next chapter will present the literature review based on the research objectives.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review by highlighting related literature on the subject of generic strategies and competitive advantage. The first part of the chapter presents the literature on the effect of cost leadership strategy on competitive advantage followed by the effect of differentiation strategy on competitive advantage and lastly the literature on the effect of focus strategy on competitive advantage.

2.2 The Effect of Cost Leadership Strategy on Competitive Advantage

Cost leadership refers to the attraction of competitive advantage by charging sustainably lower prices than other competitors in the same industry (Rua, França, & Ortiz, 2018). Cost leadership is can be attained by reducing costs that are associated with production and distribution with the aim to lower the overall price of goods and services. Leavy (2014) in the business environment where there is price control, it is still possible through automation, flexibility and improved production, hence, eliminating large percentage of inefficiencies in the production process. When the firm keeps lowering prices without reduction in operating costs, the company runs the risk of depletion of resources and consequently becoming insolvent in dynamic competitive markets. According to Kharub, Mor and Sharma (2012) a low cost strategy requires that the company is the lowest cost producer in its industry and not among several companies that vie for that position. The strategy requires aggressive construction of efficient-scale facilities, pursuit of cost reduction from experience, tight cost and overhead control and avoiding marginal customer accounts and cost minimization in research and development.

Yunis, Jung and Chen (2013) observe that in cost leadership strategy the company sets out to become the low cost producer in its industry for a given level of quality. This can be at an average industry pricing with the aim of earning a profit that is higher than the competitor or below the average price in order to grow market share. Baack and Boggs (2008) this becomes handy in the price war environment where the company can retain profits and the competition. New entrants are also deterred by the low cost capabilities. It is ideal to note that generic strategies tend to pose risks and low cost strategy is no exception. Other companies may be able to lower costs as well as through the economies of scale, proprietary technology and preferential access to raw materials among other factors. The competitive advantage will
be eliminated. Other companies may opt for a focus strategy to target a narrow market and may be able to achieve even lower costs within these segments and grow their market share. According to Le and Lei (2018) a company can be a cost leader but not necessarily imply that the company’s products will have a lower price while in other instances a company can charge an average price while taking into consideration the low cost leadership strategy and reinvest the extra profits into the business.

Charoenngam and Teeratansirkoo (2013) argue that cost leadership strategy dimension is based on efficiency where the degree of inputs per unit out of the output are low. This kind of efficiency is divided into two forms; cost efficiency that measures the degree at which cost per unit out of output are low and asset parsimony measuring the degree to which the asset per unit out of output are low. Collectively, the two forms of efficiency capture the firm’s cost leadership orientation. According to Samsir (2018) the extent to the company following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, they would be able to enhance their performance. Such company pay considerable attention to the discretionary overheads, employee productivity and asset utilization. Consumers primarily purchase their products and services since they are priced below their competitor’s equivalent services and products, which is the advantage through minimizing costs and assets per unit out of output. When cost leadership strategy is developed before generic strategy linked to the operational efficiency, the strategy is expected to be more susceptible to the imitation by competitors because comparative advantages would disappear over time (Banker, Mashruwala, & Tripathy, 2014).

Lower costs and cost advantages result from improvements in the processes, economies of scale, reduction in operations charges and time and reengineering activities (Banker, Mashruwala, & Tripathy, 2014). A robust implementation of a low-free or price leadership method occurs when the company designs procedures and markets comparable services better than the competition. As a low cost operator, organization can present limitations in opposition to the new market entrants who would want massive quantities of capital to enter the market (Felzensztein, 2014). The market leaders then cushioned from the enterprise-wide charge discounts. The cost leadership strategy does have disadvantages. It does create customer loyalty, and the organization lowers prices by an excessive amount, it can lose its revenues. The generic approach calls upon the low cost manufacturer in the industry for a given quality level (Alushula, 2018). A company either sells products or services at the standard industry rate to earn a profit than that of the competitor under the standard industry
rates to befit from the market share. In the instance where prices struggle, the firm can keep some profitability even as a competitor suffers a loss.

2.2.1 Economies of Scale

Economies of scale which is the cost advantages that a firm gets due to its scale of operations with the cost per unit of the output decreasing with the increasing scale. According to Besiga (2015) the economies of scale occur when the costs of conducting an activity decreases as the production scale increases. It arises by increase in outputs that do not need proportionate increases in inputs, that most of the firm’s resources for production are unavailable in small sizes and therefore provides economies of scale. For instance the units which are available only above certain minimum size, these can be capital equipment, advertising campaign, and distribution systems as well as the specialization of expanding the amount of inputs (Ensign, 2008). Many organizations have been successful using the strategy of cost leadership in attracting customers. The whole idea of everyday of low prices is to provide goods at a cheaper rate than the competitor consistently rather than relying on revenues. The organization is able to achieve this when it has a large scale and an effective supply chain. Companies source goods from cheap domestic suppliers and from low-wage foreign markets. Therefore, allowing the company to sell their products at low prices and to profit off thin margins at a higher volume (Liu & Fang, 2016).

According to Bilgihan and Wang (2016), cost advantages can be seen to originate from the economies of scale, appropriateness innovation, and exclusive access to the materials among various components. With cost advantages the organization is able to gain better expected return or can order cost. The significant achievement of Japanese organizations in purchaser merchandize ventures like bikes, customer gadgets and automobile have been the ability to accommodate minimal effort with high caliber and mechanical progressiveness (Lin & Tsai, 2009). It is also imperative in noting that a firm may be a cost leader however this does not really suggest that the company would offer a low cost.

2.2.2 Low Cost Competitive Advantage

Gupta (2014) argues that the competitive advantage of the cost leader provider is lower costs as opposed to its rivals in incorporating upscale attributes, putting them in a position to underprice its competitors whose upscale goods have features. The pricing strategy, however, gives more value to the customers at a set price that is offering superior value to the consumers by satisfying their expectations in terms of quality, performance, features and
beating their expectations for the price. Salavou and Halikias (2009) argue that the company achieves the cost leadership status when it is capable of combining the best attributes of interest at a lower price than what the competition is offering in the market. This becomes an attractive attribute and can be devised from the performance and quality of better products and services of interest. When the company has the power, capabilities and resources to compete, it can combine the provision of product attributes at a lower cost that of the competitor.

The determination of the best cost is different from being a price setter since the provision of additional features tend to increase the price of the good itself (Charoenngam & Teeratansirikool, 2013). The best pricing strategies are among the benefits of cost differentiation and consideration among the broad and narrow market. Competitive advantage with the best costing is the capability of adding features to the product at lower cost than a competitor who has the same product features and it is not a difficult task to pursued customers competitors by offering a high price if it offers the features, quality and performance of the product than competitors (Felzensztein, 2014).

2.2.3 Supply Chain Management

Cost leadership strategy is concerned with efficiency improvement and cost control throughout the company’s entire supply chain (Nyakora, 2017). Cost leadership strategy needs the management to focus its attention to compete on costs in order to beat the competitors by having a cost effective supply chain that the competitor cannot imitate. Low cost position offers the firm a defense against the rivalry from competitors, since its lower costs indicates that it can still earn returns after its competition has exhausted its profits through rivalry (Sigalas, 2015). Businesses that adopt cost leadership strategy try to be the low cost producers of a product or a service that is needed at the marketplace. The sources of cost advantages depend on the industry structure.

According to Tripathy et al. (2014) cost leadership strategy is the basis for the long-term, sustainable competitive strategy as opposed to the price competitive strategy. Price strategy is easily duplicated, in a sector where firms strive for cost leadership strategy all the sources associated with cost reduction must be exploited. This requires that the firm should minimize its cost throughout the entire value chain. Therefore, a firm should pinpoint the sources that are related to the cost of goods sold. Cavaleri and Shabana (2018) on the other hand argue that cost leadership needs a strong concentration on the supply side rather than the demand.
side of the market since it requires a higher level of orientation towards the competitor. The companies should also benchmark themselves against competing companies in order to assess their relative costs.

2.3 The Effect of Differentiation Strategy on Competitive Advantage

In pursuing differentiation strategy, a company seeks to be unique in the industry it operates while focusing on dimensions that are widely valued by consumers (Verbeke, 2012). With differentiation strategy, a company picks one or two features that many buyers in its industry perceive to be significant and uniquely positions itself in meeting those identified needs by offering the customer the value they look for in a product or service. According to Clarke-Hill and Robinson (2016) companies that pursue differentiation strategy may be rewarded with a premium price to compensate on the uniqueness they have positioned themselves in an industry. Differentiation strategy does not give firms a chance to ignore costs but rather they are not the primary strategic focus but the product and service attributes. Christensen (2010) in trying to define the customer value as the driver for competitive advantage, he suggested that a company that is able to achieve and sustain differentiation becomes the above average performer in an industry when its price premium exceeds the extra cost that is incurred in being unique. Furthermore, he emphasized that successful differentiation strategy allows firms to offer a product or service of the perceived higher value to the buyers at premium price to the buyers.

Yamin and Mavondo (2013) differentiation strategy involves the uniqueness aspect in doing something that is highly valued by consumers to allow a premium price on the product or service that the consumer intends to purchase. Various dimensions of product or a service can be considered in executing differentiation strategy including special features, brand image, proprietary technology investment, having a strong distributor network and among other aspects that might be specific to the industry. The uniqueness should translate to the profit margins that are higher than the sector’s average. Ahmad (2015) when a company intends to pursue a differentiation strategy it creates a differential competitive advantage through specific features or services that sets the company apart from others in an industry or the market. The goal of differentiation strategy is to be unique in ways that are valuable to consumers and that can be sustainable in the long run by the firm.

Effective execution of differentiation strategy needs a critical study of the consumer’s needs and preferences in considering what is significant to them and what value they are willing to
pay for it (Christensen, 2010). The benefits of uniqueness may be in the form of customer service design, technology and brand image. Differentiation strategy extends beyond the characteristics of the product or service in including every possible interaction between the company and its consumers, however, differentiation strategy is not about pursuing uniqueness for the reason of being different but it is about understanding the product or service and the target customer (Frederick, 2017). According to Tan and Sousa (2015) differentiation strategy insulates loyalty by consumers and offers sensitivity to the price. The strategy tends to work best in the industry circumstances where there are many ways of differentiating a product or services by altering or modifying the features of the product and buyers perceive the difference as having more value.

According to Rothaermal (2016) product or service is differentiated when the buyers perceive it to have attributes that make it distinct from rival products or services and ideally unique in certain way that is difficult to emulate. Competitors are then expected to distinguish their product or service in some way either by style, quality, brand reputation and greater appeal to certain buyers. Prajogo (2007) contends that differentiation recognizes that consumers are too numerous and widely scattered with heterogeneous needs and wants while at the same time with adequate spending power for them to consider the same product or service. Ahmad (2015) on the other hand argues that successful product differentiation strategy should move the product from primarily price competition to non-price factors competition as well as promotional variables.

Alonso-Almeida and Bremse (2015) established that differentiation strategy only work best for bigger firms in terms of growth of revenues, efficiency and brand reputation as opposed to smaller firms and these may be attributed to the differences in geographical locations which create distinct macro and micro-economic conditions. The risk associated with differentiation strategy can include imitation by rivals and changes in customer preference and tastes. In addition, many firms that undertake focus strategy may be able to attain even greater differentiation in a market segment (Cavaleri & Shabana, 2018). The emphasis could be on bran image, special features, innovation and good distribution channels that are industry specific. Despite differentiation having many benefits for the company that makes use of the strategy, it also comes along with challenges that are experienced by the company in estimating whether the extra cost entailed in the differentiation can actually be recovered from the consumer through premium pricing (Frederick, 2017).
2.3.1 Quality Advantage

Differentiation strategy enhances quality management of products and services that the firm is involved with by taking into consideration the main dimensions of quality management such as quality planning, quality improvement, quality control and quality assurance (Alonso-Almeida & Bremser, 2015). The aspect of quality management is focused not only on product or service quality but also the means of achieving it. The uses of control processes and quality assurance and products in achieving consistent quality should be properly managed in order to achieve quality standards (Baack & Boggs, 2008).

Quality management under differentiation strategy focuses on controlling activities with the purpose of ensuring that services and products are fit for their purpose and meets specifications (Liu & Fang, 2016). Companies have quality management processes that are essential for them in dealing with quality issues and they can be expressed as the company structure, procedures, processes and resources that are required to implement quality management systems that deliver quality products and services that cannot be easily imitated by the competitor (Baack & Boggs, 2008). The purpose of quality management systems is to accurately understand the expectations of the buyers in terms of quality and transform quality needs in putting up a proactive plan in place to address these needs while at the same time with intentions to exceed the expectations of the buyers.

The effectiveness of differentiation strategy depends on how well the company can balance product benefits and product costs for the consumer in respect to what the competitor is offering the buyers (Silvi & Cuganesan, 2016). Firms that pursue differentiation strategy seek to create and market unique products and services for various groups of customers. The companies create a superior fulfilment of consumer needs in one or several product features with the aim of developing customer loyalty, satisfaction which the company uses in turn to charge premium prices on its offering (Heywood & Kenley, 2008).

2.3.2 Innovation and Creativity

In a dynamic and turbulent environment that is characterized by intense competition, business leaders operating in this kind of environment tend craft plans that can neutralize their rival’s competitive advantage. One way of responding to the competitor is through adopting the latest technology in industry in order to improve on their company’s effectiveness and
efficiency (Ahmad, 2015). Organization can decide to differentiate themselves from competitors by implementing the latest technology in the industry which is crucial for them to acquire a sustainable competitive advantage. Ensign (200) when implementing differentiation strategy managers are encouraged to have evaluation mechanisms that enables them to track whether their strategy is working or not, when the strategy is not in line with differentiation needs it is immediately replaced. The same goes to the technology that the company adopts when it does not meet the intended purpose it becomes obsolete and gets replaced with a better technology that drives the delivery of quality needs to exceed expectations of the buyers.

According to Bilgihan and Wang (2016) argue that in most differentiation strategies, the attention to product and service quality should represent dominant routes for companies to build a competitive advantage through innovation and creativity. For instance, companies may improve performance characteristics and product’s quality with the aim of making it more appealing in the customer’s eyes which is evident is some multinational companies such as Mercedez Benz with sleek line of vehicles. The product or service can also compromise its distinctive design or difficult to replicate in order to convey an image of the unique quality such Macintosh with its IPhone using Siri feature that uses voice recognition to operate the phone as opposed to the user (Kamukama, 2019).

2.3.3 Profitability

Differentiation strategy enhances the firm’s competitiveness since buyers are willing to pay a premium price for its innovative and unique products which translates to the company’s revenues and profitability (Banker, Mashruwala, & Tripathy, 2014). A company’s profitability as well as its financial competitiveness is measured in terms of accounting and the market based measurements, they include return on equity, return on assets together they measure profitability of the company in respect to that of the competitors by comparing market share that the firm holds in a certain market and that of the competitor. Leavy (2014) firms that successfully implement differentiation strategy are likely to enjoy the biggest market share in their niche market due to premium price that they charge for their innovation and uniqueness of the products and services that they offer. The companies are profitable as they are the price setters in their market as opposed to competitors as they set high barriers of entry into their market, therefore, they keep enjoying profitability that reflects the quality of products and services they are bringing into the market. Differentiation strategy also

15
enhances customer loyalty as well as reputation which in turn keeps the customer to keep using the company’s products due to the fulfillment and satisfaction the product is offering and they are likely to refer the company to their friends and families to purchase the same product, hence, more revenues to the firm (Kyengo, Ombui, & Iravo, 2016).

2.4 The Effect of Focus Strategy on Competitive Advantage

The focus of generic strategies and attaining a firm’s competitive advantage is either lower costs than the competitors in certain market segment or having the ability to provide something that is unique from competitors (Alonso-Almeida & Bremser, 2015). The focus strategy is based on choosing a market niche where consumers have distinctive tastes and preferences. The market niche can be defined on the basis of various factors such as geographical location (Eloranta & Turunen, 2015). Focus strategy based on low cost highly depends on the customer segment whose needs are less costly to address than the rest of the market based on their income levels. On the other hand, the focus strategy is based on differentiation that depends on the customer segment that demands unique services and product attributes (Charoenngam & Teeratansirikool, 2013).

A company that aims at separating the inside only a single or different target market segments. The exceptional customer needs of the section implies that there possibility to give elements that are unmistakably unique compared to the competitors who might focus on a more extensive gathering of consumers (Rothaermal, 2016). It involves the perception that customers do genuinely have heterogeneous needs. In this case, a media firm for example with a focus strategy. It can focus on a particular fragment of the market. The firm that pursues focus strategy aims at developing its market share through operating in a specialty markets that are either not appealing to or being ignored by the rivals. The specialty can emerge from different components such as the buyers’ attributes and the administrations and items necessities (Charoenngam & Teeratansirikool, 2013). Successful focus strategy relies on the industry segment sufficiently substantial in order to have prominent development potential regardless the fundamental importance to other real competitors. Market attention as well as development is vital for successful focus strategy since in adopting a narrow focus, the company ideally focuses on a few target markets that have distinct groups with specific needs and wants to be catered for. Powers and Hahn (2014) the choice of a firm to offer low prices or differentiated good or services should always depend on the needs of the target segment and the resources and abilities of the firm. It should also be anticipated that a focus on marketing efforts on one or two narrow market segments and tailoring the marketing mix
to the specialized markets, it is then when a firm can better meet the needs of that target market.

According to Alonso-Almeida and Bremser (2015), cost focus is meant to achieve cost advantages while differentiation focus is all about seeking uniqueness in a specialized target market. Cost focus exploits the differences that occur in cost behavior in some segments while differentiation focuses on exploiting the special needs of buyers in certain market segment. Hamid (2018) contends that focus strategy intends to target a narrow segment of the market that is not served well by either cost leadership strategy and tailoring its products and services to suit the needs of a specific market segment to the exclusion of competitors. The strategy is also deployed when it is not appropriate to apply the broad cost leadership strategy by providing a limited range of products or services to serve specific markets only or having the special product or services for a specific type of consumers.

According to Eloranta and Turunen (2015) focus differentiation is the second of the two focus strategies under generic strategies framework. It requires provision of unique features that can fulfill the demands of the narrow market. With a low focus strategy, narrow markets are identified in various ways; some companies use a differentiation focus strategy to concentrate their efforts on specific sales channels like selling products online alone. Some companies target a specific demographic group of customers based on various demographic factors such as income, lifestyle, for instance the Breezes Resorts a company that targets couples with children as their niche market. The company has operations in seven tropical resorts where their customers going on vacation are guaranteed that they will not be disturbed by loud and sometime disruptive kids during vacation (O'Shannassy, 2008).

Focus strategies specifically need a combination of resources, skills and organizational requirements in order to cater for either low cost focus or high differentiation or even both if the firm intends to pursue them together (Cavaleri & Shabana, 2018). Cost leadership and differentiation focus are designed to achieving their objectives industry wide, and the entire focus strategy is built around serving a specific target niche exceptionally well and each functional policy is developed with this consideration in mind. The strategy rests on the premise that the company should be able to serve its narrow strategic market more efficiently or effectively than competitors that are competing more broadly. As a result, the company achieves either differentiation focus from better meeting the needs of a specific market segment or lower costs in serving this target market (Eloranta & Turunen, 2015). Focus
strategy on the other hand does not achieve low cost or differentiation from a perspective of the market as a whole but it achieves one or both of the positions in its narrow defined target market (Gupta, 2014).

The company that is successfully achieving focus may potentially earn above-average returns for its industry since its focus means that the company either has low cost focus within its strategic intent (Alonso-Almeida & Bremser, 2015). Focus strategy usually implies some limitations on the overall market share achievable, focus involves a trade-off between profitability and sales volume while differentiation strategy involves the trade-off between the overall cost focus. Focus strategy is associated with three main risks when it comes to its implementation (Bilgihan & Wang, 2016); the cost difference between broad-range rivals and the firms with focus strategy to eliminate the cost advantages of serving a specific target market or offsetting the differentiation achieved by focus. The difference that exists in desired product or services between the strategic target and the market as whole narrows.

2.4.1 Customer Loyalty

Focus strategy that is focused on cost leadership it depicts the capability of a firm in offering a product or a service to a niche group of consumers at the lowest prices in the market. The strategy puts its attention on a narrow segment and attempts to achieve either a cost advantage within the selected market segment (Muigai, 2018). The target market segment can be defined by the location uniqueness or geographical, special requirements that are required in using the product or by special attributes that only appeals to the segment members based on the notion that by focusing on a special market segment, the company will be able to serve it better. This thinking, usually results in customer loyalty to the company’s offerings while blocking competing companies from venturing into the segment (Llop & García-Arrizabalaga, 2014).

Focus strategies are the marketing techniques that are used by a company in establishing a strong brand identity in a specific market niche to create brand loyalty that comes as a result of introducing varieties of the same basic product under the same name into a product or service category, hence, covering the range of products available in that category (Fish & Wood, 2017). Differentiation focus attracts customer loyalty by clearly defining the firm’s brand in a way that establishes an image that is unique from that of the competitor. It aims at creating a competitive advantage by offering unique products and services that are characterized by valuable features such as innovation, enhanced customer service and most
importantly quality that the customer seeks to experience when they purchase the firm’s brand (Hamid, 2018). According to Eloranta and Turunen (2015) differentiation can be on the basis of the product itself, the delivery channels and broad range of other factors that will enhance customer loyalty when interacting with the company’s brand. With these differentiations attribute the company can offer additional value to the buyers that will reward them with a minimum price as it calls upon the development of product or service that offers unique attributes that are valued by consumers.

2.4.2 Market Share

A focused cost leadership strategy emphasizes on competition that is based on price in order to target a niche market (Ahmad, 2015). The company that undertakes this strategy does not necessarily charge the lowest price in the marketplace but instead charge low prices that are relative to other companies that compete within the target market hence adoption of generic strategies that involve targeting a relatively narrow niche of potential buyers. According to Salavou and Halikias (2009) the nature of a narrow target market varies across companies that use cost focus strategy. In some instances, the target market is defined on the basis of demographics like, a firm may seek to focus on young women by offering inexpensive jewelry. A company using this strategy may be very successful while in other instances the target market is defined in terms of revenues channel used to access customers. This enables a firm to attract consumers that might not otherwise be in a position to purchase a certain product while at the same time the company operates at very low prices for it maintain its market share in certain industry.

Kyego et al. (2016) argues that focus strategy is based on choosing a market niche that has buyers with distinctive tastes and preferences. The niche market may be identified by the uniqueness, geographical and the special requirements for the product or service use by special attributes that strongly appeal to the buyers. Baack and Boggs (2008) content that focus strategy focuses on growing the market share of the company through operating in a niche market or in markets that are either or not attractive and could be overlooked by the competitors in that industry. The niche market being catered for arises from various factors including the consumer buying characteristics, product attributes, geographic location, and the income of the buyers. These factors are all taken into consideration to effectively address a niche market that the company intends to venture into and gain a significant market share as opposed to its competitors. An effective focus strategy relies on the industry segment that is
large enough for the company to have a significant growth potential but not the focus to other major players in the industry.

2.4.3 Market Segmentation

Differentiation focus involves providing unique attributes that appeal to different customers, the eager of satisfying the desires of a narrow market which implies that the pursuit of uniqueness id often taken to higher level of expectations by the company using differentiation focus strategy (Banker, Mashruwala, & Tripathy, 2014). The unique attributes offered by companies that use focus strategy of differentiation are often specialized enabling the firm to pass higher costs its buyers due to lack of close substitutes in the market. Companies use this strategy in the markets that are characterized with fewer or less competitors competing on the same clients (Christensen, 2010).

Baack and Boggs (2008) argues that the company’s strategy based on two variants becomes increasingly attractive since the target market is big enough and profitable. The competition on the other hand has challenges in establishing abilities to meet specialized needs of the target niche while at the same time satisfying the expectations of their mainstream customers. The firm may also select a competitively attractive market niche from various niches in an industry based on its strengths, resources and capabilities of meeting the needs of the niche market (Cavaleri & Shabana, 2018). The firm is expected to compete against its challenges based on their capabilities it has in serving the target niche hence building goodwill from the customers it serves.

2.5 Chapter Summary

This chapter has presented the literature review on the effects of generic strategies on competitive advantage. The chapter has presented the literature on cost leadership strategy and competitive advantage followed by differentiation strategy and competitive advantage and focus strategy and competitive advantage. The next chapter will present the research methodology that the study will use.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research methodology that will be used in conducting the study. First the chapter introduces the research design that will integrate various components of the study followed by population and sampling design. Data collection methods, research procedures and data analysis methods have been presented in this chapter.

3.2 Research Design
According to Cooper and Schindler (2014) research design refers to the outline that integrates collection, measurements and analysis of data to effectively address the research questions being investigated. Research design offers a logical sequence that contains a connection between the research objectives, the empirical data obtained the drawn conclusions. This study will adopt descriptive research design. Grimald and Engel (2007) descriptive research design is type of research design used in describing the attributes of a population or the phenomenon under investigation and it generally precedes explanatory research. This study chose the use of descriptive research design since it is effective in presenting the snapshot of what is happening in a group at a particular time as well as offering a representation of the entire population with a minimum bias. Additionally, descriptive survey design offers flexibility to the researcher to consider various aspects of the issue being investigated and gain new insights and notions about the research problem (Shields & Rangarajan , 2013).

3.3 Population and Sampling Design

3.3.1 Population
Population refers to the total assortment of elements that have common and similar attributes (Shields & Rangarajan , 2013). The target population of this study is managers that work at Safaricom Limited in Nairobi, with a total of 137 constituting top level managers, middle level managers and supervisors.
3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Cooper and Schindler (2014) define sampling frame as the final list of elements of the target population from which the researcher draws a sample. The sampling frame for this particular study will be drawn from the Human Resource office of Safaricom Limited located at Waiyaki way, Nairobi.

3.3.2.2 Sampling Technique

Sampling technique is the strategy used by the researcher to ensure that various groups which are either homogeneous or heterogeneous are well represented in the final sample drawn from target population (Cooper & Schindler, 2014). This study will use a simple random sampling technique. Creswell and Poth (2017) define simple random sampling technique as a subset of a statistical population whereby each member of the entire population has an equal probability of being selected. This technique is appropriate for this study since each manager will have an equal chance of being selected in forming the final sample.

3.3.2.3 Sample Size

Sample size is the actual number of items or elements chosen for the research study from which data will be obtained to effectively answer the research questions of the study (Cooper & Schindler, 2014). This study used Yamane’s formula in determining the sample size to represent the entire population.

\[
\text{From } n = \frac{N}{(1+Ne^2)}
\]

Where, \( n \) = sample size

\( N \) = Study Population, =137

\( e \) = Alpha level of 0.05

Substituting these values in the above equation, the sample size will be:

\[
n = \frac{137}{1 + 137(0.05^2)}
\]

\( n = 101 \)
The sample size of this study is 101 managers at a confidence level of 95%.

3.4 Data Collection Methods

Data collection refers to the systematic process of gathering and measuring information on selected variables with the purpose of answering research questions (Cooper & Schindler, 2014). The study will use primary data which will be obtained using the questionnaire. A questionnaire is defined as method of data collection where the respondents answer a set of questions in a given order (Donnelly & Arora, 2016). The questionnaire will have four sections, section I of the questionnaire will have questions on demographic factors of the respondents followed by section II which will contain questions on cost leadership strategy and competitive advantage, section III will have questions on the effect of differentiation strategy on competitive advantage and section IV will have questions on the effect of focus strategy on competitive advantage.

3.5 Research Procedures

Research procedures refers to the detailed steps that are undertaken while carrying out a research study (Creswell & Poth, 2017). The study will seek approval from the supervisor upon its completion, then a letter will be drafted to the human resource manager of Safaricom Limited asking for permission to conduct the study in their facility. After the letter is approved, a pilot test will be carried out to test the reliability and validity of the study instrument. Ten percent of the respondents accounting for 10 respondents will be used for pilot purposes and they will not be involved in the actual study. In case the study instrument is found with any inconsistencies, they will be addressed before administering it for the factual study. The researcher will then physically administer the questionnaire to the respondents using a drop and pick method to enable the respondents have enough time to fill the questionnaire. The questionnaire will then be cross-checked for errors to make sure that it has been dully filled. Any missing information will be obtained from the respondents since all the questionnaires will be numbered after which they will be taken by the researcher for data analysis.
3.6 Data Analysis Methods

Data analysis refers to the process of evaluating the data obtained from the respondents using analytical and logical reasoning (Creswell & Poth, 2017). This study will make use of both descriptive and inferential statistics. The descriptive statistics will analyze frequencies and percentages while inferential statistics will analyze correlational and regression analysis. Data collected from the respondents will be coded using a Statistical Package for Social Sciences (SPSS) version 24 and present data in form of tables and figures.

3.7 Chapter Summary

The chapter has presented the research methodology that will be used to conduct the study. The chapter has presented the research design, population and sampling design and data collection methods. The research has described research procedures and data analysis methods. The next chapter will present the results and findings based on the research questions.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The results and findings of this study are presented in this particular chapter. The chapter will introduce the demographic information of the respondents first, the findings on the effect of cost leadership strategy on competitive advantage, the effect of differentiation strategy on competitive advantage and the effect of focus strategy on competitive advantage.

4.2 Response Rate and Demographic Information

4.2.1 Response Rate

This study had an overall response rate of (66%), out of 101 questionnaires that were issued to the respondents, only 67 were dully filled while 34 were not filled. According to Cooper and Schindler (2014) a response rate that is above 50% is sufficient for data analysis, hence, a justification that 66% response rate obtained in this study was sufficient for data analysis.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>67</td>
<td>66</td>
</tr>
<tr>
<td>Did Not Respond</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>101</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.2 Demographic Information

This section presents general information of the respondents including gender, age, years of work at Safaricom, management level and level of education.
4.2.2.1 Gender of the Respondents

Respondents involved in this study were asked to indicate their gender. The findings show that 32% were female and 68% were male. It implies that the majority of the respondents were male. The findings are presented in Figure 4.1.

![Figure 4.1: Gender of the Respondents](image)

4.2.2.2 Respondents Age

On the question of the respondents indicating their age, 7% were above 48 and above years, 28% aged between 41-47 years, 39% aged between 34-40 years, 21% aged between 26-33 years and 5% aged between 18-25 years as shown in Figure 4.2.
4.2.2.3 Number of Years at Safaricom

When the respondents were asked to indicate the number of years they have worked at Safaricom Limited, 10% had stayed for between 0-1 years, 19% between 2-4 years, 45% between 5-7 years, 21% between 8-10 years and 5% above 10 years as shown in Figure 4.3.

![Figure 4.3: Number of Years at Safaricom](image)

4.2.2.4 Education Level

When the respondents were asked to indicate their level of education, 6% had a diploma, 36% had a master’s degree and 58% had a bachelor’s degree as shown in Figure 4.4. It implies that the majority had a bachelor’s degree.
4.2.2.5 Management Level

The respondents were asked to indicate their level of management, 42% were low level managers, 43% middle level managers and 15% top level managers as shown in Figure 4.5 below. It implies that the majority of the respondents were middle and lower level managers.

4.3 The Effect of Cost Leadership Strategy on Competitive Advantage

This study sought to determine the effect of cost leadership strategy on competitive advantage. The findings are presented as follows:

4.3.1 Cost Strategy and Competitive Advantage
On the question whether the company uses cost strategy to gain competitive advantage, 3% were neutral, 51% agreed and 46% strongly agreed as shown Table 4.2 below. This implies that Safaricom uses cost strategy to gain competitive advantage.

**Table 4.2: Cost Strategy and Competitive Advantage**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>34</td>
<td>51.0</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>31</td>
<td>46.0</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.3.2 Low price and Competition**

The respondents were asked whether their products are sold at a lower price as opposed to competitors, 5% were neutral, 53% agreed, 42% strongly agreed as shown in Table 4.3 below. It implies that Safaricom tries to offer low prices goods to its customers as opposed competitors.

**Table 4.3: Low price and Competition**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>36</td>
<td>53.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>28</td>
<td>41.8</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.3.3 Affordable Products and Customer Value**

This study sought to determine the whether the company offers affordable products that give value to their target customers, 3% disagreed, 55% agreed and 42% strongly agreed which means that the company offers affordable products that are valued by its customers. The findings are presented in Figure 4.6.
4.3.4 Product Accessibility

This study sought to find out whether the company’s products are easily accessible by customers, 3% strongly disagreed, 1% disagreed, 42% agreed and 54% strongly agreed as shown in Figure 4.4. This implies that Safaricom products are easily accessible.

Table 4.4: Product Accessibility

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Agree</td>
<td>28</td>
<td>41.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>36</td>
<td>53.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.5 Cost Management Practices

This study sought to determine whether some of the company’s products are low priced since it takes cost management practices into consideration, 1% strongly disagreed, 3% neutral,
45% agreed and 51% strongly agreed as shown in Table 4.5. This implies that Safaricom takes into consideration cost management practices.

**Table 4.5: Cost Management Practices**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>44.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>34</td>
<td>50.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.3.6 Low Cost Products and Economies of Scale**

When the respondents were asked to indicate whether their low priced products contribute to the economies of scale, 30% agreed and 70% strongly agreed as shown in Figure 4.7 below. This implies that low priced products contribute to the company’s economies of scale.

![Figure 4.7: Low Cost Products and Economies of Scale](image)

**4.3.7 Technology and Low Customer Segment**

The respondents were asked to indicate whether the company embraces advanced technology to cater for the needs of low end customers, 43% of the respondents agreed and 57% strongly agreed. This implies that the company embraces the use of advanced technology to cater for needs of the low end consumers. The findings are presented in Figure 4.8.
4.3.8 Control Mechanisms and Costs

The respondents were asked whether the company has control process mechanisms to monitor its product costs, 49% agreed and 51% strongly agreed as shown in Table 4.6 below. This implies that the company has control mechanisms in place to monitor its product costs.

Table 4.5: Control Mechanisms and Costs

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>33</td>
<td>49.3</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>34</td>
<td>50.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.9 Low End Market and Quality

This study sought to determine whether the company is able to address the needs of a low end market without compromising the quality of its products and service, Figure 4.9 shows that 3% disagreed, 45% agreed and 52% strongly agreed. This implies that the company is able to address the needs of a low end market without compromising on quality of the product and services.
4.3.10 Low Cost Leadership Strategy and Revenues

The respondents were asked whether the company pursues low cost leadership strategy to enhance revenues that are crucial for its market share, 55% strongly agreed and 45% agreed as shown in Figure 4.10 below. This implies that the company pursue cost leadership strategy to enhance its revenues.
4.4 The Effect of Differentiation Strategy on Competitive Advantage

This study sought to determine the effect of differentiation strategy on competitive advantage. The findings are presented as follows:

4.4.1 Differentiated Products and Business Growth

This study sought to determine whether differentiated products were essential for their business growth, Figure 4.11 indicates that 49% agreed and 51% strongly agreed. This implies that differentiated products are crucial for the company’s business growth.

![Figure 4.11: Differentiated Products and Business Growth](image)

4.4.2 Differentiation and Customer Loyalty

The respondents were asked whether differentiation in their products enhanced customer loyalty, Table 4.6 below shows that 1% disagreed, 3% were neutral, 36% agreed and 60% strongly agreed. It implies that differentiation in the company’s products enhances customer loyalty.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>35.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>40</td>
<td>59.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.6: Differentiation and Customer Loyalty

4.4.3 Innovation
The respondents were asked to indicate whether they are considered as an innovative company due to their differentiated products and services, 3% disagreed, 60% agreed and 37% strongly agreed as shown in Table 4.7 below. This implies that Safaricom is considered as an innovative company due to its differentiated products and services.

Table 4.7: Innovation

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>40</td>
<td>59.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>25</td>
<td>37.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4.4 Products and Services

On the question whether the company produces products and services that cannot be imitated easily by rivals, 3% were neutral, 43% agreed, and 54% strongly agreed as shown in Table 4.8. It implies that the company produces products and service that cannot be easily imitated by rivals.

Table 4.8: Products and Services

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>29</td>
<td>43.3</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>36</td>
<td>53.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4.5 Price Differentiation and Competitors

This study sought to determine whether the company has different prices in some of its products that is different from competitors, 57% strongly agreed and 43% agreed as shown in Figure 4.12. This indicates that the company has different prices in some of its products that is different from its competitors.
4.4.6 Quality Products and Financial Performance

The respondents were asked whether their capabilities in developing quality products is crucial for their financial performance, 2% disagreed, 2% were neutral, 51% agreed and 46% strongly agreed as shown in Table 4.9. The implication is that the company's capabilities of developing quality products is crucial for financial performance.

Table 4.9: Quality Products and Financial Performance

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Agree</td>
<td>34</td>
<td>50.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>31</td>
<td>46.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.7 Products and Needs of Consumers

The respondents of this study were asked to indicate whether their company’s products accurately reflect the needs of their consumers, 2% strongly disagreed, 2% disagreed, 33% agreed and 64% strongly agreed as indicated in Table 4.10. The implication of the findings is that the company’s products are created in line with consumer needs.
### Table 4.10: Products and Needs of Consumers

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Agree</td>
<td>22</td>
<td>32.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>43</td>
<td>64.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 4.4.8 Points of Difference

The respondents were asked whether the company effectively communicates the points of difference in its products as opposed to its competitors, the majority of the respondents agreed at 67% and 33% strongly agreed as shown in Table 4.11 below. This implies that Safaricom communicates the point of difference in their products.

### Table 4.11: Points of Difference

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>45</td>
<td>67.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>22</td>
<td>32.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 4.4.9 Creativity in Products and Services

On the question whether differentiation enhance creativity in the company’s products and services, 5% were neutral, 61% agreed and 34% strongly agreed as shown in Table 4.12 below.

### Table 4.12: Creativity in Products and Services

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>41</td>
<td>61.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>23</td>
<td>34.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 4.4.10 Constant Innovation
On the question whether differentiation enables the company to undertake constant innovation in its products and services, majority of the respondents agreed at 69% and 31% strongly agreed as shown in Table 4.13 below. This implies that the company differentiation practices enhance constant innovation of products and services.

### Table 4.13: Constant Innovation

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>46</td>
<td>68.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>21</td>
<td>31.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5 **The Effect of Focus Strategy on Competitive Advantage**

This study sought to determine the effect of focus strategy on competitive advantage. The findings are presented as follows:

4.5.1 **Response to Emerging Needs of Consumers**

This study sought to find out whether the company is able to respond quickly to emerging needs of their customers, 3% disagreed, 22% agreed and 75% strongly agreed as shown in Figure 4.13. This implies that the company responds quickly to emerging needs of consumers.

![Figure 4.13: Response to Emerging Needs of Consumers](image)

4.5.2 **Niche Market**
The respondents were asked to indicate whether the company has specific products for a specific market, 28% agreed and 72% of the respondents strongly agreed as shown in Figure 4.14 below. It implies that Safaricom has specific products targeting specific markets.

![Figure 4.14: Niche Market](image)

### 4.5.3 Innovative Products and Customer Loyalty

When the respondents were asked to indicate whether innovative products and services enhances customer loyalty, 2% strongly disagreed, 3% were neutral, 42% agreed, 54% strongly agreed as shown in Table 4.14 below. It implies the company’s products and services foster customer loyalty.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>28</td>
<td>41.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>36</td>
<td>53.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 4.5.4 Market Share and Customer Needs
The respondents were asked whether the company enhances its market share due to the focus on customer needs and preference, 5% disagreed, 45% agreed, and 51% strongly agreed as shown in Table 4.15 below.

**Table 4.15: Market Share and Customer Needs**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>44.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>34</td>
<td>50.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.5.5 Specialized Staff and Specific Products**

The respondents were asked whether the company has specialized staff to deal with specific products for specific markets, 5% were neutral, 52% agreed and 43% strongly agreed as shown in Table 4.16. It implies that the company has a specialized staff that deal with specific products for specific markets.

**Table 4.16: Specialized Staff and Specific Products**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>35</td>
<td>52.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>29</td>
<td>43.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.5.6 Focus Strategy**

This study sought to determine whether the company makes use of both differentiation and cost focus strategy to address the needs of consumers, 69% agreed and 31% strongly agreed as indicated in Figure 4.15.
4.15: Focus Strategy

4.5.7 Position in the Market

The respondents were asked whether their company has positioned itself as the market leader in the market segment, 36% agreed and 64% strongly agreed as shown in Table 4.16 below. It implies that the company has positioned itself the market leader.

Table 4.16: Position in the Market

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>24</td>
<td>35.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>43</td>
<td>64.2</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.8 Market Segmentation

The respondents were asked whether the company has segmented its products and services in different markets, 36% agreed and 64% strongly agreed as shown in Figure 4.16. This indicates that the company has segmented its products and services in various markets.
Figure 4.16: Market Segmentation

4.5.9 Customer Relationship Management System

The respondents were asked to indicate whether the company has built a strong customer relationship management system to enhance its reputation in a specific market. 42% agreed and 58% strongly agreed as shown in Figure 4.17 below. It implies that the company has built a strong customer relationship management system to enhance reputation in their market segments.
4.6 Correlational Analysis

This study sought to investigate whether there existed a relationship between study variables. In order to establish the relationship among study variables, a correlational analysis was conducted using cost leadership strategy, differentiation strategy and focus strategy as independent variables and competitive advantage as the dependent variable. The findings found out that cost leadership strategy had the strongest relationship with competitive advantage, $r (0.561); p\text{-value} < 0.01$. This relationship was found to be statistically significant. The relationship between differentiation strategy and competitive advantage was also statistically significant, $r (0.295); p\text{-value} < 0.05$ and finally the relationship between focus strategy and competitive advantage which was statically significant, $r (0.248); p\text{-value} < 0.05$ as shown in Table 4.17 below.

### Table 4.17: Correlations

<table>
<thead>
<tr>
<th>Agreement Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>58%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>42%</td>
</tr>
</tbody>
</table>
### Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cos Leadership Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.561**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.295*</td>
<td>.019</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.015</td>
<td>.881</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>67</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>Focus Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.248*</td>
<td>.277*</td>
<td>.398**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.446</td>
<td>.023</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

### 4.7 Regression

The researcher carried out a regression analysis to determine to investigate the relationship of the study variables when combined together. The findings indicated that an adjusted R square of (0.408) which means that 41% of competitive advantage is attributed to cost leadership strategy, differentiation strategy and focus strategy as shown in Table 4.18. The remaining 59% variability on competitive advantage was attributed by other factors not covered in this study.

**Table 4.18: Regression Summary**

<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>.659*</td>
<td>.435</td>
<td>.408</td>
<td>.10285</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Focus strategy, Cost Leadership Strategy, Differentiation Strategy
The Analysis of Variance was also carried out to determine whether the means of the variables were statistically significant. The findings of this study show that, $F_{(3,63)} = 16.154$; p-value < 0.000 which means that the study variables were statistically significant as summarized in Table 4.19.

### Table 4.19: ANOVA

<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 Regression</td>
<td>.513</td>
<td>3</td>
<td>.171</td>
<td>16.154</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>.666</td>
<td>63</td>
<td>.011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.179</td>
<td>66</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive Advantage  
b. Predictors: (Constant), Focus Strategy, Cost Leadership, Differentiation Strategy

The coefficient model of the study shows that cost leadership strategy had the highest Beta coefficient $\beta$ (0.616); p-value = 0.000 followed by differentiation strategy with a Beta coefficient $\beta$ (0.373); p-value = 0.001 and focus strategy that had a Beta coefficient, $\beta$ (0.225); p-value = 0.041. The p-values are < 0.05, therefore, statistically significant.

### Table 4.20: Coefficients Summary

<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>1.715</td>
<td>.493</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Leadership Strategy</td>
<td>.457</td>
<td>.074</td>
<td>.616</td>
<td>6.220</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>.327</td>
<td>.091</td>
<td>.373</td>
<td>3.594</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>.172</td>
<td>.083</td>
<td>.225</td>
<td>2.082</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive Advantage

### 4.8 Chapter Summary

This chapter presented results and findings of the study. Major findings show that cost leadership strategy had a significant relationship with competitive advantage, $r$ (0.561); p-
value <0.01, the relationship between differentiation strategy and competitive advantage was also statistically significant, r (0.295); p-value <0.05. The relationship between focus strategy and competitive advantage was statistically significant, (0.248); p-value < 0.05. The next chapter presents the study discussion, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, discussion, conclusions and recommendations. Summary of the findings is presented first followed by the discussion on the effect of cost leadership strategy on competitive advantage, then the effect of differentiation strategy on competitive advantage and the effect of focus strategy on competitive advantage. Conclusions and recommendations on the objectives are then presented.

5.2 Summary

The purpose of this study was to determine the effects of strategies on competitive advantage in telecommunication industry with Safaricom Limited as the case study. The study was conducted based on the following research objectives; to determine the effect of cost leadership strategy on competitive advantage at Safaricom Limited, to determine the effect of differentiation strategy on competitive advantage at Safaricom Limited and to determine the effect of focus strategy on competitive advantage at Safaricom Limited.

This study adopted descriptive survey design. A population of 137 managers working for Safaricom Limited, was used to obtain a sample of 101 respondents who were used in the study for data collection. The study used a closed-ended questionnaire for primary data collection to effectively address the research objectives. Data analysis was done using both descriptive statistics and inferential statistics. Descriptive statistics analyzed frequencies and percentages while inferential statistics analyzed the correlation and regression to establish the study objectives. Statistical Package for Social Sciences was used for data analysis and the findings were presented in tables and figures.

The first objective of this study was to establish the effect of cost leadership strategy on competitive advantage. The findings show that there exists a statistically significant relationship between cost leadership strategy and competitive advantage, r (0.561); p-value < 0.01.

The second research objective sought to determine the effect of differentiation strategy on competitive advantage. The findings of the study show that there is a statistically significant relationship between differentiation strategy and competitive advantage, r (0.259); p-value < 0.05.
The third research objective of this study sought to determine the effect of focus strategy on competitive advantage. The findings show that there exists a statistically significant relationship between focus strategy and competitive advantage, $r (0.248); p\text{-value} < 0.05$.

5.3 Discussion

5.3.1 The Effect of Cost Leadership Strategy on Competitive Advantage

The study sought to determine the effect of cost leadership strategy on competitive advantage. The study findings have established a significant relationship between cost leadership strategy and competitive advantage. The findings confirm to Kharub et al. (2012) who suggest that when the firm keeps lowering prices without reduction in operating costs, the company runs the risk of depletion of resources and consequently becoming insolvent in dynamic competitive markets. Furthermore, they argue that a low cost strategy requires that the company is the lowest cost producer in its industry and not among several companies that vie for that position. The strategy requires aggressive construction of efficient-scale facilities, pursuit of cost reduction from experience, tight cost and overhead control and avoiding marginal customer accounts and cost minimization in research and development.

According to Yunis et al. (2013) cost leadership strategy the company sets out to become the low cost producer in its industry for a given level of quality. This can be at an average industry pricing with the aim of earning a profit that is higher than the competitor or below the average price in order to grow market share. Baack and Boggs (2008) this becomes handy in the price war environment where the company can retain profits and the competition. New entrants are also deterred by the low cost capabilities. It is ideal to note that generic strategies tend to pose risks and low cost strategy is no exception. Other companies may be able to lower costs as well as through the economies of scale, proprietary technology and preferential access to raw materials among other factors. The competitive advantage will be eliminated. Other companies may opt for a focus strategy to target a narrow market and may be able to achieve even lower costs within these segments and grow their market share. According to Le and Lei (2018) a company can be a cost leader but not necessarily imply that the company’s products will have a lower price while in other instances a company can charge an average price while taking into consideration the low cost leadership strategy and reinvest the extra profits into the business.

The study found out that cost leadership strategy enhances cost competitive advantage for the firm pursuing this strategy. Gupta (2014) argues that the competitive advantage of the cost
leaders provider is lower costs as opposed to its rivals in incorporating upscale attributes, putting them in a position to underprice its competitors whose upscale goods have features. The pricing strategy, however, gives more value to the customers at a set price that is offering superior value to the consumers by satisfying their expectations in terms of quality, performance, features and beating their expectations for the price. Salavou and Halikias (2009) argue that the company achieves the cost leadership status when it is capable of combining the best attributes of interest at a lower price than what the competition is offering in the market. This becomes an attractive attribute and can be devised from the performance and quality of better products and services of interest. When the company has the power, capabilities and resources to compete, it can combine the provision of product attributes at a lower costs that that of the competitor.

The study also found out that cost leadership strategy contributes largely to the economies of scale. The findings confirm to Besiga (2015) who argues that economies of scale which is the cost advantages that a firm gets due to its scale of operations with the cost per unit of the output decreasing with the increasing scale. Economies of scale occur when the costs of conducting an activity decreases as the production scale increases. It arise by increase in outputs that do not need proportionate increases in inputs, that most of the firm’s resources for production are unavailable in small sizes and therefore provides economies of scale. For instance the units which are available only above certain minimum size, these can be capital equipment, advertising campaign, and distribution systems as well as the specialization of expanding the amount of inputs (Ensign, 2008). Many organization have been successful using the strategy of cost leadership in attracting customers. The whole idea of everyday of low prices is to provide goods at a cheaper rate than the competitor consistently rather than relying on revenues. The organization is able to achieve this when it has a large scale and an effective supply chain. Companies source goods from cheap domestic suppliers and from low-wage foreign markets. Therefore, allowing the company to sell their products at low prices and to profit off thin margins at a higher volume (Liu & Fang, 2016).

5.3.2 The Effect of Differentiation Strategy on Competitive Advantage

This study sought to determine the effect of differentiation strategy on competitive advantage. The findings have established a significant relationship between differentiation strategy and competitive advantage. These findings are in line with Verbeke (2012) suggesting that in pursuing differentiation strategy, a company seeks to be unique in the
industry it operates while focusing on dimensions that are widely valued by consumers. With differentiation strategy, a company picks one or two features that many buyers in its industry perceive to be significant and uniquely positions itself in meeting those identified needs by offering the customer the value they look for in a product or service. According to Clarke-Hill and Robinson (2016) companies that pursue differentiation strategy may be rewarded with a premium price to compensate on the uniqueness they have positioned themselves in an industry. Differentiation strategy does not give firms a chance to ignore costs but rather they are not the primary strategic focus but the product and service attributes.

In addition, Christensen (2010) argues that in trying to define the customer value as the driver for competitive advantage, he suggested that a company that is able to achieve and sustain differentiation becomes the above average performer in an industry when its price premium exceeds the extra cost that is incurred in being unique. Furthermore, he emphasized that successful differentiation strategy allows firms to offer a product or service of the perceived higher value to the buyers at premium price to the buyers.

The findings of the study show that differentiation strategy enhances customer loyalty as customer gain the value in the company’s products and services. According to Tan and Sousa (2015) differentiation strategy insulates loyalty by consumers and offers sensitivity to the price. The strategy tends to work best in the industry circumstances where there are many ways of differentiating a product or services by altering or modifying the features of the product and buyers perceive the difference as having more value. According to Rothaermal (2016) product or service is differentiated when the buyers perceive it to have attributes that make it distinct from rival products or services and ideally unique in certain way that is difficult to emulate. Competitors are then expected to distinguish their product or service in some way either by style, quality, brand reputation and greater appeal to certain buyers. Prajogo (2007) contends that differentiation recognizes that consumers are too numerous and widely scattered with heterogeneous needs and wants while at the same time with adequate spending power for them to consider the same product or service.

The findings of this study also shows that differentiation strategy enhances quality in the company’s product and services. The findings are in line with Almeida and Bremser (2015) as they argue that differentiation strategy enhances quality management of products and services that the firm is involved with by taking into consideration the main dimensions of quality management such as quality planning, quality improvement, quality control and
quality assurance. Baack and Boggs (2008) the aspect of quality management is focused not only on product or service quality but also the means of achieving it. The uses of control processes and quality assurance and products in achieving consistent quality should be properly managed in order to achieve quality standards.

Liu and Fang (2016) content that quality management under differentiation strategy focuses on controlling activities with the purpose of ensuring that services and products are fit for their purpose and meets specifications. Companies have quality management processes that are essential for them in dealing with quality issues and they can be expressed as the company structure, procedures, processes and resources that are required to implement quality management systems that deliver quality products and services that cannot be easily imitated by the competitor (Baack & Boggs, 2008). The purpose of quality management systems is to accurately understand the expectations of the buyers in terms of quality and transform quality needs in putting up a proactive plan in place to address these needs while at the same time with intentions to exceed the expectations of the buyers.

The findings of the study have also show that differentiation strategy enhance innovation and creativity within the organization. Ahmad (2015) argue that in a dynamic and turbulent environment that is characterized by intense competition, business leaders operating in this kind of environment tend craft plans that can neutralize their rival’s competitive advantage. One way of responding to the competitor is through adopting the latest technology in industry in order to improve on their company’s effectiveness and efficiency. Organization can decide to differentiate themselves from competitors by implementing the latest technology in the industry which is crucial for them to acquire a sustainable competitive advantage. Ensign (200) when implementing differentiation strategy mangers are encouraged to have evaluation mechanisms that enables them to track whether their strategy is working or not, when the strategy is not in line with differentiation needs it is immediately replaced. The same goes to the technology that the company adopts when it does not meet the intended purpose it becomes obsolete and gets replaced with a better technology that drives the delivery of quality needs to exceed expectations of the buyers.

5.3.3 The Effect of Focus Strategy on Competitive Advantage

This study sought to investigate the effect of focus strategy on competitive advantage. The findings of this study shows that there exists a statistically significant relationship between focus strategy and competitive advantage. The findings confirm to the findings of Alonso-
Almeida and Bremser (2015) who argue that the focus of generic strategies and attaining a firm’s competitive advantage is either lower costs than the competitors in certain market segment or having the ability to provide something that is unique from competitors. The focus strategy is based on choosing a market niche where consumers have distinctive tastes and preferences. The market niche can be defined on the basis of various factors such as geographical location (Eloranta & Turunen, 2015). Focus strategy based on low cost highly depends on the customer segment whose needs are less costly to address than the rest of the market based on their income levels. On the other hand, the focus strategy is based on differentiation that depends on the customer segment that demands unique services and product attributes (Charoenngam & Teeratansirikool, 2013).

According to Rothermal (2016) the exceptional customer needs of the section implies that their possibility to give elements that are unmistakably unique compared to the competitors who might focus on a more extensive gathering of consumers. Successful focus strategy relies on the industry segment sufficiently substantial in order to have prominent development potential regardless the fundamental importance to other real competitors. Market attention as well as development is vital for successful focus strategy since in adopting a narrow focus, the company ideally focuses on a few target markets that have distinct groups with specific needs and wants to be catered for. Powers and Hahn (2014) the choice of a firm to offer low prices or differentiated good or services should always depend on the needs of the target segment and the resources and abilities of the firm. It should also be anticipated that a focus on marketing efforts on one or two narrow market segments and tailoring the marketing mix to the specialized markets, it is then when a firm can better meet the needs of that target market.

This study found out that focus strategy enhances market segmentation for the company’s products and services. The argument has also been extended by Banker et al (2014) arguing that differentiation focus involves providing unique attributes that appeal to different customers, the eager of satisfying the desires of a narrow market which implies that the pursuit of uniqueness is often taken to higher level of expectations by the company using differentiation focus strategy. The unique attributes offered by companies that use focus strategy of differentiation are often specialized enabling the firm to pass higher costs its buyers due to lack of close substitutes in the market. Companies use this strategy in the markets that are characterized with fewer or less competitors competing on the same clients (Christensen, 2010). Baack and Boggs (2008) argues that the company’s strategy based on
two variants becomes increasingly attractive since the target market is big enough and profitable. The competition on the other hand has challenges in establishing abilities to meet specialized needs of the target niche while at the same time satisfying the expectations of their mainstream customers. The firm may also select a competitively attractive market niche from various niches in an industry based on its strengths, resources and capabilities of meeting the needs of the niche market (Cavaleri & Shabana, 2018). The firm is expected to compete against its challenges based on their capabilities it has in serving the target niche hence building goodwill from the customers it serves.

The study has also found out that focus strategy is essential in fostering customer loyalty. The argument is extended by Muigai (2018) who argues that focus strategy that is focused on cost leadership it depicts the capability of a firm in offering a product or a service to a niche group of consumers at the lowest prices in the market. The strategy puts its attention on a narrow segment and attempts to achieve either a cost advantage within the selected market segment (Muigai, 2018). The target market segment can be defined by the location uniqueness or geographical, special requirements that are required in using the product or by special attributes that only appeals to the segment members based on the notion that by focusing on a special market segment, the company will be able to serve it better. This thinking, usually results in customer loyalty to the company’s offerings while blocking competing companies from venturing into the segment (Llop & García-Arrizabalaga, 2014).

The study found that focus strategy enhance market share of the company using this strategy in the market. Ahmad (2015) suggest that a focused cost leadership strategy emphasizes on competition that is based on price in order to target a niche market. The company that undertakes this strategy does not necessarily charge the lowest price in the marketplace but instead charge low prices that are relative to other companies that compete within the target market hence adoption of generic strategies that involve targeting a relatively narrow niche of potential buyers. According to Salavou and Halikias (2009) the nature of a narrow target market varies across companies that use cost focus strategy. In some instances, the target market is defined on the basis of demographics like, a firm may seek to focus on young women by offering inexpensive jewelry. A company using this strategy may be very successful while in other instances the target market is defined in terms of revenues channel used to access customers. This enables a firm to attract consumers that might not otherwise be in a position to purchase a certain product while at the same time the company operates at very low prices for it maintain its market share in certain industry.
5.4 Conclusion

5.4.1 The Effect of Cost Leadership Strategy on Competitive Advantage

The study sought to determine the effect of cost leadership strategy on competitive advantage. The findings of this study show that there exists a significant relationship between cost leadership strategy and competitive advantage. Therefore, the study concludes that cost management practices in the company’s operations to produce a product that caters for a low end market is essential for the company’s market share as well as its competitive advantage. Equally, innovation and the use of advanced technology plays a great role in producing a low cost effective goods and services that accurately meets the needs of the target market.

5.4.2 The Effect of Differentiation Strategy on Competitive Advantage

This study sought to investigate the effect of differentiation strategy on competitive advantage. The findings of the study indicate the existence of statistically significant relationship between differentiation strategy and competitive advantage. Therefore, this study concludes that the differentiation strategy enhances quality management practices in the organization which is critical for consumers. This study concludes that differentiation strategy is essential for product positioning in the marketplace. The study also concludes that differentiation strategy enhances innovation in the company as it ensures that employees focus on developing products that are different form competition.

5.4.3 The Effect of Focus Strategy on Competitive Advantage

This study sought to examine whether focus strategy had an influence on competitive advantage. The findings show that there exists a statistically significant relationship between focus strategy and competitive advantage. Therefore, this study concludes that, focus strategy is essential in creating specialization in the company with an attempt of addressing specific needs in the market. The study also concludes that focus strategy enhances the company’s market share due to the ultimate focus on a certain niche market as opposed to being in various market segments.
5.5 Recommendations

5.5.1 Recommendations for Practice

5.5.1.1 The Effect of Cost Leadership Strategy on Competitive Advantage

The study has established a significant relationship between cost leadership strategy and competitive advantage. Therefore, this study recommends that Safaricom should invest in cost management practices across its product and service portfolio to gain the ultimate competitive advantage in the telecommunication industry. This will ensure that the company is established as the market leader in the telecommunication sector which is attributed by threats on new entrants into the market.

5.5.1.2 The Effect of Differentiation Strategy on Competitive Advantage

This study established a significant relationship between differentiation strategy and competitive advantage. Therefore, this study recommends that Safaricom Limited should invest heavily in customer relationship management for the company to enhance competitive advantage from its target market. This study recommends that the company should invest in total quality management to ensure that quality is achieved throughout its products since the customers of differentiated product pay attention to the product’s quality and attributes.

5.5.1.3 The Effect of Focus Strategy on Competitive Advantage

This study established a statistical significant relationship between focus strategy and competitive advantage. Therefore, this study recommends that Safaricom should invest in highly specialized expert to develop specific products for their niche market to enhance its market share. This study also recommends that the company should embrace creativity and innovation by allowing employees to come up with ideas that will accurately address the needs of the niche market.

5.5.2 Recommendation for Further Studies

This particular study focused on the effects of generic strategies on competitive advantage in telecommunication industry with a specific focus on Safaricom Limited. The scope of this study was limited to telecommunication industry. Therefore, future studies should cover the effects of generic strategies in respect to competitive advantage in other sectors like pharmaceuticals, transport, education, manufacturing, and agricultures.
REFERENCES


Banker, R. D., Mashruwala, R., & Tripathy, A. (2014). Does a differentiation strategy lead to more sustainable finance performance than a cost leadership strategy. *Management Decision*.


APPENDIX I: STUDY QUESTIONNAIRE

SECTION I: GENERAL INFORMATION

This section contains general questions. Kindly answer to the best of your knowledge

1. Kindly indicate your gender
   Male □ Female □

2. Kindly indicate your age range
   
   18-25 Years □
   26-33 Years □
   34-40 Years □
   41-47 Years □
   48 and Above □

3. Kindly indicate the number of years you have worked at Safaricom Limited
   
   0-1 Years □
   2-4 Years □
   5-7 Years □
   8-10 Years □
   Above 10 years □

4. Kindly indicate the level of your education
   
   Certificate □
   Diploma □
   Bachelor’s Degree □
   Master’s Degree □
   Doctorate □

5. Kindly indicate the level of your level of management.
   
   Top Level Management □
SECTION II: COST LEADERSHIP STRATEGY AND COMPETITIVE ADVANTAGE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<th>No</th>
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<td>6.</td>
<td>The company uses cost strategy to gain competitive advantage in telecommunication industry.</td>
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<td>7.</td>
<td>Safaricom products are sold at a lower price in the market as opposed to those of the competitors.</td>
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<td>8.</td>
<td>Safaricom products are economical/affordable and offer value to the customers.</td>
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<td>9.</td>
<td>Safaricom’s products and services are easily accessible by consumers.</td>
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<td>10.</td>
<td>Some of Safaricom products are low price because the company takes cost management practices into consideration.</td>
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<td>11.</td>
<td>Low cost products in the market highly contributes to the economies of scale of the company.</td>
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<td>12.</td>
<td>The company’s products/services embraces advanced technology to effectively cater for low end consumers.</td>
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<td>13.</td>
<td>The company has cost control processes and measures in place to monitors its costs.</td>
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<td>14.</td>
<td>The company is able to focus on low end market without compromising the quality of the service offered to the customer.</td>
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<td>15.</td>
<td>The company pursues low cost leadership strategy to enhance its revenues.</td>
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SECTION III: DIFFERENTIATION STRATEGY AND COMPETITIVE ADVANTAGE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<td>16.</td>
<td>Differentiation in your products and services is essential for your business growth.</td>
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<td>17.</td>
<td>Differentiation in the firm’s products and services enhances customer loyalty.</td>
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<td>18.</td>
<td>Safaricom is considered as an innovative organization due to its differentiated products and services.</td>
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<td>19.</td>
<td>The company offers products and services that cannot be easily imitated by the rivals.</td>
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<td>20.</td>
<td>The company has different prices for some of its products that is different from the competitors.</td>
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<td>21.</td>
<td>The company’s capabilities of delivering quality product has been crucial for its financial competitiveness in the industry.</td>
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<td>22.</td>
<td>Safaricom offers products that accurately reflect the needs of the intended user either low end or high end.</td>
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<td>23.</td>
<td>The company communicates effectively the point of difference in its products as opposed to the competitors.</td>
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<td>24.</td>
<td>Safaricom is considered creative in its products and services.</td>
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<td>25.</td>
<td>The company is constantly innovating products that create value to the customers.</td>
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SECTION IV: FOCUS STRATEGY AND COMPETITIVE ADVANTAGE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.
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<tr>
<td>26.</td>
<td>Safaricom Limited responds quickly to the dynamic needs of its customers.</td>
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<td>27.</td>
<td>Safaricom Limited has specific products/services that serve a specific market.</td>
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<td>28.</td>
<td>The company has been able to foster customer loyalty as a result of its innovative products/services.</td>
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<td>29.</td>
<td>The company has the highest market share due to the focus on customer needs and preferences.</td>
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<td>30.</td>
<td>The company offers products to its customers that the rivals cannot easily imitate.</td>
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<td>31.</td>
<td>The company has specialized staff to produce specific products and services.</td>
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<td>32.</td>
<td>The firm uses both cost focus and differentiation focus strategy to address the needs and wants of consumers.</td>
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<td>33.</td>
<td>Safaricom Limited is the market leader in a specific market segment.</td>
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<td>34.</td>
<td>The company has segmented its services and products in different markets.</td>
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<td>35.</td>
<td>The company has built a strong customer relationship management system to enhance its reputation.</td>
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Thank you.