INFLUENCE OF COMPETITIVE STRATEGIES IN KENYA’S RETAIL SECTOR ON ORGANISATIONAL PERFORMANCE: A CASE OF NAIVAS SUPERMARKET OUTLETS IN NAIROBI COUNTY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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

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STUDENT’S DECLARATION

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

Signed: _________________________  Date: _____________________

Mude Ahmed Ibrahim (Student ID NO: 635785)

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

Signed: _________________________  Date: _____________________

Fred Newa

Signed: _________________________  Date: _____________________

Dean, Chandaria School of Business
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ABSTRACT

The study sought to establish the influence of competitive strategies in Kenya’s retail sector on organisational performance of Naivas supermarket outlets in Nairobi County. To achieve the general objective, the study sought to answer the following research questions: to what extent does cost leadership strategy affect organisational performance of Naivas supermarket outlets in Nairobi County?; what is the effect of differentiation strategy on organisational performance of Naivas supermarket outlets in Nairobi County?; and how does focus strategy affect the organisational performance of Naivas supermarket outlets in Nairobi County?

The study adopted descriptive research design which enabled the researcher to observe and analyze the competitive strategies adopted by Naivas outlets in Nairobi. Purposive sampling was applied to select the four (4) branches of Naivas which are located within Nairobi’s central business district (CBD): Moi Avenue; Ronald Ngala; Hazina towers and Lifestyle branches. Data was collected using a questionnaire which was administered to respondents through a survey monkey procedure because most participants would access internet during the time of the study.

On cost leadership strategy, the Pearson’s correlation coefficient found a weak positive but highly significant correlation between cost leadership and organisational performance. Regression analysis found that for each cost leadership strategy pursued by the Naivas supermarket outlets, the predicted organisational performance increases by 53.2% given that all the other predictor variables are held constant for each additional strategy to cost leadership.

On differentiation strategy, the study has documented a weak positive but highly significant correlation between differentiation strategy and organisational performance. Regression analysis found that for each differentiation strategy pursued by the Naivas supermarket outlets, the predicted organisational performance increases by 28.73% given that all the other predictor variables are held constant for each additional strategy to differentiation.

On focus strategy, the study has documented a weak positive but highly significant correlation between focus strategy and organisational performance. Regression analysis reported that for each focus strategy pursued by the Naivas supermarket outlets, the
predicted organisational performance decreases by 36.8% given that all the other predictor variables are held constant for each additional strategy to focus.

The study has concluded that, when the three competitive strategies (cost leadership, differentiation and focus competitive) are jointly adopted, organisational performance of Naivas outlets would be achieved at 95.9%. Further, the study concluded that cost leadership strategy was the best strategy as applied by Naivas supermarket outlets followed by differentiation (28.73%).

The study recommends the supermarket outlets to continue implementing low cost strategy as it has been documented by the study as working for the best interest of the retailer as compared to the other two competitive strategies. The study also recommends Naivas supermarket to merge differentiation and cost leadership strategies for better results.
ACKNOWLEDGEMENT

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I would also like to express my sincere gratitude to my Supervisor, Fred Newa, PhD, for the continuous support in writing of this thesis and for the patience, enthusiasm, and immense knowledge. I thank USIU-AFRICA for the opportunity it granted me to undertake this important requirement. I am indebted to Muindi Vincent for his peer review throughout my dissertation process.

God Bless You.
DEDICATION

This project is devoted to my cherishing family for their help, persistence and support amid the whole procedure. May the Almighty bless all of you.
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ABBREVIATIONS AND ACRONYMS

CBD    Central Business District
GDP    Gross Domestic Product
KNBS   Kenya National Bureau of Statistics
SA     South African
UNECA  United Nations Economic Commission for Africa
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The business world is encountering a rapid pace of changes in massive entries of new competitors as well as changes in ways of doing business. Firm’s major concern is basically their survival and their sustainability to remain competitive and profitable. For this reason, retail stores and other sectors need to adapt to radical changes within the environment that is both radical and chaotic in nature (Wittington, 2019). The only opportunity is for the businesses to have competitive advantage by continuously renewing their competitive strategies in the market (Kitua, 2018). The competitive strategies consist of the business approaches and initiatives undertaken by a company to attract customers and to deliver superior value to them through fulfilling their expectations as well as strengthening its market position in the industry (Ludwig, 2020).

A firm's relative position within its industry determines whether the organisational performance is above or below the industry average. The fundamental basis of above average organisational performance in the long run is sustainable competitive advantage which can only be realized through appropriate and relevant competitive strategies (Lewin, 2017). In this study, organisational performance is taken to mean the ability of an enterprise to achieve large market share, good financial results, and survival at predetermined time using relevant strategy for action. There are two basic types of competitive advantage a firm can possess such as low cost or differentiation. The two competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three competitive strategies which are; cost leadership, differentiation, and focus for achieving exceptional organisational performance in an industry (Stokke, 2018).

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors (Oduk, 2017). For example, Walmart Inc. an American multinational retail corporation that operates a chain of hypermarkets and supermarkets has persistently displayed cost leadership power through its ability to deliver products that are very cheap
through its omni-channel experience with online ordering and in-store pickup (Meilich, 2019). An omni-channel retail strategy is an approach to sales and marketing that provides customers with a fully-integrated shopping experience by uniting user experiences from brick-and-mortar to mobile-browsing (Wittington, 2017). Similarly, a South African (SA) retailer Shoprite has also managed to apply its smooth logistic and distribution operations in SA and the rest of Africa, which gives the retailer ability to source merchandise from suppliers at competitive rates, control costs and get additional profitability to reduce prices (Kwanya, 2018).

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. A firm selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. For instance, while Walmart stayed focused on its price-driven strategy, Carrefour, a French multinational corporation started to position itself slightly differently to be more than a warehouse selling cheap goods, rather offering a rewarding shopping experience for the consumer (Barney, 2019).

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry whereby the company selects a segment in the industry and tailors its strategy to serving them to the exclusion of others. A good example is Naivas, a Kenyan top supermarket chain which has in the recent years started to take a new approach in its distribution as the customer culture of shopping for food items at convenient neighborhood locations had caught on strongly in Kenya. The supermarket has focused on home deliveries of food items (Macharia, 2019). In this regard, there is dire need for supermarkets and other retail stores to be steadfast and proactive in the implementation of competitive strategies to remain in business.

The core task of any business including supermarkets is to comprehend and cope up with competition. Competition for market share or sales growth goes far beyond reputable industry opponents (Arthur, 2018). Effective competition in the supermarket industry is important because it has far-reaching implications for consumers and suppliers. For consumers, competition between supermarkets affects pricing, quality, access and choice of products and services. For suppliers, it affects their participation because supermarkets are
an important route to market for many producers of food and household consumable products (Kiragu, 2017).

Competition in an industry is influenced by external forces which define the bargaining power of customers/buyers, the bargaining power of suppliers, the threat of substitution, the threat of new entrants, and competitive rivalry (Porter, 2015). For example, threat of new entrants is notable in South Africa where only a handful of large supermarkets hold over 70% of the national market share. This limits the alternative options that suppliers and consumers have, and confers substantial market power to the major supermarket chains (Aosa, 2019). The same situation prevails in Kenya where competitive rivalry due to strong brand heritage and customer loyalty makes it difficult for international retailers to gain traction because they are perceived as ‘pricey’ as compared to local brands (Ouma, 2020). Therefore the absence of superior competitive strategies, the commitment in achieving and sustaining organisational performance is a difficult task.

Organisational performance measures provide the information necessary for decision makers to plan, control and direct the activities of an enterprise. This comprises of financial and non-financial indicators or metrics that are used to evaluate the growth of the business, and are consequence of the interplay between environmental factors and internal factors. According to the United Nations Economic Commission for Africa, UNECA (2019), the African retail sector is characterised by approximately 90% of transactions occurring through informal retail channels. This could signal an opportune gap for the increased establishment of formal retail stores such as supermarkets to capture larger portions of this market share.

However, hurdles such as the diverse consumer mix, low levels of established distribution networks, infrastructure constraints and political and economic uncertainties are some of the challenges for the supermarket chains to setting up operations in rural areas (Mbogo, 2017). The small, local and informal retail transactions account for 96% in Ghana and 98% in Nigeria and Cameroon. Even in Kenya, the vast consumer base in rural areas still shops at informal outlets, which account for approximately 70% of retail shopping (Cytonn, 2020). While South Africa leads the way in terms of formal retail, with 60% of South Africans shopping in formal retail supermarkets (Nielsen, 2020).
Nevertheless, Kenya’s retail sector has continued to attract international retailers driven by the rising middle-class with higher purchasing power, robust macroeconomic growth with an average GDP growth of above 5.0 percent over the last 5-years. Thus increasing per capita wealth and a relatively higher formal retail penetration rate at 30 percent given that Kenya’s informal retail is at approximately 70 percent (Kenya National Bureau of Statistics, KNBS, 2020). This has made Kenya the 2nd largest retail economy after South Africa with an estimated 60 percent penetration.

However, subdued organisational performance in the retail sector has also been witnessed resulting from tough operating environment and increased competition leading to scaling down of outlets by some of the top retailers in the country such as Tuskys supermarket and even worse, some of the big players exiting the stage such as Nakumatt and Uchumi supermarkets facing financial woes. Generally, market leadership in Kenya’s retail sector has changed over time with Naivas supermarket controlling the largest pie of the market share at 27% after the exit of Nakumatt supermarket, followed by QuickMart at 22% and Carrefour at 20%. Others are Chandarana FoodPlus at 10% (Competition Authority of Kenya, 2020).

Naivas supermarket is the largest supermarket chain in Kenya with 70 branches in many urban centres in the country. Naivas Limited was registered on 24 July 1990. It previously traded as Rongai Self Service Stores Limited, serving mainly in Rongai in Nakuru County. The company name was changed later to Naivasha Self Service Stores Limited, before rebranding to the current Naivas Limited, in 2007. Naivas recently opened a state of the art food market stores in Nairobi County specifically; Gateway mall along Mombasa road; Lifestyle mall in the CBD and Rongai town, making Naivas the first outlet to open such food stores in East Africa (Naivas, 2020). Naivas’ top 4 competitors are; QuickMart, Carrefour Kenya, Cleanshelf Supermarket and Chandarana FoodPlus.

1.2 Statement of the Problem

In 30 years, Naivas supermarket has 70 branches in all the 47 counties in Kenya, the most that any Kenyan supermarket chain has ever had. The retailer now controls the largest market share in the retail sector in Kenya at 27% after the exit of Nakumatt supermarket (Cytonn, 2020). It is clear from the recent report by Cytonn that Naivas has defied the odds and more
like charting the Walmart way of gaining dominance especially in Kenya’s fiercely competitive retail sector. However, the specific problem facing Naivas supermarket is the current competitive pressures and hostilities within the supermarket’s retail sector in Kenya. Therefore, implementing competitive strategies is a priority for Naivas to sustain the organisational performance.

The study was also motivated by knowledge gaps in the previous studies on the topic. For instance, Gatutha (2019) did an evaluation of competitive strategies and the organisational performance of Tuskys supermarket in Nairobi County, Kenya and established that pricing and differentiation influenced the competitive edge of the supermarket. However this was a case study of Tuskys and did not consider other retailers such as Naivas. Kaptoyo (2018) studied the implementation of competitive strategies in retail stores in Kenya and established that focus and strategic location influenced organisational performance. However, the study only looked into factors affecting implementation of competitive strategies.

Moreover, Wambugu (2017) studied competitiveness in the retail industry in Kenya using porter’s five forces but the study failed to consider cost leadership, differentiation and focus strategies. Despite these empirical evidence, the studies fail to document the significance and nature of effect of cost leadership, differentiation and focus strategies on organisational performance of retail industry in Kenya. This study therefore, taking cognisance of effect of competitive advantage in the retail sector in Kenya, sought to evaluate the influence of competitive strategies in Kenya’s retail sector on the organisational performance of Naivas supermarket outlets in Nairobi.

1.3 Purpose of the Study

The purpose of this study was to establish the influence of competitive strategies in Kenya’s retail sector on organisational performance of Naivas supermarket outlets in Nairobi County.

1.4 Specific Objectives

The study was guided by the following specific objectives:

1.4.1 To determine the effect of cost leadership strategy on organisational performance of Naivas supermarket outlets in Nairobi County.
1.4.2 To examine the effect of differentiation strategy on organisational performance of Naivas supermarket outlets in Nairobi County.

1.4.3 To identify the effect of focus strategy on organisational performance of Naivas supermarket outlets in Nairobi County.

1.5 Significance of the Study

1.5.1 Naivas Supermarkets

The management of Naivas supermarket stores may find this study an invaluable source of material in developing and harnessing their competitive strategies in the present evolving and dynamic business environment. This data may assist the management to build measured plans and tactics to outwit competition and stay focused to their target market and consumers.

1.5.2 Other Retail Stores

The findings and recommendations of this study may be useful to the management of other retail supermarkets in making critical strategic decisions and may serve as a reference point for improvements on the application of competitive strategies for the benefit all stakeholders and the enhancement of overall organizational performance.

1.5.3 Investors

The findings of the study may be of great importance to the investors as a guiding principle to comprehend the market forces and competitive strategies that enhance growth and operations related to the supermarkets business. This is critical to enhance the decision making process and guide on the prerequisites needed to set up the business.

1.5.4 Researchers and Academicians

The study may serve as a reference to other researchers who intend to conduct similar or related studies on competitive strategies in the future because the findings may provide reliable insight that are useful for educational purposes. Therefore the findings of the present study may provide crucial information that could form the basis for future research.
1.5.5 Policy Makers and the Government

Policy makers including the government and the various legal institutions that are concerned with the operations and regulations of retail chain outlets may use the results of this study to come up with the required policies and laws that will enable fair competition in the industry and enhance a level-playing ground to all players in the retail sector.

1.6 Scope of the Study

The unit of analysis of the study was the 2000 employees of the 20 branches of Naivas supermarket outlets based in Nairobi County. Naivas has 20 branches across Nairobi County as per the Kenya Retail Sector Report released by Cytonn (2020). The study used purposive sampling to select four (4) branches of Naivas which are located within Nairobi’s central business district (CBD). General Managers, executive assistant managers, marketing managers, and merchandising representatives formed the unit of observation.

1.7 Definition of Terms

1.7.1 Competitive strategy

Competitive strategy is a long-term action plan of a company which is directed to gain competitive advantage over its rivals after evaluating their strengths, weaknesses, opportunities and threats in the industry (Pearce, 2017).

1.7.2 Cost strategy

In cost initiative, a firm embarks to turn into the minimal expense maker in its industry. The wellsprings of low cost advantage are many and rely upon the nature of the business. These may incorporate the quest for economies of scale, restrictive innovation, and special admittance to crude materials and different components (Foss, 2018).

1.7.3 Differentiation strategy

In a differentiation strategy, a firm looks to be remarkable in its industry along certain areas that are broadly esteemed by purchasers. It chooses at least one ascribes that numerous purchasers in an industry see as significant, and interestingly positions itself to address those issues (Walter, 2016).
1.7.4 Focus strategy

The nonexclusive technique of focus strategy lays on the decision of a restricted serious extension inside an industry. The focuser chooses a fragment or gathering of sections in the business and tailors its methodology to serving them to the prohibition of others (Irúkwu, 2016).

1.8 Chapter Summary

This research was divided into five chapters. Chapter one presents the background of the study, the problem statement, objectives of the study, value of the study as well as the scope of the study. Definition of keywords were also discussed. The next chapter discussed the literature review as well as the theoretical framework.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Chapter two fundamentally focused on the influence of competitive strategies on organisational performance of retail sector. The chapter critically discussed the empirical review on cost leadership strategy, differentiation strategy, focus strategy; and their effect on organisational performance of the retail sector. The chapter also presented the conceptual framework, and summary of the existing literature.

2.2 Cost Leadership Strategy and Organisational Performance

2.2.1 The Concept of Organisational Performance

Organisational performance concept is multidimensional involving elements such as: economic performance (sales, productivity, profit), social performance (employee and customer satisfaction), legal performance (obeying of laws and law-like recommendations), or social performance (adoption of conduct norms based on ethical considerations) (Hernant, 2019). Performance measures provide the information necessary for decision makers to plan, control and direct the activities of an organization.

Organisational performance comprises of financial and non-financial indicators or metrics that are used to evaluate the growth of the organization, and are consequence of the interplay between environmental factors and internal factors (Hilman, 2017). They also allow managers to measure performance, to signal and educate suppliers on the important dimensions of performance, and to direct improvement activities by identifying deviations from standards. Various frameworks have been developed to aid in these goals, including the balanced score card (Kaplan and Norton, 1992). Supermarket outlets’ managers are constantly faced with the challenge of making decisions and taking actions, in order to satisfy consumers’ needs and wants, and respond to the actions of competitors (Chenet, 2017).
2.2.2 Cost Leadership

A cost leadership strategy is a technique that permits an undertaking to be a minimal expense vendor or maker as a rule making more benefits in contrast with its rivals because of the minimal expense of activities or production which comes because of economies of scale. "It functions admirably particularly if a venture is a first-mover or utilizes the blue ocean technique just as for organizations that have simple entry to components of production" (Marangu, Mwiti, and Thoronjo, 2019). Blue ocean technique according to Hilman and Kaliappen (2017) “is the concurrent quest for differentiation and low cost to open up new market space and spur new demand. Wellsprings of cost advantage are subject to the industry structure and chiefly incorporate accurate demand forecasting, high capacity utilization, economies of scale, innovation progression, outsourcing and learning/experience curve”.

2.2.2.1 Capacity Utilization

High capacity utilization measures production efficiency, it results to the reduction of average production costs overall reducing unit costs increasing the market demand often resulting into increase in a market share. A descriptive study by Shakoor (2019) in South Africa reported that in customer service provision, retail outlets as well as other businesses pursue to improve capacity utilization using different aspects such as resource allocation to generally improve operations and avoid any extra cost incurring. A study by Nyaoga (2018) on retail outlets in Kenya found that capacity utilization promotes the creation and sustainability of competitive advantage. The study recommended that businesses should improve the capacity utilization to increase the profits, customers, improvement in their business processes as well as the organizational capacity.

A cross sectional study by Kwanya (2018) established that businesses following a low-cost strategy emphasize on operational efficiency which an enterprise can achieve by modernization, mechanization of the equipment, economies of scale, and applying experienced workforce. However, Nderu (2017) argues that the advantages of capacity utilisation could be temporary and not durable. Otherwise, the strategy based on differentiation through products, brand building, and reputation, and strong provider and customer connections, provide more lasting rewards that allow organisational performance
in the long run. A study by Okunade (2018) emphasized on need to improve capacity utilization by ensuring access of modern technology for provision of goods and services.

A study by Anaya (2018) on influence of competitive strategies on organisational performance of bottled water enterprises in Kenya documented that enterprises should be able to match operations output to the capacity for them to have sustained competitive advantage. The study asserted that excessive capacity reduces the competitiveness by increasing the costs and according to the study, excessive capacity utilization implies a strain on the workforce leading to increased operation costs.

### 2.2.2.2 Economies of Scale

Economies of scale is the benefit accomplished when organizations decline their costs by mass creating subsequently giving the venture an upper hand over more modest undertakings, and thusly means great hierarchical execution of the business. As indicated by Shaw (2017), “the size and construction of retail outlets just as different organizations change time to time and there is need to continually conform to the size, nature and attributes of the business sectors they cooperate with”.

An examination by Vibert (2016) found that economies of scale brings about such benefits as creating more volumes of items or administrations which in the end bring about cost decrease on one unit permitting the business to charge lower costs for the items and administrations. As per the examination, Vibert (2016) emphasize that “the source of economies of scale in a retail outlet situation incorporate enormous limits through monstrous supplies, numerous conveyance of various products or administrations, specialization of undertakings through utilizing a bigger labor force, development of an outlet, government intercession, viable transportation networks that make the development of yields time and practical, accessibility of profoundly capable labor force”.

A longitudinal study by Minarick (2018), established that economies of scale places a business in a favourable position because it can reduce the threat of new entrants which may pose threat to the entity. The study concluded that for a business to survive using the overall cost leadership, the enterprise need an insight of the competitors’ products and if the competitors are offering differentiated product then the strategy might not work since the
customer can choose to get the value of the product even at high prices. In case the products in the market are standardized, then the market will favour the products with low prices.

Muthoka and Oduor (2019) examined the influence of economies of scale on organisational performance and found that bigger businesses benefit from economies of scale where cost leadership strategy was found to be favourite of many businesses while small and medium enterprises undertook a combination of cost leadership and differentiation strategy. This goes to mean that low-cost strategy is a thing for the big business.

An examination by Yanney (2017) on the effect of experience curve and organisational performance set up that particular costs decline as experience is acquired overtime from arrangement of services and utilization of a specific innovation increments. The learning could be at an individual or business level however could likewise be meant the business level. The experience curve assists the business with diminishing cost subsequently bringing about an expanded portion of the overall industry lastly brings about expansion in benefits. Notwithstanding, the investigation expressed that the advantages of the experience curve are shot lived.

2.2.2.3 Outsourcing

Kamanga and Ismail (2017) characterize outsourcing as a system through which an undertaking allots a portion of the non-core functions to particular vendors to empower the business focus on the central business exercises. As indicated by Badir (2016), “because of globalization, the retailers and different organizations are searching for methods of diminishing expenses and building new opportunities by improving the utilization of internal and external resources”.

Outsourcing in the most cases targets lessening in general expenses, working on quality through utilization of specialized services, takes into consideration simple reception of innovation to further develop business and client effectiveness and lastly permits the business to share or even transfer the dangers. This way, the organisational performance works on through an expanded share of the market, expansion in deals which converts into productivity (Thompson, 2017). An empirical analysis by Mburu (2017) shows that Carrefour has adopted outsourcing to accomplish outstanding and proficient client assistance by cooperating with Horizon Contact Centers and Ken call which has prompted further developed client
relationship management (CRM). In Kenya, Naivas has outsourced food conveyances to Glove to upgrade ideal and successful conveyances to its customers.

Prajogo (2017) examined the fundamental advantages of outsourcing and set up that an effective logistics framework is significant, on the grounds that it upholds joining of business measures from buying, assembling, selling and coordinations all through the value chain offering ideal benefit to the client. Asikhia (2017) examined the impact of outsourcing on organisational performance including expenses and benefits of outsourcing and uncovered that vertical integration positively affects the majority of the stock which thusly adds to a decrease in supporting interaction costs which then, at that point causes an enhancement for deals of a business.

As indicated by Bichanga (2018), “the logistics effectiveness mirrors the organisational performance relating straightforwardly to the capacity to convey labor and products according to client request amounts and at the specific time. The proficiency could be estimated as far as consumer loyalty, conveyance speed, reliability and adaptability”. Most business such business Coca Cola and East African bottling works are these days outsourcing the logistics to reduce on expenses which results to a more noteworthy adaptability, an improved service level and the venture can focus on their central exercises.

Gatutha (2018) examined the effect of vertical integration and established that Walmart has taken its vertical integration strategy for food towards its stated goal of improving the quality of its food offerings. This integration has resulted into a significance improvement of the organisational performance. The study defines vertical integration as the process whereby a company owns or controls its suppliers, distributors, or retail locations to control its value or supply chain. Vertical integration benefits companies by allowing them to control processes, reduce costs and improve efficiencies.

Besides, Waema (2019) did an empirical enquiry on outsourcing effect on dairy business benefits with emphasise on Kenya and reported that vertical integration upgrades organizational endurance and this means there is critical improvement in organisational performance of organizations that carry out the vertical integration system. This is taking into account the current unique nature of the business climate which is combined with the speed at which innovation is advancing and prompting a more unpredictable business world.
As indicated by Waema (2019), “vertical integration would help organizations which are currently confronting the truth of the changes in business perspective which present a genuine danger to the less inventive organizations”.

A recent study by Kwese (2020) on competitive strategies and its relationship with client support for the case in retail industry in Nigerian setting detailed that the venture bargaining power increases when ventures are very much educated about expenses and benefits in nearby activities, and when they can use in-house parts, in case there are issues to discovering sensible conditions outwardly market. This works on organisational performance if particularly business can reduce on expenses of activity. For the business that utilizes vertical integration acquire data and more alternatives that are significant in dealing bargaining circumstances.

### 2.2.3 Relationship Between Cost Leadership and Organisational Performance

For an organisation to perform exceptionally well, cost leadership strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors (Johnson, 2018). Successful implementation also benefits from process engineering skills of the organisation, products designed for ease of manufacture, sustained access to inexpensive capital, close supervision of labor, tight cost control, and incentives based on quantitative targets (Whittington, 2019).

There are two avenues for achieving a cost advantage; one is to out-manage rivals in the efficiency with which value chain activities are performed and in controlling the factors that drive the costs of value chain activities. This happens through economies of scale, learning curve effects, and the cost of key resource inputs, sharing opportunities with other organizational or business units within the enterprise, the benefits of first mover advantage, percentage of capacity utilization, and benefits of vertical integration (Scholes, 2018).

The second is to revamp the organisation’s overall value chain to eliminate or bypass some cost producing activities. This happens through greater use of technology applications, using direct to end user sales and marketing approaches, simplifying product design, stripping away the extras or dropping the ‘something for everyone approach’.
2.3 Differentiation Strategy and Organisational Performance

2.3.1 Differentiation Strategy

A differentiation technique as described by Ngari, (2017) “is a coordinated arrangement of activity taken to give merchandise or services that clients consider as exceptional and imperative to them. Differentiation strategy permit a venture to offer extraordinary items and services as a rule at a top notch value, which is fixed on the worth added and tries to better than expected returns by making brand steadfastness. Differentiation is portrayed by top notch, uniqueness, advancement, innovative work with reaction to changing client needs”.

2.3.1.1 Uniqueness/Superior Quality

As indicated by Kyengo (2016), by selecting a differentiation technique, most ventures target offering remarkable items and administrations described by such highlights as predominant quality. The ventures point is to offer extra benefit to their clients remunerating them with a top notch cost. Giving items and services with remarkable characteristics that are esteemed by the clients and which are seen unique in relation to competitor items, assist with developing the share of the overall industry and thusly results to high productivity.

Mwangangi (2017) examined the underlying strategic intent of quality organisational performance and the findings indicated that product quality was predicted by differentiation strategy, but not cost leadership strategy. However, the influence of differentiation on quality was moderated by cost leadership whereby the higher the cost leadership, the stronger the influence.

Gathinji (2019) studied market-focused uniqueness as one survival strategy needed by businesses. The study reported that market-focused uniqueness is a driver of organizational positioning in a dynamic environment. Uniqueness was also found to moderate the market orientation of sales growth. The results also established that while businesses operating in a dynamic environment may gain advantage by adopting market-focused uniqueness, businesses operating in a relatively stable environment may not achieve particularly good results if they do so.

A cross sectional study by Kamlesh (2017) established that quality makes predominant worth. As indicated by the investigation, an item or service with a better quality which is
actually prevalent and accompanies better service tends have an exceptional allure as seen by the client. This forms an upper hand by building a dependable and less price delicate client base. Clients here are probably not going to search for choices and in the long run results to the business keeping up with or in any event, growing a share of the overall industry. In any case, the examination found that for the service industry it is truly challenging to accomplish better caliber with the expanded competition and the indivisibility and elusiveness nature of services. While considering levels of organisational performance in setting client support goals, the investigation suggested that organizations offering any types of services should consider factors which incorporate dependability, responsiveness, confirmation and sympathy.

2.3.1.2 Technology/Innovation

Innovation incorporates specialized data which is normal to organizations in a similar industry, framework explicit innovation which is information and expertise produced for taking care of explicit issues in the business lastly business explicit innovation which covers the business abilities and capacities from more broad exercises to encounter from every individual business.

Camison (2018) provided an empirical evidence of the relationship that exists between participation in technological strategic alliances whereby the findings proved that the relationship between R&D and innovation strategic alliances and organisational performance is mediated by the generation of knowledge-based distinctive competencies and that the contribution of the participation in alliances to the growth of the firm’s knowledge stock depends on its creation of innovation competencies. The study recommended that R&D managers should enhance the development of this kind of competencies in order to achieve superior organisational performance.

An examination by Luliya (2017) set up that introducing new innovation opens new positioning avenues by offering new service interactions which should be leveraged through client esteem sets that will outperform the organization’s rivals. As indicated by Luliya (2017), “quality means an upper hand which makes and improves client faithfulness consequently developing share of the overall industry and benefits”.

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An examination by Nuskiya (2018) inspected the connection among innovation and organisational performance of retail organizations in Sri Lanka setting and found that innovation brought about less workload, expanded satisfaction, further developed sales representatives’ inspiration, decreased job non-appearance and expanded workers' abilities. Nuskiya (2018) reasoned that “organizations that have received innovation arrive at the upper hands in their industry through hierarchical execution. Cutthroat systems and innovative abilities effectively bring about an increase in upper hand”, this is additionally clear in an examination done by Ogake (2016) in Malaysian retail sector which showed that innovation supported organisational performance.

An examination by Mohamed (2018) in Mogadishu, Somalia analyzed the impact of differentiation strategies on organisational performance and announced that undertakings should plan interventional programs that upgrade cutthroat techniques that can be upheld by upgrading technological abilities to work on the organisational performance. Another examination by Abdullah (2017) on the influence of innovation on organisational performance of retail organizations in Kenya showed that innovation in client assistance activities brought about blunder decrease, upgraded the work process, and further developed the client management translating to expanded proficiency in the business. The examination inferred that there was a development in the client base, client relationship improved, and costs were better controlled.

As per Teo (2017), “innovation is a wellspring of advancement, innovative work and this has been brought by the development of progress in client needs which simultaneously has prompted focus around design driven innovation prompting combination of innovation and plan. This is to empower an explorative culture to make a practical upper hand through adjusting client needs, innovative freedoms and the particular item. Innovation carries more worth to the client and shapes the competition in an industry”.

2.3.1.3 Strong Brand

A brand is a recognizable item or service packaged such that a purchaser sees pertinent and has interesting added esteem which match client needs. It is additionally a method for building sales by recognizing items and services since it assembles client awareness by naming the offer and recognizing the product/service from other comparable items. It is
fruitful when a business can support the additional worth against competitors (Mburugu, 2018).

Slater (2018) evaluated the role of strong brand on competitiveness and established that a brand is a source of differentiation and value creation for any business to a customer. An undertaking constructs a solid brand system by ensuring they keep the guarantee, give novel items and administrations which client needs like mindfulness, constancy, hazard decrease and character. Munyiri (2019) stated that “a consumer then again ought to have the option to attain intangible benefits which range from awareness, dependability, risk reduction and personality”. The investigation reasoned that in the present unique business environment, with expansion in client complexity, there is need for organizations to embrace deliberately various ways to deal with profoundly differentiate them from the rivals as far as item, services practice structure, framework or strategy among others are concerned.

A descriptive research by Mazzeo (2017) underscored that a brand is a necessary piece of promoting and consumer loyalty and that it is an advertising apparatus for practical competitive advantage. As indicated by the author, “solid business branding has been believed to be an instrument of making moment believability and worth. Clients associate a solid corporate brand with quality and furthermore accept that the traits of an item or administration has been created to meet their requirements”.

Branding assumes various parts in the hierarchical execution of a business, it brings down exchange costs by diminishing vulnerabilities to clients while looking for items and administrations, it plays the distinctive jobs, it expands client faithfulness by fortifying the organizations notoriety (Munyiri, 2019). Fundamentally, a solid brand is identified with purchaser mindfulness, worked on authoritative execution and this means high monetary returns.

2.3.2 Relationship Between Differentiation and Organisational Performance

A successful differentiation strategy allows the organisation to earn above the average returns. Differentiation strategy is often but not always associated with higher price because it usually makes price less critical. It provides the organization with insulator to competitors because of the brand loyalty and the need to overcome the uniqueness (Nguyen, 2016). Differentiation strategy has successfully been used to build customer loyalty and compete
effectively in the market. Differentiation involves creating a product that is perceived as unique (Dirisu, 2018).

The one of a kind highlights or advantages ought to offer prevalent benefit for the client if this technique is to be effective (Slater, 2019). Since clients consider the product or service as unmatched and unparalleled, the value versatility of interest will in general be decreased and clients will in general be more brand faithful. This can give an association impressive protection from competition. Anyway there are typically extra expenses related with differentiating product highlights and this could require a top notch valuing system (Murgor, 2017).

When using this strategy, an organisation focuses its efforts on providing a unique product or service (Hyatt, 2017). Since, the product or service is unique, this strategy provides high customer loyalty (Olson, 2016). Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the organisation provides unique or superior value to the customer through product quality, features, or after-sale support.

2.4 Focus Strategy and Organisational Performance

2.4.1 Focus Strategy

Arasa (2019) contended that “the focus strategy converges on a predetermined number of sectioned clients dependent on the cost of items or topographical area where the business offers to accomplish either low cost benefit or differentiation. It works on the reason that the necessities of a particular gathering also called a specialty are overhauled better when there is engaged exertion other than the more extensive market”. By accomplishing this strategy, the organizations are probably going to procure better than expected returns, select focuses on that are least powerless against substitute items or even select regions where the competitors are doing inadequately.

2.4.1.1 Focused Cost Strategy

A focused cost strategy permits a business to charge low costs to its items and services comparative to other business that compete inside the target market. The focused cost
leadership strategy competes exclusively on the costs charged and centers on a thin market. Nwaeke (2019), “A business that applies the focused cost strategy will accomplish and support upper hand on the off chance that it investigations its market recognizing a specialty just as deals with seeing how to address client issues and react to their steadily evolving needs”.

An examination by Pongatichat and Johnson, (2018) expressed that the key components adding to the accomplishment of focus strategy includes accentuating for setting up of effective scale facilities, cost decrease measures, incredible client care to keep away from marginal expenses, utilization of innovation and spotlight on research and advancement to work on quality. The focus strategy is profitable on the grounds that the ventures have a wide range of specialties and fragments and business just pick a section which coordinates with its capacities and unmistakable skills, this guarantees the business a long endurance.

An investigation by Nwaeke (2019) attested that operational proficiency supports most associations' and is the most fundamental key objective. It is a driver of further developing consumer loyalty just as expanding investor esteem. Operational productivity ought to be coupled up with exercises like appropriate correspondence and association, everything being equal. It likewise calls for organizations to progress in innovation, advancement of new facilities to guarantee adjusting to the expanding demand assortment. As indicated by Nwaeke (2019), “Operational effectiveness welcomes ascend to low expenses on items and services, quality items, improvement in help time which is straightforwardly credited to the brilliant client care given by enterprises and generally speaking expanded incomes and benefits”.

Barney (2019) documented that once the business achieves operational efficiency it automatically reduces on costs. There is need for the business to emphasize on organisational performance and organizational practices that will ensure the business achieves superior organisational performance by continually improving all dimensions reduce on waste and to create value. This can be achieved through interaction between employees, implementing changes by involving customers, constantly innovating and moving at optimal speed.
2.4.1.2 Focused Differentiation Strategy

The focused differentiation strategy requires a business to offer special credits that fulfil requests of a limited market. Organizations carry out this technique by focusing on explicit deals stages/outlets while others target focusing on explicit segment gatherings. Other than offering interesting highlights that appeal to specific clients there is frequently pursuit to practice. An empirical analysis by Tanui (2019) found that there are multiple businesses that have adopted the focused differentiation strategy such as Carrefour which targets different customer segments with different product ranges and uses in-store displays to effect the strategy.

An investigation by Chumba (2017) inspected the impact of serious techniques on organisational performance and revealed that focused differentiation strategy gives a superior section boundary guaranteeing that the business keeps up with the piece of the pie or even develops it. As per Chumba (2017), "the focused differentiation strategy considers such highlights as uniqueness accomplished through utilization of advancement and innovation, having a large enough market specialty that offers great development, this could be accomplished by market entrance and item improvement".

In any case, Muiruri (2019) did an exact investigation on competitive strategies and announced that in as much as focused differentiation approach has constructive outcomes around organisational performance, expanding costs separated between wide reach competitors and focus organizations is probably going to counterbalance the differentiation accomplished through concentration and turn the clients towards business that offer a wide scope of items. Muiruri (2019) contended that "the insight made to the client in regards to explicit items and services is probably going to disappear with time and different organizations are probably going to discover sub objective gatherings inside the primary objective market of the center business".

Chege (2019) analyzed the viability of advancements in innovation on focused differentiation and set up that innovation was an exceptional instrument to business visionaries, giving new ability to make riches, empowering more effective utilization of assets. Innovation advancement comprises of progressive processes that begins from formation of ground breaking thoughts, motivation and creative mind being the center
column to the rise of novel thoughts in innovation. It gives new freedoms to organizations to work with its current or new abilities to address client issues.

An examination by Chepkilot (2019) set up that market entrance sets out open doors for organizations to diminish stock levels, decline expenses and increment in organisational performance. This is accomplished by decreasing the expense of work. Its point is to expand pieces of the market share without changing business prime market and product strategy. As per the examination, Walmart has utilized the market infiltration strategy working in a few urban areas in United States and Canada, Mexico, United Kingdom, Japan, India, Argentina, Chile, Canada, and South Africa.

Walmart has created procedures to advance its items and services and to enter global business sectors. The retailer has applied differentiation focus strategy through state of the art innovation, level of authoritative performance and has a famous one of a kind character, particular because of its image strategy. Venkatram (2016) expressed that "market infiltration goes several ways to accomplish this which incorporate the expectation to make a special personality and obvious characterizing of the organization's character, the qualities advanced by clients in this market to accomplish the relationship with the brand name".

An investigation by Mbesa and Kihara (2017) set up that item improvement empowers a business to fulfil the clients' necessities and needs. It prompts item uniqueness through offering to customers a worth that couldn't be found on existing items through market investigations and broad statistical surveying. The study contend that item advancement benefits the business through achieving cooperative energy between innovation, creation, and business capability. Khan (2019) argued that "the accomplishment of item improvement can be seen through such brands as Apple iPhone which was effectively dispatched and a great many iPhones have been sold, turned it in perhaps the most well-known cell phones at any point dispatched. This has been made a triumph through lively improvements that are made coming about to new forms out each year". Apple is currently the pioneer on cell phone market, surpassing Samsung which was the first in the market in the final quarter of 2016 (Nduvu, 2017).
2.4.2 Relationship Between Focus Strategy and Organisational Performance

Mwanzia (2018) states that by focusing on marketing efforts on one or two narrow market segments and tailoring the marketing mix to these specialized markets, an organisation can better meet the needs of that target market. The organisation typically looks to gain a competitive advantage through effectiveness rather than efficiency (Lewis, 2018). It is most suitable for relatively small organisations, however Saunders (2016) argues that “focus strategy can be used by any company. Focus strategy may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investments”.

However, Saunders, Lewis and Thornhill (2017) have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting. The authors argue that in many cases trying to apply generic strategies is like trying to fit a round peg into one of three square holes; one might get the peg into one of the holes, but it will not be a good fit. Focusing begins by selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members (McCracken, 2018).

The basis of an organisation applying the focus strategy for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on being a buyer segment that demands unique product attributes (Berthoff, 2016).

2.5 Conceptual Framework

A conceptual framework shows the interaction between independent and dependent variables of the study. The conceptual framework of this study was based on the influence of competitive strategies on the organisational performance of the retail sector. In this study, the conceptual framework takes a relational model whereby the following three independent variables: cost leadership, differentiation and focus strategies influence organisational performance of retail outlets (dependent variable).
In summary, the reviewed literature on competitive strategies and organisational performance of retail sector has shown that indeed cost leadership, differentiation and focus strategies significantly influence the organisational performance of any company. The empirical evidence shows that superior competitive strategies can significantly position an enterprise to stand out exceptionally well as compared to competitors in the industry. The following chapter (chapter three) presents the methods and techniques used to undertake the primary study aimed to address the study specific research objectives.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter is coordinated under the following segments; research design, population and sampling design, data collection procedure, research procedure, data analysis procedures and ethical considerations.

3.2 Research Design

A research design is a system picked or chosen to fuse different parts of the research to guarantee research legitimacy and rational (Hair, 2017). This study adopted descriptive research design because the design enabled the researcher to observe and analyze the competitive strategies of the sampled supermarkets in Nairobi County. Descriptive survey design is a data collection procedure that gives a clear explanation of the existing nature of phenomenon being investigated (Russell, 2015). This study sought to answer the questions; to what extent does cost leadership strategy affect organisational performance of Naivas supermarkets in Nairobi County.?; what is the effect of differentiation strategy on organisational performance of Naivas supermarkets in Nairobi County.?; and how does focus strategy affect the organisational performance of Naivas supermarkets in Nairobi County.? Therefore the choice of this research design was in line with Ader (2017) who indicated that descriptive research design is used when the researcher wants to find out “what is” “how does” and to describe specific behavior as it occurs in the environment. This was the motivation in applying descriptive design in this study with the main aim of describing comprehensively the influence of competitive strategies on organisational performance of supermarkets in Nairobi County.

3.3 Population and Sampling Design

3.3.1 Population

A target population is the total group of items or objects or even entities that have similar attributes that can be used by the researcher to make generalization of the research results (Russell, 2013). Target population of the study was the 2000 employees of the 20 branches
of Naivas Supermarket based in Nairobi County. Naivas has 20 branches across Nairobi County as per the Kenya Retail Sector Report released by Cytonn in 2020 as shown in table 3.1 below. The interest for Naivas Supermarket was simply because the retailer is the largest supermarket in East Africa in terms of market share (30%) and number of branches operating countrywide (70 branches) (Cytonn, 2020). This was useful for the study to establish the competitive strategies applied by Naivas supermarket to perform exceptionally well.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Branch</th>
<th>Staff Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westlands Branch</td>
<td>120</td>
</tr>
<tr>
<td>Green house Branch</td>
<td>100</td>
</tr>
<tr>
<td>Buruburu Branch</td>
<td>80</td>
</tr>
<tr>
<td>Langata Branch</td>
<td>120</td>
</tr>
<tr>
<td>Moi avenue Branch (Head office)</td>
<td>130</td>
</tr>
<tr>
<td>Mountain mall branch</td>
<td>80</td>
</tr>
<tr>
<td>Kilimani</td>
<td>100</td>
</tr>
<tr>
<td>Thika road mall</td>
<td>160</td>
</tr>
<tr>
<td>Capital Centre</td>
<td>120</td>
</tr>
<tr>
<td>Ruaraka</td>
<td>80</td>
</tr>
<tr>
<td>Gateway Mall</td>
<td>120</td>
</tr>
<tr>
<td>Ronal Ngala</td>
<td>70</td>
</tr>
<tr>
<td>Eastgate</td>
<td>100</td>
</tr>
<tr>
<td>Komarock</td>
<td>70</td>
</tr>
<tr>
<td>Hazina towers</td>
<td>110</td>
</tr>
<tr>
<td>Kangemi</td>
<td>70</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>70</td>
</tr>
<tr>
<td>Umoja</td>
<td>80</td>
</tr>
<tr>
<td>Kasarani</td>
<td>110</td>
</tr>
<tr>
<td>Utawala</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2000</strong></td>
</tr>
</tbody>
</table>

Source: Cytonn (2020)
3.3.2 Sampling Design

Sampling design can be described as a blueprint that helps in determining the sample size for a given study (Derrickson, 2018).

3.3.2.1 Sampling Frame

Sampling frame is a list of the items or people forming a population from which a sample is taken (Leedy, 2016). The present study used purposive sampling to select the four (4) branches of Naivas which are located within Nairobi’s central business district (CBD): Moi Avenue; Ronal Ngala; Hazina towers and Lifestyle branches. This is because the CBD branches operate within the same market environment and they all fit for the current topic and hence a reflection of the total population. The study used stratified sampling to select respondents based on their job position:

General Managers, executive assistant managers, marketing managers and merchandising representatives. Purposive sampling is a form of non-probability sampling in which researchers rely on their own judgment when choosing members of the population to participate in their study (Munro & Thanem, 2018).

3.3.2.2 Sampling Technique

A sample is defined as a group of people, objects, or items that are taken from a larger population to participate in a study (Bethwell, 2017). Applying purposive sampling technique the following branches formed the sample for this study: Moi Avenue branch (Head office), Lifestyle branch, Ronald Ngala branch and Hazina towers branch. The following categories of participants were interviewed: General Managers, executive assistant managers, marketing managers and merchandising representatives

3.3.2.3 Sample Size

Sample size is the number of units or persons that are chosen from which data will be gathered. The study used Slovene formula because it has been tested and used in similar studies (Waiganjo, Ng’ethe, Mugambi, Lewis 2017; Swami and Cogger 2018). \( \bar{N} = \frac{N}{(N \times d^2 +1)} \) where; \( \bar{N} = \) sample size, \( N = \) total population; \( d = \) degree of confidence with a
desired 95% degree of confidence to come up with 195 participants to fill in the questionnaires as shown below:

\[
\frac{380}{(380 \times 0.052 + 1)} = 194.87
\]

The sample size (195) was consistent with Mugenda & Mugenda (2003) who contended that in a descriptive research, a sample size of 10-50% is acceptable. Moreover, Hum (2015) documented that using a high number of respondents in a study is exorbitant and adds extra subjects to the sampling technique.

Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>General managers</td>
<td>4</td>
</tr>
<tr>
<td>Executive assistant mangers</td>
<td>8</td>
</tr>
<tr>
<td>Marketing managers</td>
<td>20</td>
</tr>
<tr>
<td>Merchandising representatives</td>
<td>163</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>195</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Data collection instrument is basic to any kind of study. Research instruments can be defined as measurement tools used to collect data in a study (Bhattacherjee, 2017). Both primary and secondary data were useful for this study to complement each other and to help the study build a convincing argument. The study used a structured questionnaire as the key instrument for primary data collection because it was easy to administer, it ensured confidentiality was upheld during the primary study and saved on time factor. This was supported by a study done by Bell (2016) which reported that a questionnaire is ideal because the author is able to collect information from a larger sample. It also ensures a greater feeling of anonymity hence encouraging open responses to sensitive questions and is free from bias which leads to accurate and valid data. The questionnaire used a Likert scale approach on a scale of 1-5 where; 5 (Strongly Agree), 4 (Agree), 3 (Neutral), 2 (Disagree) or 1 (Strongly Disagree).
The questionnaire was administered to respondents through a survey monkey procedure because most participants could access internet during the time of the study. This was also in adherence to the Covid-19 guidelines to ensure physical distance. Survey Monkey is an online cloud-based programming that enables a survey to be carried over the internet phenomenon (Mathers et al., 2017). The tool gathers opinions from the respondents and transforms them into people powered data.

3.5 Research Procedures

To ensure validity and reliability of the research instrument, a pilot study was conducted using a random sample of 12 individuals across the four branches of Naivas supermarket based in the CBD (3 members from each branch). Twelve (12) individuals for the pilot test were picked based on recommendations by Mugenda and Mugenda (2003) who justified a sample size of 10-30% is good enough if well-chosen and the elements in the sample are more than 30.

3.5.1 Reliability Test

Reliability of research instruments is critical to any research. Reliability determines the extent to which the research instruments give the same results each time a test is done under similar conditions on the same subject (Walton, 2017). Reliability test was conducted to ensure the questionnaire was reliable in collecting credible data from the field. This was achieved by using the pilot results to measure internal consistency reliability of the questionnaire response using Cronbach’s alpha. Internal consistency reliability estimates how much total test scores would vary if slightly different items were used. Lastly, the alpha value in the range of 0-1 to determine the reliability type whereby values greater than or equal to 0.7 implying acceptable reliability (Creswell, 2014) was adopted for purposes of this study.

3.5.2 Validity

Validity cannot be wished away in any research process. According to Creswell (2014) validity is the extent to which units of measurements give a true measure of what they are supposed to measure. Validity was done to ensure that the questionnaire collected accurate data from the field. This was achieved by analyzing the pilot results and removing any
ambiguities in the questionnaire by seeking the opinion of the supervisor or experts on matters competitive strategies and the retail sector.

3.6 Data Analysis Methods

The process of data analysis involves packaging of the collected data and arranging them appropriately so as to structure their major elements in a manner that the obtained outcomes can be efficiently communicated (Bhattacherjee, 2017). Primary data collected by use of questionnaires was coded, edited and any data requiring cleaning was carried out before any further analysis took place. The Statistical Program for Social Sciences (SPSS) version 21 was used to process and analyze data in order to obtain the results of the study. SPSS offers a broad range of highly flexible statistical models adequate for data analysis requirements of this study.

The study used descriptive statistics, inferential statistics such as Pearson’s correlation coefficient as well as regression to analyze data. For descriptive analysis, the mean and standard deviations for predictor variables were derived. Mean scores showed the ranking of the various aspects of competitive strategies influencing organisational performance of supermarkets. Standard deviation showed the variation among respondents.

The multiple regression model for this study was as follows: Multiple linear regression model with dependent variable (Y)–organisational performance, independent variables $X_1$ (cost leadership strategy), $X_2$ (differentiation strategy), $X_3$ (focus strategy), $\varepsilon$ was the error term denoting there may be a non-linear relationship between the independent and dependent variables which is referred to as “noise”. The regression model equation was illustrated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

3.7 Chapter Summary

Chapter three has presented the techniques used to gather information as well as the entire procedures applied to get primary information of this study. For instance, descriptive design was used to observe and analyze the competitive strategies implemented by Naivas Supermarket outlets in Nairobi. Applying purposive sampling technique, the study focused on 4 branches of Naivas located with the CBD whereby participants were stratified based on
job position for interviews. The chapter has also detailed the procedures which were undertaken to ensure data validity and reliability of the data collection instrument whereby a pilot study was conducted prior to the main study.

The following chapter (chapter 4) presents the primary data findings and interpretations to fulfil the specific goals of the study.
CHAPTER FOUR

4.0 RESEARCH FINDINGS

4.1 Introduction

This chapter presents the research findings of the study which was aimed to establish the influence of competitive strategies in Kenya’s retail sector on organisational performance with specific reference to Naivas supermarket outlets in Nairobi County. The chapter discussed the analysis of the findings guided by questionnaire responses. The analysis was divided into the following sections: - The first section (Section A) analyzed response rate and respondent’s demographic properties; second section (Section B) inquired about the effect of cost leadership strategy on organisational performance of Naivas supermarket outlets in Nairobi County. Section C analyzed the effect of differentiation strategy on organisational performance of Naivas supermarket outlets in Nairobi County. While section D broke down focus strategy and organisational performance of Naivas supermarket outlets. The last part (Section E) did a regression analysis to determine which among the three independent variables, i.e. cost leadership strategy; differentiation strategy; and focus strategy are significantly related to organisational performance of Naivas supermarket outlets.

4.1.1 4.1.1 Response Rate

This section sought to find out the actual number of respondents who participated in the questionnaire response compared to the targeted sample size. The section indicates the number of respondents who successfully answered the questions in the questionnaire in the study area (Table 4.1).

<table>
<thead>
<tr>
<th>Sample Size</th>
<th>195</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants available</td>
<td>195</td>
</tr>
<tr>
<td>Total response</td>
<td>118</td>
</tr>
<tr>
<td>Non – response bias</td>
<td>39.5%</td>
</tr>
<tr>
<td>Usable responses</td>
<td>118</td>
</tr>
<tr>
<td>Un – usable responses</td>
<td>77</td>
</tr>
<tr>
<td>Usable responses rate</td>
<td>60.5%</td>
</tr>
</tbody>
</table>
Table 4.1 shows that, of the 195 members sampled to take an interest in this study, all were accessible and 195 questionnaires were controlled through a SurveyMonkey technique. 118 questionnaires were completed effectively and were usable for investigation. As indicated by Baruch (2008) when there is a distinction between returned versus usable questionnaires, researchers ought to use the number of usable responses as the numerator in figuring reaction rate. Along these lines, the response rate for this study was 60.5%. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a rate of 70% and over is excellent.

4.1.2 Internal Consistency of the Instrument

Using Cronbach’s formula, internal consistency tests were conducted to ensure that the scores obtained using the questionnaire were reliable. In order to understand whether the questions in the questionnaire reliably measured the same latent variable; a Likert scale was constructed with 5 questions on a 5-point Likert item from "strongly disagree" to "strongly agree". A Cronbach's alpha was run on a sample size of 10 participants.

Cronbach's alpha statistic: \( \alpha = \frac{N*r}{1+ (N-1)*r} \)

Where; \( N = \) number of items; and \( r = \) average inter-item correlation among the items.

<table>
<thead>
<tr>
<th>Table 4.2 Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Cost leadership Strategy</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
</tr>
<tr>
<td>Focus Strategy</td>
</tr>
<tr>
<td>Organisational Performance</td>
</tr>
</tbody>
</table>
Results show that the average Cronbach’s Alpha coefficient for the questionnaire was 0.769 which indicates a high level of internal consistency for the research tool.

The results also indicate that the items in the test were highly correlated. This goes to mean that the questions were enough for the test (Table 4.2).

### 4.2 Respondents’ Demographics

When analyzing respondents’ demographics, six (6) themes were looked at which included gender, age, level of education, number of years the supermarket has been in operation, annual turnover of the supermarket and number of employees in the supermarket as presented in subsequent Figures below:

**Figure 4.1 Frequency Distribution of Respondents by Gender**

This subsection sought to analyze gender of the respondents who participated in the study. The results in Figure 4.1 shows that female respondents made up more than half (58%) of the total participants interviewed. The male respondents made only 42% of the total respondents. This goes to mean that Naivas supermarket outlets under investigation are dominated by female gender. The findings could be attributed to the findings of the Kenya National Bureau of Statistics report (KNBS, 2019) which reported that Kenya's female population amounted to approximately 26.45 million, while the male population amounted to approximately 26.12 million inhabitants. Gender was important in this research because different genders potentially bring diverse attributes and thinking styles which are important
for in-depth exploration of competitive strategies and organisational performance in the study area.

![Frequency Distribution of Respondents by Age](image)

**Figure 4.2 Frequency Distribution of Respondents by Age**

This subsection sought to discuss the age of the respondents in the study area. The findings indicate that out of 118 participants, majority of the respondents (38%) were within the age bracket of 25-31 years, followed by 28% within the age group of 32-38 years. While 15% of the respondents were within the age group of 39-45. Only 1% of the respondents in the study area were over 50 years (Figure 4.2). These findings go to mean that majority of the respondents in the study area are a youthful generation in their 20s and 30s; an age bracket which as per the KNBS (2019) makes 75% of the total population of Kenya. This could also mean that Kenya’s labour market is majorly dominated by youthful generation. The 2019 Kenya national population and housing census report shows that 75% of the 47.6 million population is under the age of 35 (KNBS, 2019).

![Frequency Distribution of Respondents by Education Level](image)

**Figure 4.3 Frequency Distribution of Respondents by Education Level**
This section presents education levels of the respondents interviewed. Education levels were divide into five categories, i.e. primary certificate, secondary certificate, diploma, bachelor degree and masters. The findings show that the highest number (57%) of respondents in the study area had attained a diploma, followed by bachelor’s degree (18%). 14% of the respondents had a secondary certificate while 6% had attained a masters. Only 5% of the participants in the study area had a primary certificate (Figure 4.3). The findings could mean that the supermarket under study recruits staff based on merit and open competition. The level of education was important to this study in light of the fact that informed respondents have higher ability in handling information and can settle on substantive choices and along these lines education level can influence competitive strategies in an organization and the overall organizational performance.

![Figure 4.4 Number of Years the Supermarket has been in Operation](image)

Figure 4.4 shows that half (50%) of the participants interviewed indicated that the supermarket had been in operation for a period between 21-30 years while 30% of the respondents indicated that the supermarket had been in operation for a period between 11-20 years. 12% indicated 1-10 years and only 1% of the respondents indicated that the supermarket had been in operation for a period of over 41 years. Going by these findings (Figure 4.4), it is clear that the supermarket has been in operation for over two decades. This could mean that the supermarket has applied a number of competitive strategies in its operations since inception to ensure survival and sustainable organisational performance thus being in a position compete with rivals in the retail industry.
4.3 Descriptive Statistics

4.3.1 To What Extent Does Cost Leadership Strategy Affect Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

This section analysed the effect of cost leadership strategy on organisational performance of Naivas supermarket outlets in Nairobi County. To achieve this, data obtained using Likert scale was coded and each case was evaluated according to the level of agreement or disagreement on a scale of 1-5: (5- Strongly agree; 4-Agree; 3-Neutral; 2- disagree; 1-strongly disagree) and the information was run on SPSS version 25 to extract descriptive statistics (Table 4.3).

Table 4.3 Cost Leadership- Descriptive Statistics

<table>
<thead>
<tr>
<th>Indicator</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The supermarket stocks enough goods and services at lower prices attracting many customers.</td>
<td>118</td>
<td>3</td>
<td>5</td>
<td>4.01</td>
<td>0.910</td>
</tr>
<tr>
<td>The supermarket has specialized staff creating better efficiency in operations.</td>
<td>118</td>
<td>2</td>
<td>5</td>
<td>3.40</td>
<td>1.199</td>
</tr>
<tr>
<td>The supermarket conducts frequent trainings to the staff to better provide services to its customers.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.37</td>
<td>1.632</td>
</tr>
<tr>
<td>The supermarket has fast moving stock reducing overall operational costs.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>1.97</td>
<td>1.547</td>
</tr>
<tr>
<td>The supermarket has allocated the right number of staff to a single store depending on its size.</td>
<td>118</td>
<td>1</td>
<td>4</td>
<td>2.60</td>
<td>1.378</td>
</tr>
<tr>
<td>The supermarket has systems in place to track the amount of stock as well as dispose old stock.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.48</td>
<td>1.595</td>
</tr>
<tr>
<td>The supermarket has outsourced its non-core functions reducing overall costs.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.63</td>
<td>1.490</td>
</tr>
<tr>
<td>The supermarket has created partnerships with other companies resulting to efficiency.</td>
<td>118</td>
<td>1</td>
<td>4</td>
<td>2.62</td>
<td>0.995</td>
</tr>
<tr>
<td>The supermarket departments work well together resulting to efficient and highly integrated business processes.</td>
<td>118</td>
<td>1</td>
<td>4</td>
<td>2.13</td>
<td>1.144</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The highest mean \((mean=4.01)\) indicates that the Naivas outlets in the study area stocks enough goods and services at lower prices attracting many customers (Table 4.3). This means
that the outlets in the study area enjoys economies of scale. The findings could also mean that the outlets have localized source of goods to cut on transportation costs and distribution costs. This means reduction on the flow of links, reduced operating costs which could then translate to low cost of goods and services. The findings could also be attributed to the fact that the supermarket has developed its own brand of goods such as Naivas wheat bread, Naivas food market and Naivas sugar among others. This could imply that the branded goods ends up gaining customer loyalty which means minimal cost along distribution channels which then translates to low cost on the final product.

It is also important to note that a relatively sizeable number of respondents ($mean=3.63$) reported that the supermarket has outsourced its non-core functions reducing overall costs. This goes to mean that cost leadership strategy has become an important strategy for the Naivas outlets in the study area to solidify their customer base. The slogan “Naivas saves you money” is synonymous with the cost leadership strategy adopted by the retailer. The findings imply that if Naivas continues to pursue low cost strategy, this will place the chain in the best position to continue winning business of price-sensitive buyers.

The results clearly reveal that cost leadership competitive strategy by the outlets in the study area is largely achieved through exploiting all economies of scale and maintaining the overheads lower than the industry, cutting of costs across retail value chain and outsourcing.

The findings of this study are supported by a study done by Shcoles (2018) which reported two avenues for achieving a cost advantage; one is to out-manage rivals in the efficiency with which value chain activities are performed and in controlling the factors that drive the costs of value chain activities. This happens through economies of scale, outsourcing, learning curve effects, and the cost of key resource inputs, sharing opportunities with other organizational or business units within the enterprise, the benefits of first mover advantage, percentage of capacity utilization, and benefits of vertical integration (Scholes, 2018).

### 4.3.2 What is the Effect of Differentiation Strategy on Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

This section analysed the effect of differentiation strategy on organisational performance of Naivas supermarket outlets in Nairobi County. To analyse this, data obtained using Likert scale was coded and each case was evaluated according to the level of agreement or
disagreement on a scale of 1-5: (5- Strongly agree; 4-Agree; 3-Neutral; 2- disagree; 1- strongly disagree) and the information was run on SPSS version 25 to extract descriptive statistics (Table 4.4).

**Table 4.4 Differentiation Strategy - Descriptive Statistics**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The supermarket provides unique products with a special appeal to the customers.</td>
<td>118</td>
<td>3</td>
<td>5</td>
<td>4.38</td>
<td>0.866</td>
</tr>
<tr>
<td>The supermarket charges premium price for its products and services.</td>
<td>118</td>
<td>2</td>
<td>5</td>
<td>3.99</td>
<td>1.237</td>
</tr>
<tr>
<td>Customers perceive the products and services of the supermarket different attracting a high market share.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>4.01</td>
<td>1.505</td>
</tr>
<tr>
<td>The supermarket has adopted technology enhancing the speed and quality of the services offered.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.11</td>
<td>1.921</td>
</tr>
<tr>
<td>The supermarket has invested in innovation to provide custom made services.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.36</td>
<td>1.544</td>
</tr>
<tr>
<td>The supermarket places customers at the forefront when making decisions.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>4.07</td>
<td>1.454</td>
</tr>
<tr>
<td>The supermarket offers clearly identifiable products and services that are relatable to customers.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>4.17</td>
<td>1.342</td>
</tr>
<tr>
<td>The supermarket provides a great customer service strengthening its reputation in the marketplace.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.52</td>
<td>1.407</td>
</tr>
<tr>
<td>The supermarket has a well-established marketing department improving the purchase process of a customer.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.21</td>
<td>1.674</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The findings shows that majority of the respondents *(mean=4.38)* were in agreement that the Naivas outlets in the study area provides unique products with a special appeal to the customers (Table 4.4). This could be explained by the Naivas’ food market concept across the major urban areas in Kenya which could also be attributed with outlets’ strategic mission to extend the modern design series across all major urban centres.

A sizeable number of respondents *(mean=4.17)* stated that the outlets in the study area offer clearly identifiable products and services that are relatable to customers. It is also important to note that a relatively sizeable number of respondents *(mean=4.07)* stated that the outlets places customers at the forefront when making decisions. The findings can be attributed to the demographic characteristics of this study where the results indicate that Naivas outlets
recruits staff on merit and qualifications. Because of this, the results goes to mean that the staff are able to explain to the customers the benefits/quality of products offered by the outlets. It is also easier for the qualified marketing department to develop superior quality services to attract more customers. The results reveal that the outlets in the study area have achieved differentiation strategy through unique products, exceptional customer service and strong brand.

A solid brand as indicated by an investigation done by Mburugu (2018) is a recognizable item or administration expanded such that a purchaser sees applicable and has extraordinary added esteem which match client needs. It is additionally a method for building deals by recognizing items and services since it fabricates client mindfulness by naming the offer and recognizing the proposal from other comparative items. It is fruitful when a business can support the additional worth against contenders.

This findings of this study are in agreement with a cross sectional study by Kamlesh (2017) which found that quality creates superior value. As per the examination, an item or service with a better which is actually unrivalled and accompanies better assistance and tends to have a unique allure as seen by the client. This makes an upper hand by building a dedicated and less value touchy client base.

4.3.3 How does Focus Strategy Affect the Organisational Performance of Naivas Supermarkets in Nairobi County?

This section analysed the effect of focus strategy on organisational performance of Naivas supermarket outlets in Nairobi County. To achieve this, data obtained using Likert scale was coded and each case was evaluated according to the level of agreement or disagreement on a scale of 1-5: (5- Strongly agree; 4-Agree; 3-Neutral; 2- disagree; 1- strongly disagree) and the information was run on SPSS version 25 to extract descriptive statistics (Table 4.5).
Table 4.5 Focus Strategy - Descriptive Statistics

<table>
<thead>
<tr>
<th>Indicator</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The supermarket has invested in high performance equipment ensuring quality of the products and services provided.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>4.08</td>
<td>1.159</td>
</tr>
<tr>
<td>The supermarket has self service facilities reducing the amount of time taken by customers in the stores.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.76</td>
<td>1.338</td>
</tr>
<tr>
<td>The supermarket provides delivery services to the customers resulting into excellent customer experience.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.76</td>
<td>1.551</td>
</tr>
<tr>
<td>The supermarket provides mobile and card payment options improving customers convenience</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.03</td>
<td>1.830</td>
</tr>
<tr>
<td>The supermarket has adopted a point of sale system better managing the inventory.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.25</td>
<td>1.513</td>
</tr>
<tr>
<td>The supermarket has opened several branches in different locations reaching many potential customers.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.84</td>
<td>1.502</td>
</tr>
<tr>
<td>The supermarket provides unique products to customers creating a unique identity</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>1.436</td>
</tr>
<tr>
<td>Most supermarket products and services are tailor made to suit specific needs of customers</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.38</td>
<td>1.414</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.5 shows that the highest number of respondents (mean=4.08) in the study area agreed that the outlets in the study area have invested in high performance equipment ensuring quality of the products and services provided. A relatively sizeable number of respondents (mean=3.92) were of the view that the outlets in the study area provides unique products to customers creating a unique identity. It is also critical to note that a fairly sizeable number of respondents (mean=3.84) agreed that the supermarket has opened several branches in different locations reaching many potential customers. This is in line with other findings of this study that the average number of Naivas outlets in Nairobi County alone was between 16 and 20 (as reported in Table 4.6). This could be attributed to high customer loyalty which
also goes to mean a solid customer base and large market share translating to high annual sales turnover. These results can only be attributed to the effectiveness of competitive strategies the outlets in the study area are deploying. The findings reveal that the outlets in the study area achieve focus strategy through expansion, uniqueness of products as well as modern equipment/technology.

The results of this study are in line with a study by Pongatichat and Johnson (2018) which found that the key factors contributing to the success of focus strategy includes emphasizing on use of technology and focus on research & development to improve quality; and excellent customer service to avoid marginal costs. The focus strategy is advantageous because the industries have many different niches and segments and business only choose a segment which matches its capabilities and distinct competencies, this ensures the business a long survival.

4.3.4 Organisational Performance

To analyse organisational performance of Naivas supermarket outlets in Nairobi County, the study first analysed the size of the sampled outlets in terms of: annual sales turnover, total number of employees and number of branches. To achieve this, data was first coded using binary concept in which the conditions take only two values (1 and 0) and each case was evaluated according to its presence (1) or absence (0) of the condition and the information was run on SPSS version 25 to extract descriptive statistics as shown in Table 4.6:

<table>
<thead>
<tr>
<th>Annual Sales Turnover</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 500 Million</td>
<td>118</td>
<td>0</td>
<td>1</td>
<td>0.64</td>
<td>0.481</td>
</tr>
<tr>
<td>500 Million-1 Billion</td>
<td>118</td>
<td>0</td>
<td>1</td>
<td>0.96</td>
<td>0.202</td>
</tr>
<tr>
<td>1.1 Billion-1.5 Billion</td>
<td>118</td>
<td>0</td>
<td>1</td>
<td>0.74</td>
<td>0.442</td>
</tr>
<tr>
<td>Over 1.6 Billion</td>
<td>118</td>
<td>0</td>
<td>1</td>
<td>0.51</td>
<td>0.502</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staff Population</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-150</td>
<td>118</td>
<td>0</td>
<td>1</td>
<td>0.72</td>
<td>0.451</td>
</tr>
<tr>
<td>151-200</td>
<td>118</td>
<td>1</td>
<td>1</td>
<td>1.00</td>
<td>0.000</td>
</tr>
<tr>
<td>201-250</td>
<td>118</td>
<td>0</td>
<td>1</td>
<td>0.88</td>
<td>0.325</td>
</tr>
</tbody>
</table>
On the annual sales turnover, Table 4.6 shows that the highest average \((mean=0.96)\) of respondents were in agreement that the annual sales turnover of the supermarket was between 500M-1Billion \((mean =0.96)\) (Table 4.2). It is also important to note that a fairly sizeable number of respondents indicated that the annual sales turnover was between 1.1 Billion and 1.5 Billion \((mean=0.74)\). These findings could meant that the supermarket has adopted a competitive strategy that works. The findings are supported by the Naivas annual report 2019/2020 which shows that the retailers 70 stores nationwide generates annual revenue of between 50 and 60bn Kenyan shillings.

On staff population, the findings show that the highest average \((mean=1.00)\) of respondents interviewed were in agreement that the staff population of the supermarket was between 151 and 200. It is also important to note that a relatively sizeable number of respondents \((mean=0.88)\) indicated that total staff population was between 201 and 250. These findings show that there is a strong correlation between the staff population and the sales turnover. The high staff population could be attributed to high traffic of customers which could also mean that the Naivas branches in the study area could be applying either cost leadership, differentiation or focus strategies to solidify their customer base. The findings are supported by Naivas supermarket annual report (2010) which shows that Naivas has over 5000 employees across its 70 outlets nationwide.

On the number of branches, Table 4.6 shows that majority of respondents \((mean =0.99)\) stated that Naivas supermarket has between 16-20 branches within Nairobi county. This finding could be attributed to large market share in the retail industry. This also goes to mean

<table>
<thead>
<tr>
<th>No. of Branches</th>
<th>N</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10</td>
<td>118</td>
<td>0.83</td>
<td>0.377</td>
</tr>
<tr>
<td>11-15</td>
<td>118</td>
<td>0.59</td>
<td>0.493</td>
</tr>
<tr>
<td>16-20</td>
<td>118</td>
<td>0.99</td>
<td>0.092</td>
</tr>
<tr>
<td>21-25</td>
<td>118</td>
<td>0.51</td>
<td>0.502</td>
</tr>
<tr>
<td>26-30</td>
<td>118</td>
<td>0.66</td>
<td>0.475</td>
</tr>
<tr>
<td>31-36</td>
<td>118</td>
<td>0.51</td>
<td>0.502</td>
</tr>
<tr>
<td>Over 36</td>
<td>118</td>
<td>0.50</td>
<td>0.502</td>
</tr>
<tr>
<td><strong>Valid N (listwise)</strong></td>
<td>118</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
that sales turnover are high. The findings are supported by earlier report by the capital markets authority of Kenya (2019) which reported that Naivas commands 30% of the market share in the retail industry, while Foodplus and Quickmatt supermarkets followed with a market share of approximately 20.0% and 11.0% in 2019, respectively.

Table 4.7 analysed organisational performance based on responses from Likert scale. To analyse this, data obtained using Likert scale was coded and each case was evaluated according to the level of agreement or disagreement on a scale of 1-5: (5- Strongly agree; 4-Agree; 3-Neutral; 2- disagree; 1- strongly disagree) and the information was run on SPSS version 25 to extract descriptive statistics (Table 4.8).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The supermarket records high annual sales volumes.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>4.20</td>
<td>0.791</td>
</tr>
<tr>
<td>The supermarket has the largest share of the retail customers.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.86</td>
<td>1.093</td>
</tr>
<tr>
<td>The supermarket mostly gives rise to emergent trends resulting to the growth of its market share.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>1.295</td>
</tr>
<tr>
<td>There exists mutual cooperation between the supermarket and its suppliers.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.25</td>
<td>1.660</td>
</tr>
<tr>
<td>The supermarket has many repeat customers indicative of a strong brand.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.50</td>
<td>1.232</td>
</tr>
<tr>
<td>The supermarket outlets and services are easily identifiable by customers.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.79</td>
<td>1.364</td>
</tr>
<tr>
<td>The suppliers of the supermarket deliver the supplies on time.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>4.04</td>
<td>1.172</td>
</tr>
<tr>
<td>The suppliers of the supermarket deliver quality products and services.</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.50</td>
<td>1.279</td>
</tr>
<tr>
<td>The supermarket is attractive to most customers</td>
<td>118</td>
<td>1</td>
<td>5</td>
<td>3.50</td>
<td>1.232</td>
</tr>
</tbody>
</table>

Valid N (listwise) 118
Findings shows that the highest number (mean = 4.20) of participants were in agreement that the Naivas outlets being studied records high annual sales volumes. This findings are in agreement with the earlier results (Table 4.6) which revealed that the average annual sales turnover for the outlets in the study area was between 500 million and 1 billion Kenyan shillings. This could also be attributed to the high number of Naivas outlets across the country which can also be explained by a large market share and customer loyalty. It also important to note that a relatively sizeable number (mean = 4.04) of respondents agreed that the suppliers of the Naivas outlets under study deliver the supplies on time. This goes to mean that the outlets does not suffer outages. This could also mean an effective outsourcing strategy. The underlying benefits of outsourcing is important because it supports integration of business processes from purchasing, manufacturing, selling and logistics throughout the value chain providing optimum value to the customer.

The results are supported by a description of organisational performance concept by Hernant (2019) as a multidimensional involving elements such as: economic performance (sales, productivity, profit), social performance (employee and customer satisfaction), legal performance (obeying of laws and law-like recommendations), or social performance (adoption of conduct norms based on ethical considerations).

4.4 Inferential Statistics

4.4.1 Correlation of Cost Leadership Strategy and Organisational Performance of Naivas Supermarket Outlets in Nairobi County.

This section sought to study the strength of the relationship between cost leadership (low cost) and organisational performance of Naivas outlets. The study sought to establish possible connections between the two variables. To achieve this, Pearson’s Correlation Coefficient was applied. Pearson’s (r) varies between +1 and -1, where +1 is a perfect positive correlation, and -1 is a perfect negative correlation. 0 means there is no linear correlation at all.

The observations were based on mean scores. Table 4.8 presents the results:
Table 4.8 Correlation of cost leadership strategy and organisational performance of Naivas supermarket outlets in Nairobi County

<table>
<thead>
<tr>
<th></th>
<th>Cost leadership</th>
<th>Organisational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost leadership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.982**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Organisational performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.982**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

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

The results show that the Pearson correlation coefficient for cost leadership and organisational performance is 0.982, which is a weak positive correlation. However the results show that the 2-tailed significance is < 0.000 whereby the standard alpha value is 0.05, which means that the correlation between cost leadership and organisational performance is highly significant. The effect is small but highly significant. This goes to mean that the more the supermarket achieves low cost, the better the organisational performance.

4.4.2 Correlation of Differentiation Strategy and Organisational Performance of Naivas Supermarket Outlets in Nairobi County.

This section sought to study the strength of the relationship between differentiation strategy and organisational performance of Naivas outlets. The study sought to establish possible connections between the two variables.

The observations were based on mean scores. Table 4.9 presents the results:

Table 4.9 Correlation of differentiation strategy and organisational performance of Naivas supermarket outlets in Nairobi County

<table>
<thead>
<tr>
<th></th>
<th>Differentiation</th>
<th>Organisational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Differentiation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.977**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Organisational performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.977**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
The results show that the Pearson correlation coefficient for differentiation and organisational performance is 0.977, which is a weak positive correlation. However the results show that the 2-tailed significance is < 0.000 whereby the standard alpha value is 0.05, which means that the correlation between differentiation and organisational performance is highly significant. The effect is small but highly significant. This goes to mean that the more the supermarket achieves differentiation, the better the organisational performance.

4.4.3 Correlation of Differentiation Strategy and Organisational Performance of Naivas Supermarket Outlets in Nairobi County.

This section sought to study the strength of the relationship between focus strategy and organisational performance of Naivas outlets. The study sought to establish possible connections between the two variables.

The observations were based on mean scores. Table 4.10 presents the results:

<table>
<thead>
<tr>
<th>Organisational performance</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>Focus Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational performance</td>
<td>1</td>
<td>0.000</td>
<td>8</td>
<td>0.975**</td>
<td>0.000</td>
<td>8</td>
</tr>
</tbody>
</table>
| **. Correlation is significant at the 0.01 level (2-tailed).**

The results show that the Pearson correlation coefficient for focus and organisational performance is 0.975, which is a weak positive correlation. However the results show that the 2-tailed significance is < 0.000 whereby the standard alpha value is 0.05, which means that the correlation between focus strategy and organisational performance is highly significant. The effect is small but highly significant. This goes to mean that the more the supermarket achieves focus strategy, the better the organisational performance.
4.4.4 Regression

Multiple regression was conducted to determine the relationship between the independent variables (i.e. cost leadership, differentiation, & focus strategies) and the dependent variable which is organisational performance of Naivas outlets in Nairobi County. This is in line with Branco (2013) who stated that regression analysis is a statistical process for estimating the relationships among variables.

The regression model equation was as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Dependent variable (Y) - organisational performance,
Independent variables - \( X_1 \) (cost leadership strategy), \( X_2 \) (differentiation strategy), \( X_3 \) (focus strategy),
\( \varepsilon \) - error term denoting there may be a non-linear relationship between the independent and dependent variables which is referred to as “noise”.

**Table 4.11 Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.988(^a)</td>
<td>0.977</td>
<td>0.959</td>
<td>0.06405</td>
</tr>
</tbody>
</table>

\( ^a \) Predictors: (Constant), Focus leadership, Cost leadership, Differentiation

Adjusted \( R^2 \) is called the coefficient of determination and shows how organisational performance varied with cost leadership; differentiation; and focus. Table 4.9 shows that the value of adjusted \( R^2 \) is 0.959. This implies that, there was a variation of 95.9% between the dependent and the independent variables. This simply means that, when cost leadership; differentiation; and focus competitive strategies are jointly adopted, organisational performance of Naivas outlets would be achieved at 95.9%.

The F-ratio in the ANOVA Table 4.12 below tests whether the overall regression model is a good fit for the data.
Table 4.12 ANOVA - Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.687</td>
<td>3</td>
<td>0.229</td>
<td>55.857</td>
<td>0.001b</td>
</tr>
<tr>
<td>1 Residual</td>
<td>0.016</td>
<td>4</td>
<td>0.004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.704</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organisational performance

b. Predictors: (Constant), Focus leadership, Cost leadership, Differentiation

Table 4.12 shows that F statistic is equal to 55.857. The distribution is df (3, 4), i.e. for 3 numerator degrees of freedom and 4 denominator degrees of freedom implies that 0.75 is the upper limit of the acceptance region for a significance level of α = 0.05.

The ANOVA table shows that the significance value (i.e., p = 0.001) is below 0.05 and, therefore, this goes to mean that there is a statistically significant relationship between predictor variables (Focus leadership, Cost leadership, Differentiation) and the dependent variable (Organisational performance).

Table 4.13 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Lower Bound</td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.187</td>
<td>1.655</td>
<td></td>
<td>0.065</td>
<td>-0.407</td>
</tr>
<tr>
<td>Cost leadership</td>
<td>0.532</td>
<td>0.322</td>
<td>1.127</td>
<td>0.175</td>
<td>-0.364</td>
</tr>
<tr>
<td>Differentiation</td>
<td>2.873</td>
<td>1.971</td>
<td>4.006</td>
<td>0.219</td>
<td>-2.599</td>
</tr>
<tr>
<td>Focus leadership</td>
<td>-3.608</td>
<td>2.492</td>
<td>-4.150</td>
<td>0.221</td>
<td>-10.527</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organisational performance
The overall Regression model is as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Therefore, from the results in table 4.11 above we deduce the following:

\[ Y = 4.187 + 0.532 \text{ (cost leadership)} + 2.873 \text{ (differentiation)} - 3.608 \text{ (focus)} + 1.655 \]

The output shows that ALL predictor variables are not statistically significant because their p-values (sig.) are greater than 0.05 (\( > 0.05 \)) and this indicates strong evidence for the null hypothesis. This means that we accept the null hypothesis that asserts that competitive strategies have a significant influence on organisational performance of Naivas supermarket outlets in Nairobi County.

Table 4.13 reveals that, the unstandardized coefficient for cost leadership is 0.532, meaning that for each cost leadership strategy pursued by the supermarket outlets, the predicted organisational performance increases by 53.2\% given that all the other predictor variables are held constant for each additional strategy to cost leadership.

Results also show that, the unstandardized coefficient for differentiation is 2.873, meaning that for each differentiation strategy pursued by the supermarket outlets, the predicted organisational performance increases by 28.73\% given that all the other predictor variables are held constant for each additional strategy to differentiation.

The unstandardized coefficient for Focus strategy is -3.608, which indicates that for each Focus strategy pursued by the supermarket outlets, the predicted organisational performance decreases by 36.8\% given that all the other predictor variables are held constant for each additional strategy to the focus.

In looking at the different unstandardized coefficients of the independent variables comparing them with each other, the findings imply that cost leadership strategy (53.2\%) was the best strategy followed by differentiation (28.73\%).

4.5 Chapter Summary

This chapter has documented that more than half the respondents in the study area were female (58\%) while men were 42\%. The chapter has also reported that majority of the
respondents working for Naivas outlets in the study area are a youthful generation in their 20s and 30s. More than half (57%) of respondents in the study area had attained a diploma or a bachelor’s degree (18%). The chapter has documented that the supermarket has been in operation for over two decades. It is also important to note that retailers average annual sales turnover was between 1.1 Billion and 1.5 Billion. The study has noted that Naivas supermarket has between 16-20 branches within Nairobi County. The regression output has shown that there is a statistically significant relationship between predictor variables (Focus leadership, Cost leadership, Differentiation) and the dependent variable (Organisational performance).

The following chapter discussed the findings of the study and gave the conclusions as well as the recommendations as the specific objectives of this study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This was the final chapter of the study. It summarized the findings of the primary study, drew conclusions based on the findings of the study, provided recommendations as well as insight in the areas for further research. The following specific objectives guided the chapter: - to determine the effect of cost leadership strategy on organisational performance of Naivas supermarket outlets in Nairobi County; to examine the effect of differentiation strategy on organisational performance of Naivas supermarket outlets in Nairobi County; and to identify the effect of focus strategy on organisational performance of Naivas supermarket outlets in Nairobi County. The chapter presents descriptive statistics of the study findings as well as inferential statistics towards the end of the chapter.

5.2 Summary of Findings

The study has established that Naivas supermarket has been in operation for over two decades which is attributed to the fact that the supermarket outlets in the study area implement a number of competitive strategies in their operations since inception. This has ensured survival and sustainable organisational performance thus enabling the supermarket a firm position to compete with rivals in the retail industry. The study has also established that average annual sales turnover for the outlets in the study area was between 500M-1Billion which is a clear indication of a solid market share or customer loyalty attributed to a competitive strategy that works in favor of the supermarket.

The has found that cost leadership competitive strategy by the outlets in the study area is largely achieved through exploiting all economies of scale and maintaining the overheads lower than the industry, cutting of costs across retail value chain and outsourcing. It has also been reported that the outlets in the study area have localized source of goods to cut on transportation costs and distribution costs. The study has established that the outlets in the study area achieve differentiation strategy through unique products, exceptional customer service and strong brand. The results have shown that Naivas outlets recruits staff on merit and qualifications. And because of this, the supermarket is better placed to deliver quality
services to the customers. The study has found that the outlets in the study area achieve focus strategy through expansion, uniqueness of products as well as modern equipment/technology.

The study also sought to analyze the strength of the relationship between the independent variables: cost leadership (low cost), differentiation, focus strategy and the dependent variable: organisational performance of Naivas supermarket outlets. The results have reported a weak positive, but highly significant correlation between the independent variables (cost leadership, differentiation, and focus) and organisational performance. This was interpreted to mean that the more the supermarket achieves low cost, differentiation or focus, the better the organisational performance.

The regression output has shown that there is a statistically significant relationship between predictor variables (Focus leadership, Cost leadership, Differentiation) and the dependent variable (Organisational performance). The results are supported by the existing literature review such as earlier studies done by Marangu, Mwiti & Thoronjo (2019); Nyaoga (2018); Muthoka & Oduor (2019); Kyengo (2016); Mazzeo (2017); Pongatichat & Johnson (2018); Chumba (2017); Chege (2019); and Mbesa & Kihara (2017) on the effect of competitive strategies on organisational performance of different organisations in different industries both locally and internationally. Using different research designs as well as different sample sizes, the studies reported a positive correlation between the three competitive strategies and the organisational performance of the different organizations. The existing literature review has recommended that firms should implement the cost leadership, differentiation and focus strategies so that they can achieve better organisational performance.

5.3 Discussion

5.3.1 To What Extent Does Cost Leadership Strategy Affect Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

The study has demonstrated that the Naivas outlets in the study area enjoys economies of scale due to the fact that majority of the respondents indicated that the outlets in the study area stocks enough goods and services at lower prices which attracts many customers. The economies of scale could also be attributed to localization of sourcing of goods or services to cut on transportation costs and distribution costs which goes to mean reduction on the flow
of links, reduced operating costs which could then translate to low cost of goods and services. If low cost on the final product is achieved, then customer loyalty is achieved as well which will also enhance market share growth of the retailer.

The other way which the outlets in the study area have deployed to achieve low cost is by outsourcing their non-core functions reducing overall costs. This goes to mean that cost leadership strategy has become an important strategy for the Naivas outlets in the study area to solidify their customer base. Even from the retailers slogan “Naivas saves you money” it can clearly be argued that Naivas is committed to low cost strategy and if Naivas continues to pursue low cost strategy in the future, this will place the retailer in the better position to continue winning business of price-sensitive buyers. The study has revealed that the sampled outlets achieve low cost through exploiting all economies of scale and maintaining the overheads lower than the industry, cutting of costs across retail value chain and outsourcing.

The Pearson’s correlation results have reported a weak positive, but highly significant correlation between cost leadership and organisational performance. In other words, the effect is small but highly significant. This goes to mean that the more the Naivas supermarket outlets achieves low cost, the better the organisational performance. In addition, regression results have reported a variation of 95.9% between the dependent variable (organisational performance) and the independent variables (cost leadership, differentiation, and focus) meaning that, when cost leadership; differentiation; and focus competitive strategies are jointly adopted, organisational performance of Naivas supermarket outlets would be achieved at 95.9%. The results showed that when cost leadership strategy is pursued by the Naivas supermarket outlets, the predicted organisational performance increases by 53.2% given that all the other predictor variables are held constant for each additional strategy to Cost leadership.

The existing literature review has reported that the businesses following a low-cost strategy emphasize on operational efficiency which an enterprise can achieve by modernization, mechanization of the equipment, economies of scale, and applying experienced workforce (Kwanya, 2018). This is repeated by an exact investigation led by Mburu (2017) which revealed that Carrefour Retail Company has embraced outsourcing to accomplish remarkable and productive client care by joining forces with Horizon Contact Centers and Ken call which has prompted further developed client relationship and management. The study reported that
Naivas has outsourced food deliveries to Glove to enhance timely and effective deliveries to its clients.

Also, an examination led by Asikhia (2017) revealed that vertical integration positively affects the majority of the stock which thus adds to a decrease in supporting cycle costs which then, at that point causes an enhancement for deals of a business. The existing literature has emphasized that organizations that have aligned cost leadership strategy and competitor orientation in the long run will have a competitive advantage. According to the research that was conducted by Mbesa and Kihara (2017) in Malaysia on enhancing the organizational performance using strategic alignment of cost leadership strategy and competitor orientation found that cost leadership strategy has a significant effect on the organization’s performance. The performance increase can be through increasing market share and profitability and reducing in customer complaints.

As per Nuskiya (2018), cost administration likewise will in general be more contender arranged instead of client situated. Surely, Waema (2019) detailed that the most beneficial rival in any industry area will in general be the least expensive maker or the provider giving an item with the best seen differentiated values. This strategy involves the process through which the company is able to produce or distribute goods and services at a lower cost than competitors within the industry. Asikhia (2017); and Bivhange (2018) emphasized that the use of low cost strategy is primarily to gain an advantage over business competitors by reducing operation costs below that of others in the same industry.

5.3.2 What is the Effect of Differentiation Strategy on Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

The examination gives proof that Naivas outlets in the investigation region gives remarkable items an exceptional appeal to the clients. The consequences of the investigation show that the examined outlets offer plainly recognizable items and administrations that are relatable to clients. The examination has uncovered that the general store places clients at the cutting edge when deciding. The demographic characteristics have indicated that Naivas supermarket recruits staff based on merit and qualifications and this is a clear indication that the staff can offer quality services to the customers. It is also easier for the qualified marketing department to develop superior brand to attract more customers.
Based on the findings, the supermarket outlets in the study area have achieved differentiation strategy through unique products, exceptional customer service and strong brand. The Pearson’s correlation results have reported a weak positive, but highly significant correlation between differentiation strategy and organisational performance. In other words, the effect was small but highly significant. This goes to mean that the more Naivas supermarket achieves differentiation, the better the organisational performance.

In addition, regression results have reported a variation of 95.9% between the dependent variable (organisational performance) and the independent variables (cost leadership, differentiation, and focus) meaning that, when cost leadership; differentiation; and focus competitive strategies are jointly adopted, organisational performance of Naivas supermarket outlets would be achieved at 95.9%. The results showed that when differentiation strategy is pursued by the Naivas supermarket outlets, the predicted organisational performance increases by 28.73% given that all the other predictor variables are held constant for each additional strategy to differentiation.

According to the existing literature such as, a study conducted by Gathinji (2019) reported that market-focused uniqueness is a driver of organizational positioning in a dynamic environment. Uniqueness was also found to moderate the market orientation of sales growth. The results also established that while businesses operating in a dynamic environment may gain advantage by adopting market-focused uniqueness, businesses operating in a relatively stable environment may not achieve particularly good results if they do so.

There is some empirical evidence to the effect that differentiating products can lead to increased benefits for the firm. For instance a study by Kamlesh (2017) found that there was 41% sales increase by companies that differentiated through design. At the same time Camison (2018), confirmed that differentiation strategies deal with the basic decisions on product/service and product/service planning like how the firms’ product or services compare with the competition. This strategy looks at product/service standardization versus product/service modification such as product positioning, market segmentation, product adoption, branding and packing. It is with the product in mind that marketers are constantly seeking better or more superior products to present to the consumer.
Kamlesh (2017) established that quality creates superior value. As per the investigation, an item or administration with a quality which is in fact unrivalled and accompanies better help tends to have an exceptional allure as seen by the client. This forms an upper hand by building a devoted and less value touchy client base. An investigation by Luliya (2017) set up that presenting new innovation opens new situating roads by offering new support communications which should be utilized through client esteem sets that will beat the organizations competitors. Moreover, a study by Slater (2018) established that a brand is a source of differentiation and value creation for any business to a customer. An enterprise builds a strong brand strategy by making sure they keep the promise, provide unique products and services which customer needs such as awareness, dependability, risk reduction and personality.

5.3.3 How does Focus Strategy Affect the Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

The study has found out that the supermarket has invested in high performance equipment ensuring quality of the products and services provided. It has been noted that the sampled outlets in the study area provide unique products to customers creating a unique identity. It is also critical to note that the supermarket has opened branches in different parts of the country reaching many potential customers.

Based on the study findings, the average number of Naivas outlets in Nairobi County alone was between 16 and 20. The high number of dominance by the supermarket in Nairobi County could be associated with high customer loyalty which also goes to mean a solid customer base and large market share translating to high annual sales turnover. All this is attributable to an effective competitive strategy that the Naivas is deploying. It has been reported that the supermarket achieves focus strategy through expansion, uniqueness of products as well as modern equipment/technology.

The Pearson’s correlation results have reported a weak positive, but highly significant correlation between focus strategy and organisational performance. In other words, the effect is small but highly significant. This goes to mean that the more the Naivas supermarket outlets achieves focus, the better the organisational performance. In addition, regression results have reported a variation of 95.9% between the dependent variable (organisational
performance) and the independent variables (cost leadership, differentiation, and focus) meaning that, when cost leadership; differentiation; and focus competitive strategies are jointly adopted, organisational performance of Naivas outlets would be achieved at 95.9%. However, the results showed that when focus strategy is pursued by the Naivas supermarket outlets, the predicted organisational performance decreases by 36.8% given that all the other predictor variables are held constant for each additional strategy to focus strategy.

Also, the current literature has shown that the key variables adding to the accomplishment of focus strategy includes stressing for setting up of effective scale offices, cost decrease measures, magnificent client assistance to keep away from minimal expenses, utilization of innovation and spotlight on research and advancement to work on quality. The focus strategy is invaluable in light of the fact that the ventures have various specialties and sections and business just pick a portion which coordinates with its abilities and unmistakable capabilities, this guarantees the business a long endurance (Pongatitchat and Johnson, 2018). An examination by Nwaeke (2019) declared that functional proficiency supports most associations’ and is the most essential vital objective. It is a driver of further developing consumer loyalty just as expanding investor esteem.

Moreover, a study by Barney (2019) documented that once the business achieves operational efficiency it automatically reduces on costs. There is need for the business to emphasize on organisational performance and organizational practices that will ensure the business achieves superior organisational performance by continually improving all dimensions reduce on waste and to create value

In addition, a study by Pongatitchat and Johnson (2018) found that the key factors contributing to the success of focus strategy includes emphasizing on use of technology and focus on research & development to improve quality; and excellent customer service to avoid marginal costs. The focus strategy is advantageous because the industries have many different niches and segments and business only choose a segment which matches its capabilities and distinct competencies, this ensures the business a long survival.
5.4 Conclusions

5.4.1 To What Extent Does Cost Leadership Strategy Affect Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

Based on research question one, the conclusion is that outsourcing of non-core functions; exploiting all economies of scale and maintaining the overheads lower than the industry; and cutting of costs across retail value chain can help an enterprise achieve low cost strategy. Based on this, the study concludes that low cost can cement customer base and enhance market share growth. For this reasons, Naivas supermarket is keen on delivering low cost products and services to the customers because low prices attracts price sensitive customers. Further, regression results concluded that cost leadership strategy (53.2%) was the best strategy as applied by supermarket followed by differentiation (28.73%).

5.4.2 What is the Effect of Differentiation Strategy on Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

Based on research question two, the conclusion is that Naivas outlets in the study area are keen on providing unique products to stand out from the rivals. The study concludes that by offering clearly identifiable products and services can actually win the hearts of many customers and even promote customer loyalty which translates to high sales. Based on the findings, the study also concludes that differentiation strategy can be achieved through unique products, exceptional customer service and strong brand. Regression results concluded that for each differentiation strategy pursued by the supermarket, the predicted organisational performance increased by 28.73%.

5.4.3 How does Focus Strategy Affect the Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

Based on research question three, the conclusion is that Naivas supermarket has invested in high performance equipment ensuring quality of the products and services provided. The study also concludes that, due to an effective focus strategy, high annual sales turnover have been realized. It is also concluded that the outlets in the study area have managed to achieve customer loyalty as dominance by the supermarket in Nairobi County has been witnessed through the number of branches the retailer has. The study therefore concludes that an effective focus strategy can be realized through expansion, uniqueness of products as well as
modern equipment/technology. Further, regression results conclude that for each focus strategy pursued by the retailer, the predicted organisational performance decreases by 36.8% given that all the other predictor variables are held constant for each additional strategy to the focus.

5.5 Recommendations

5.5.1 To What Extent Does Cost Leadership Strategy Affect Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

The supermarket outlets should continue implementing low cost strategy as it has been documented by the study as working for the best interest of the retailer as compared to the other two competitive strategies. Naivas supermarket must continue exploiting all economies of scale and maintaining the overheads lower than the industry; and cutting of costs across retail value chain can help an enterprise achieve low cost strategy. However, the present study focused on Naivas supermarket outlets based in Nairobi County particularly the CBD which makes it difficult to generalize the findings onto other retailers. The study recommends a bigger sample size spreading across multiple retail outlets and different sectors other than supermarket alone in order to generate more elaborate findings for future studies.

5.5.2 What is the Effect of Differentiation Strategy on Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

The study has reported a weak but significant correlation between differentiation strategy and organisational performance. The study recommends the Naivas supermarket to merge differentiation and cost leadership strategies for better results. From the studies reviewed, there is mixed evidence about the effect of differentiation strategies on organisational performance of firms. This study therefore, recommends managers of Naivas, investors in the supermarket sector and researchers to invest more on understanding how differentiation strategies affect the organisational performance of supermarkets.

5.5.3 How does Focus Strategy Affect the Organisational Performance of Naivas Supermarket Outlets in Nairobi County?

The management of the sampled outlets should re-evaluate the parameters of achieving focus strategy which seems not to be benefiting the retailer. However, the supermarket should not
ignore expansion, uniqueness of products as well as modern equipment/technology as these are very key for organisational performance.

A recommendation is also made for future studies to include a topic on the extent to which focus strategy influences market share growth in the retail sector. The connection between focus strategy and market share growth should be clearly emphasized within the literature and efforts should be made to explain what this means in practice for organisational performance.
REFERENCES


APPENDICES

APPENDIX A: QUESTIONNAIRE

The questionnaire seeks to collect information on influence of competitive strategies in Kenya’s retail sector on organisational performance of Naivas supermarket outlets in Nairobi County. The questionnaire is divided into 5 sections. Please answer the questions below as precisely and truthful as possible. Any information provided will be held with strict confidentiality and anonymity. Your answers will be used for academic purposes only. Kindly tick your responses against each question in the spaces provided.

SECTION A: PERSONAL INFORMATION

General Information

1. Please indicate your age
   20-30 years [ ]
   Above 30-40 years [ ]
   Above 41-50 years [ ]
   Above 50 years [ ]
   Others (specify) ………………………………………

2. Indicate you Education level
   Primary school certificate [ ]
   Secondary school certificate [ ]
   Diploma [ ]
   Bachelor’s Degree [ ]
   Masters [ ]
   Others……………………

3. What is the number of years the supermarket has been in operation?
   0-10 Years [ ]
   11-20 Years [ ]
   21-30 Years [ ]
   Over 31 Years [ ]

4. What is the Annual Turn Over of the supermarket?
   Below 500 Million [ ]
   500 Million-1 Billion [ ]
   1.1 Billion-1.5 Billion [ ]
   Over 1.6 Billion [ ]

5. What is the number of employees in the supermarket?
   Below 500 [ ]
   501-1000 [ ]
   1001-2000 [ ]
   Above 2001 [ ]

6. How many branches does the supermarket has within Nairobi County?
   …………………………………………

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SECTION B: COST LEADERSHIP STRATEGY

7. Kindly indicate your level of agreement or disagreement on the following statements concerning cost leadership as a competitive strategy applied by Naivas supermarket on a scale of 1-5: (where: 5 - Strongly Agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 - Strongly Disagree).

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<tr>
<th>No.</th>
<th>Indicator</th>
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<tbody>
<tr>
<td>1.</td>
<td>The supermarket stocks enough goods and services at lower prices attracting many customers.</td>
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<td>2.</td>
<td>The supermarket has specialized staff creating better efficiency in operations.</td>
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<td>3.</td>
<td>The supermarket conducts frequent trainings to the staff to better provide services to its customers.</td>
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<td>4.</td>
<td>The supermarket has fast moving stock reducing overall operational costs.</td>
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<td>5.</td>
<td>The supermarket has allocated the right number of staff to a single store depending on its size.</td>
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<td>6.</td>
<td>The supermarket has systems in place to track the amount of stock as well as dispose old stock.</td>
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<td>7.</td>
<td>The supermarket has outsourced its non-core functions reducing overall costs.</td>
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<td>8.</td>
<td>The supermarket has created partnerships with other companies resulting to efficiency.</td>
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<td>9.</td>
<td>The supermarket departments work well together resulting to efficient and highly integrated business processes.</td>
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SECTION C: DIFFERENTIATION STRATEGY

8. Kindly indicate your level of agreement or disagreement on the following statements concerning differentiation as a competitive strategy applied by Naivas supermarket on a scale of 1-5: (where: 5 - Strongly Agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 - Strongly Disagree).

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<tr>
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<tbody>
<tr>
<td>1.</td>
<td>The supermarket provides unique products with a special appeal to the customers.</td>
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<td>2.</td>
<td>The supermarket charges premium price for its products and services.</td>
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<td>3.</td>
<td>Customers perceive the products and services of the supermarket different attracting a high market share.</td>
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<td>4.</td>
<td>The supermarket has adopted technology enhancing the speed and quality of the services offered.</td>
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<td>5.</td>
<td>The supermarket has invested in innovation to provide custom made services.</td>
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<td>6.</td>
<td>The supermarket places customers at the forefront when making decisions.</td>
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<td>7.</td>
<td>The supermarket offers clearly identifiable products and services that are relatable to customers.</td>
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<td>8.</td>
<td>The supermarket provides a great customer service strengthening its reputation in the marketplace.</td>
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<td>9.</td>
<td>The supermarket has a well-established marketing department improving the purchase process of a customer.</td>
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</table>
SECTION D: FOCUS STRATEGY

9. Kindly indicate your level of agreement or disagreement on the following statements concerning focus as a competitive strategy applied by Naivas supermarket on a scale of 1-5: (where: 5- Strongly Agree; 4-Agree; 3-Neutral; 2- Disagree; 1- Strongly Disagree).

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<tr>
<th>No.</th>
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<tbody>
<tr>
<td>1.</td>
<td>The supermarket has invested in high performance equipment ensuring quality of the products and services provided.</td>
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<td>2.</td>
<td>The supermarket has self service facilities reducing the amount of time taken by customers in the stores.</td>
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<td>3.</td>
<td>The supermarket provides delivery services to the customers resulting into excellent customer experience.</td>
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<td>4.</td>
<td>The supermarket provides mobile and card payment options improving customers convenience</td>
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<td>5.</td>
<td>The supermarket has adopted a point of sale system better managing the inventory.</td>
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<td>6.</td>
<td>The supermarket has opened several branches in different locations reaching many potential customers.</td>
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<td>7.</td>
<td>The supermarket provides unique products to customers creating a unique identity.</td>
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<td>8.</td>
<td>Most supermarket products and services are tailor made to suit specific needs of customers.</td>
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SECTION E: ORGANIZATIONAL PERFORMANCE

10. Kindly indicate your level of agreement or disagreement on the following statements concerning organisational performance of Naivas supermarket on a scale of 1-5: (where: 5- Strongly Agree; 4-Agree; 3-Neutral; 2- Disagree; 1- Strongly Disagree).

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<th>No.</th>
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<tbody>
<tr>
<td>1.</td>
<td>The supermarket records high annual sales volumes.</td>
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<td>2.</td>
<td>The supermarket has the largest share of the retail customers.</td>
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<td>3.</td>
<td>The supermarket mostly gives rise to emergent trends resulting to the growth of its market share.</td>
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<td>4.</td>
<td>There exists mutual cooperation between the supermarket and its suppliers.</td>
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<td>5.</td>
<td>The supermarket has many repeat customers indicative of a strong brand.</td>
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<td>6.</td>
<td>The supermarket outlets and services are easily identifiable by customers.</td>
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<td>7.</td>
<td>The suppliers of the supermarket deliver the supplies on time.</td>
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<td>8.</td>
<td>The suppliers of the supermarket deliver quality products and services.</td>
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<td>9.</td>
<td>The supermarket is attractive to most customers.</td>
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APPENDIX B: INSTITUTIONAL REVIEW BOARD APPROVAL

3rd May, 2021

MUDE AHMED IBRAHIM,
United States International University-Africa
ibrahim.ahmed695@gmail.com

Dear Ahmed,

IRB-RESEARCH APPROVAL.

The USIU-A IRB has reviewed and granted an ethical approval for the research proposal titled “Influence Of Competitive Strategies In Kenya’s Retail Sector On Organisational Performance: A Case Of Naivas Supermarket Outlets In Nairobi County”.

The approval is for twelve months from the date of IRB. A continuing review application must be approved within this interval to avoid expiration of IRB approval and cessation of all research activities. A mid-term report and a final report must be provided to the IRB within the twelve months approval period. All records relating to the research (including signed consent forms) must be retained and available for audit for at least 3 years after the research has ended.

You are advised to follow the approved methodology and report to the IRB any serious, unexpected and related adverse events and potential unanticipated problems involving risks to subjects or others.

Should you or study participants have any queries regarding IRB’s consideration of this project, please contact irb@usiu.ac.ke.

Sincerely,

Dr. Juliana Namada,
IRB chair
Tel: +254 730 116 628
Email: jnamada@usiu.ac.ke
APPENDIX C: NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION PERMISSION LETTER

National Commission for Science Technology and Innovation
P. O. Box 30623, 00100,
Nairobi, KENYA.

3rd May, 2021

Dear Sir/Madam

REF: PERMISSION TO CONDUCT RESEARCH- MUDE AHMED IBRAHIM
STUDENT ID NO 110918

The bearer of this letter is a student at United States International University (USIU)—Africa and is pursuing Master of Business Administration.

As part of the program, the student is required to undertake a dissertation on “Influence Of Competitive Strategies In Kenya’s Retail Sector On Organisational Performance: A Case Of Naivas Supermarket Outlets In Nairobi County” which requires the student to collect data. The proposal has been subjected to ethical review and positive verdict given by the Institutional Review Board.

Kindly assist the student with the research permit and should you have any queries contact the undersigned.

Yours Sincerely,

[Signature]

Prof. Amos Njuguna,
Dean – School of Graduate Studies, Research and Extension
Tel: 0730 116 442
Email: amnjuguna@usi.ac.KE
TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUESTING FOR PERMISSION TO CONDUCT ACADEMIC RESEARCH

I am Ahmed M. Ibrahim, pursuing a postgraduate degree in Business Administration at United States International University of Africa (USIU-A), Nairobi. Am supposed to conduct a research study related to Business in order to qualify for the award of the masters’ degree. Therefore, this research study seeks to establish the influence of competitive strategies in Kenya’s retail sector on organisational performance: a case of Naivas supermarket outlets in Nairobi County.

I am writing to kindly request you to fill this questionnaire appropriately with any relevant information you may possess. Any information you will provide will be regarded as confidential. Thank you for your support.

Sincerely

Ahmed M. Ibrahim

USIU-A

THANK YOU FOR PARTICIPATING
APPENDIX E: NACOSTI CERTIFICATE

This is to certify that Mr. Abubakri Shalim Madoe, United States International University Africa, has been licensed to conduct research in Nairobi on the topic: INFLUENCE OF COMPETITIVE STRATEGIES IN KENYA'S RETAIL SECTOR ON ORGANIZATIONAL PERFORMANCE: A CASE OF NAIVAS SUPERMARKET OUTLETS IN NAIROBI COUNTY for the period ending 21/September/2021.

License No: NACOSTI/24/4391

Applicant Identification Number

National Commission for Science, Technology and Innovation

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