COMPETITIVE STRATEGIES AND PERFORMANCE OF FAMILY OWNED SUPERMARKETS IN MACHAKOS COUNTY, KENYA

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ABSTRACT

Given that the intensity of competition in the supermarkets is increasing and the nature of this competition changing, it is important for all stakeholders to gain knowledge on how best to employ competitive strategies within it in a bid to improve the performance and survival of their firms. In Machakos most supermarkets are family owned majority of which have collapsed due to losses and as a result of the battle for control of the retail market from established supermarkets. This continues to cause anxiety and lost confidence amongst lenders and suppliers in the industry given the loss of revenue, job opportunities and market for suppliers occasioned by the problems in. The issue of performance and problems facing supermarkets acquisition include lack of implementation of competitive strategies. The study sought to establish the influence of competitive strategies on the performance of supermarkets in Machakos County, Kenya. The specific objectives were to determine the effect of cost leadership strategy, differentiation strategy and focus strategy on performance of supermarkets in Machakos County, Kenya. The study was anchored on the following three theories which include Porter's Generic Strategies Model, Resource-Based View Theory and Resource Dependence Theory. Empirical literature reviewed scholarly studies on the porter's generic competitive strategies which include cost leadership strategy, differentiation strategy and focus strategy and their influence on performance of Supermarkets. The study used a descriptive research design. The population of study was family owned supermarkets in the in Machakos County that were operational. This consisted of 250 respondents who were the employees of the supermarkets. A sample of 75 respondents was taken which formed 30% of the target population which was evenly spread across the sub-counties. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages. Coefficient of correlation was 0.861 an indication of strong positive correlation between the variables. The adjusted coefficient of determination was 0.728 which translates 72.8%. The residual was 27.2% and would be explained by other factors beyond the scope of the current study. The study concludes that cost leadership strategy positively influenced performance of family-based supermarkets in Machakos County. Respondents were in agreement that supermarkets had improved deliveries on accessibility for customers. Differentiation strategy significantly influenced performance of family-based supermarkets in Machakos County. Supermarkets had extended market coverage to new areas and adopted IT. Supermarkets had tailored products to suit specific requirements of the clients and introduced new products to the market. Focus strategy positively influenced performance of family-based supermarkets. Machakos County family-based supermarkets came up with product range to cater for all clients' categories. The study recommends that family-based supermarkets ought to reduce

cost of production and improve deliveries on accessibility for customers. Machakos County supermarkets ought to adopt marketing strategy such as offers and promotions to clients. Operational costs and consumer prices ought to be reduced by the supermarkets. Supermarkets ought to improve products to its customers, adopt technology usage and extend market coverage to new areas. Supermarkets ought to rebrand and review their services for market recognition and outweigh their competitors. Supermarkets ought to extend to locations where majority of clients comes from and come up with new products range to cater for all clients' categories. Supermarkets ought to advance in customer services for increased accountability.

Key Words: *competitive strategies, performance, family owned supermarkets, Machakos County, Kenya*

INTRODUCTION

The business world is encountering a radial pace of change, unexpected technologies change and massive entries of new competitors. Firm's major concern is on their survival and their sustainability to remain competitive and profitable. For this reason, firms need to adapt to radical changes within the environment that is both radical and chaotic in nature. The only opportunity is for the organizations to have competitive advantage by continuously able to renew its competitive advantage in the market (Kitua, 2014).

It is imperative for firms to continuously adopt their activities in order to ensure survival (Porter 1980), firms expose themselves to the external environment, which is very volatile leading to new opportunities and challenges. To remain competitive firms needs to constantly review their strategies and approaches to maintain a sustained efficacy and competitiveness in order to exploit opportunities and threats in the market. In this regard, there is dare need for firms to be steadfast and proactive in their business execution and implementation of a sustained strategy to remain competitive. Success therefore calls for a proactive approach to business (Pearce & Robinson, 2007). Competition is critical to ensure a renewed business approaches and competitiveness.

The resource-based view theory emphasizes the firm's practices and resources as the fundamental determinants of performance (Ramos-Rodriguez & Ruiz-Navarro,2004). Knowledge-based theory considers knowledge as the most strategically significant resource of a firm as it is difficult to imitate and source of sustained competitive advantage and corporate performance (Ludwig & Pemberton, 2011). Contingency theory argues that competitive strategies used by firms and time to time contextual and not a 'one-size-fits-all' (Meil ich, 2003). Thus, there is no one or single best way or approach to manage organizations.

Retail sector has always been a competitive sector and firms within it have to contend with the dynamics of a changing competitive environment (Stokke, 2009). Kenya is the second advanced country in terms of presence of supermarkets, after South Africa with over 494 supermarkets and

17 hypermarkets. The Kenyan supermarket sector is composed of five main domestic retail chains: Uchumi, Nakumatt, Naivas, Tuskys and the Ukwala Group. The Kenyan Supermarkets have also expanded to other countries within the East African region (Botha and Schalkwyk, 2007).

Competitive Strategies

Kothari, (2014) opines that competition in an industry is influenced by various forces in the business operating environment. Porter attempted to summarize these forces as the rivalry among existing firms, threat of new entrants, substitute products or services, increased bargaining power of suppliers and bargaining power of buyers. A firm's products/services are affected by its suppliers, substitutes, buyers, potential entrants and industry competitors. For suppliers and buyers, these have a bargaining power on a firm's products/services whereas the potential entrants and substitutes pose a threat to the firm's products and services. He further came up with generic competitive strategies to counter these competitive forces (Barney, 2007 & Porter, 2008). Porter's generic strategies are useful in determining strategic positions at the simple and broad level of organisation scope. The basis for Porter's model was the industry structure and positioning within the industry. These strategies were cost leadership and differentiation, while the third strategy, focus was based on these two strategies. Focus is the firm's choice of competitive scope.

Competitive strategy supports both strategic and tactical decisions. In order to support competitive intelligence (CI), organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets (McGonagle & Vella, 2004). Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive strategy is more concerned with doing the right thing, than doing the thing right. The goal of competitor analysis is to develop a profile of the nature of strategy changes each of them might make, their possible response to the range of likely strategic moves other firms could make, and their likely reaction to industry changes and environmental shifts that might take place.

According to Kamanda (2005), cost leadership strategy can be defined as the lowest cost of operation in an industry. A company attains cost leadership strategy when it tries to beat its competitors by selling a product at a lower cost than its competitors. A company can maintain large profits and expand its market share by charging lower prices and selling larger volumes. This can take place through experience, investment in production facilities, conservation and careful monitoring on the total operating costs (through programs such as reducing the size and quality management). Cost leadership is different from price leadership in that, a company may produce at low costs but not offer the lowest price for its products. Therefore, this results to higher than average profits.

Product differentiation competitive strategy is a generic strategy by Porter (1980). It requires a firm to produce unique products relying to customer loyalty to the brand (Jassim, 2008). Relevance of the purchasing activities to the individuals is known as purchasing involvement (Quester, and Lim, 2003). Brand loyalty exists when a certain brand fits the image of a consumer or when it offers unique qualities to the consumer. Customers value their relationship with the brands they possess and the people associated with such brands. Luliya, Sununta, Yuosre and Chotchai (2013) noted that differentiation study adopted by a firm has both direct and indirect significance to the organization's performance.

A focus strategy is a strategy that is employed when the firm knows its segment and has products to competitively satisfy its needs (Porter, 1998). Porter (2005) argues that focus strategy has two variants; cost focus and differentiation focus. This strategy aims to serve a particular segment of the industry well. It largely involves giving attention to a particular market and fully analysing it. Reck et al, (2008) states that in adopting a narrow focus, a company ideally focuses on a few target markets. For example, a firm may choose to serve a particular product line, geographic market or buyer group. Therefore, a focus strategy is set to achieve a low cost or differentiation position or both due the narrow market segment. Focus strategy aims at achieving competitive advantage in the segment that the firm has chosen.

Competitive strategy which is a perspective on developments and events aimed at yielding a competitive edge. A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack (Elizondo, 2012). The basis for competitive strategy revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself. Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence.

Competitive strategy is more concerned with doing the right thing, than doing the thing right. The goal of a competitor analysis is to develop a profile of the nature of strategy changes each competitor might make, each competitor's possible response to the range of likely strategic moves other firms could make, and each competitor's likely reaction to industry changes and environmental shifts that might take place (Britt, 2006). Competitive strategy should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company.

Firm Performance

Performance is the outcome of all of the organization's operations and strategies (Wheelen &Hunger, 2012). Firm's performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time,

regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all of the organizations' operations and strategies (Venkatraman & Ramanujam, 2011). It is also the level to which an individual fulfils the expectations concerning how he should behave or function in a certain situation, context, circumstance or job. Oakland (2009) posited that performance is what individuals do relating to institutional roles.

Performance measurement is usually carried out using a performance measurement system, which consists of several individual measures. There are many frameworks for constructing such a system. The most commonly used model is the Balanced Scorecard (BSC) (Lönnqvist 2012, PMA 2001, Toivanen 2011). Others include; the Performance Prism and the Performance Pyramid (Neely & Adams 2010). The measures for the performance measurement system chosen are based on an organization's vision and strategy (Kaplan & Norton 2006). Measures are chosen to measure success factors from different points of view, such as that of the customer, employees, business processes and financial success, as well as from the point of view of past, current and future performance. This way, different aspects of an organization's performance can be measured and managed. The study sought to analyze the different competitive intelligence strategies employed by supermarkets in Kenya and how they affect their performance.

Family Owned Supermarket Chains in Machakos County

The retail stores industry is very dynamic with supermarkets ranging from sole proprietors and partnerships like Ebrahims, Jack n Jill, Tumaini, EastMatt, and limited liability companies (Nakumatt Holdings, Tuskys, Naivas, Ukwala) to public owned companies (Uchumi Supermarket Ltd). However, family owned supermarkets are: Nakumatt Holdings, Tuskys, Naivas, Ukwala, and Mulley's Supermarket Ltd (Wangari, 2012). Kenya's retail market is getting crowded, so much that the big players are becoming uncomfortable. Nakumatt, Uchumi, Ukwala and Tuskys are the country's biggest supermarkets in terms of branch network and shopping traffic. In the past few years, this family owned supermarkets have engaged in rapid expansion, increasing competition for shoppers. Expansion included going into residential areas initially dominated by traditional channels like shops, kiosks and small supermarkets.

In Machakos, the wars for market share have taken mainstream supermarkets from the usual commercial areas to residential places, where they are squaring off with newer and smaller entrants like Mulleys, Eastmatt, Brilliant, Kitulani, Massmat and Naivas among others (Masinde, 2013). Although the intense competition was favored by the country's expanding middle class expand, with more disposable incomes and a refined taste in consumer goods, since 2011, the Country has recorded double digit rise in inflation, putting strain on consumer buying power.

STATEMENT OF THE PROBLEM

With the ever-changing business environment, firms need to respond effectively to the key environmental variables such as competition that determine the acceptance of their products/services in the contemporary market. With the rapid changes in consumer tastes, preferences and increased competition, there is need for firms to focus attention on the competitive strategy more than ever before. Competitive strategy determines to a great extent the success of a company amid competition (Foss, 2014). Given that the intensity of competition in the supermarkets is increasing and the nature of this competition changing, it is important for all stakeholders to gain knowledge on how best to employ competitive strategies within it in a bid to improve the performance and survival of their firms (Nduati and Bowman, 2004). In Kenya, the battle for control of the retail market has intensified as both foreign and local megastores roll out expansion plans. The industry has encountered collapse of supermarkets like Nakumatt which has been dominant in the last few years. This continues to cause anxiety and lost confidence amongst lenders and suppliers in the industry given the loss of revenue, job opportunities and market for suppliers occasioned by the problems in Nakumatt (Macharia, 2016). Several studies have been done on retail chain stores in Kenya such as: Munyoki (1997) researched on pricing strategies of consumer goods in the retail market; Imbuga (2005) did a survey on determinants of brand loyalty to supermarkets in Machakos; Kiilu (2008) developed a case study on corporate strategy at Nakumatt Holdings Ltd; Njiru (2010) studied factors that determine brand loyalty to supermarkets in Machakos. Wangari's (2012) study looked at strategic responses to competition by the medium and family owned supermarkets and established that customer service, strategic location, staff training, increased advertising and branding affects performance. The study did review the effect of competitive strategies on the supermarkets. This study attempted to fill the gap by investigating the effects competitive strategies on performance of family owned supermarket chains in Machakos County, Kenya

GENERAL OBJECTIVE

The study sought to establish influence of competitive strategies on performance of family owned supermarket chains in Machakos County, Kenya.

SPECIFIC OBJECTIVES

1. To establish the effect of cost leadership strategy on performance of family owned supermarket chains in Machakos County, Kenya.
2. To determine the role of differentiation strategy on performance of family owned supermarket chains in Machakos County, Kenya.
3. To find out the influence of focus strategy on performance of family owned supermarket chains in Machakos County, Kenya.

THEORETICAL REVIEW

Porter Generic Strategies Model

This model was described by Michael Porter in 1980. Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope (Murage, 2013).

Porter wrote in 1980 that strategy targets cost leadership, differentiation, or focus. These are known as Porter's three generic strategies and can be applied to any size or form of business ranging from Supermarkets to multinationals. Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources. Porter's generic strategies detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies of porters. Competition in an industry is influenced by various forces in the business operating environment (Ouma, 2007). Porter attempted to summarize these forces as the rivalry among existing firms, threat of new entrants, substitute products or services, increased bargaining power of suppliers and bargaining power of buyers. A firm's products/services are affected by its suppliers, substitutes, buyers, potential entrants and industry competitors. For suppliers and buyers, these have a bargaining power on a firm's products/services whereas the potential entrants and substitutes pose a threat to the firm's products and services.

He further came up with generic competitive strategies to counter these competitive forces (Barney, 2007 & Porter, 1998). Porter's generic strategies are useful in determining strategic positions at the simple and broad level of organization scope. The basis for Porter's model was the industry structure and positioning within the industry. These strategies were cost leadership and differentiation, while the third strategy, focus was based on these two strategies. Focus is the firm's choice of competitive scope. This scope distinguishes between firms targeting broad industry segments and firms focusing on narrow segments (Mbogo, 2009).

Cost leadership as a strategy allows the firm to be a low-cost producer and thus making more profits than rivals due to low costs of production and economies of scale. This becomes an advantage for the firm, especially those that are first-movers or those that have ease of access to raw materials or factors of production. They usually focus on being the low-cost producer in an industry for a given level of quality, and then sell these products at either the average industry price to earn profits higher than rivals or below the average prices in order to gain or increase

their market share. These firms take advantage of their low cost of production to be able to sell at below-average prices (Barney, 2007; Porter, 1998).

Cost leadership as a strategy, is used by firms that target broad markets. Firms undertaking cost leadership strategy acquire cost advantage by improving processes, increasing efficiency, and gaining access to lower production costs or material costs either through vertical integration or adopting optimal outsourcing (Porter, 1998, Johnson et al., 2005). Differentiation as the second generic strategy allows a firm to offer unique products or services at a premium price pegged on the value added. The value added is usually a perception of the products by the buyers. The added value and utility of that product as perceived by that buyer enables the product to be differentiated at a cost that covers the extra value or features in it (Kitua, 2014).

Differentiation results from the way a firm's products or services and the related activities affect the buyer's activities. This strategy is incorporated with the value chain framework to strengthen its application in firm's activities. All activities in the value chain (actions or characteristics that add value to a product or service) contribute to the buyer value. The cumulative costs in the value chain determine the value cost that is usually a premium price charged for the product or service (Porter, 1998). Firms that successfully implement the differentiation strategy gain by increasing their internal strengths through highly skilled and creative product development teams as well as having access to the leading scientific research due to innovation. They also gain in improving their reputation for better quality and continued innovation. Differentiation strategy enables firms to achieve higher profits due to the premium prices charged for added value (Hax & Majluf, 1996; Porter, 1998).

The third generic strategy is focus which combines the above two generic strategies. This strategy is based on serving a certain clientele to the exclusion of others in the market. These are basically buyers with unusual needs as the target market and thus the firm offers to dedicate its services or products to serve them. Application of these strategies varies in firms and it is greatly affected by the industry characteristics (Porter, 1998). This strategy enables firms to concentrate on a narrow market segment to either achieve the above two strategies of cost leadership and differentiation. It is based on the assumption that the particular needs of the narrow group of customers can be better met by focusing entirely on this group (Barney, 2007 & Porter, 1998).

Firms that adopt this strategy gain a high degree of customer loyalty, which in turn discourages competing firms from attempting to compete directly with them. This strategy may, however, make firms to achieve low volumes of production and customer numbers. It is characterized by lower bargaining power of suppliers though, and this means that the firm will tend to pass higher costs to customers since there is no much choice of substitutes for the product or service. This becomes disadvantageous to customers who have no choice but to buy at the price set by the firm (Barney, 2007; Johnson et al., 2005).

In summary, Porter argues that firms are able to succeed in adopting multiple strategies by creating separate business units for each of the above strategies since customers often seek multi-dimensional attributes of a product to derive maximum utility. This theory is important to this study because it supports all the three theories of competitive strategies anchored in this study.

Resource-Based View Theory

The resource-based view (RBV) of Wernerfelt (1984) suggests that competitiveness can be achieved by innovatively delivering superior value to customers. The extant literature focuses on the strategic identification and use of resources by a firm for developing a sustained competitive advantage (Barney, 1991). International business theorists also explain the success and failures of firms across boundaries by considering the competitiveness of their subsidiaries or local alliances in emerging markets (Luo, 2003). Local knowledge provided by a subsidiary or local alliance becomes an important resource for conceptualizing value as per the local requirements (Gupta *et al.*, 2011).

In strategic management research, RBV theory has emerged as one of the theoretical perspectives used to explain persistency in inter-firm performance differences (Barney and Griffin, 1992). According to RBV theory, firms have collections of unique resources and capabilities that are valuable, rare, inimitable and non-substitutable and which are able to provide them with a sustainable competitive advantage. Hence, resources are tangible and intangible assets that are either owned or controlled by a firm, whereas capabilities refer to its ability to exploit and combine resources through organizational routines in order to achieve its objectives (Amabile et al, 2016). For this study, by applying RBV theory, it is important to investigate how internal and external resources can be influenced by competitive strategy and enable an organization's capabilities to enhance innovation performance (Galbreath 2005).

According to Nahapiet and Ghoshal (2008), the term intellectual capital refers to the knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or professional practice" , while social capital is defined as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit". Intellectual capital is a valuable resource in the form of accumulated knowledge which is embedded within an organisation, while social capital resides in the relationships firms have with their network partners. Nahapiet and Ghoshal (2008) argued that innovation is the ultimate outcome of the creation of new knowledge which results from the combination and interaction between intellectual capital and social capital of firms. Supermarkets also are endowed with these two sets of capital or resource that require effective and efficient management to ensure the supermarkets competitive favorably and perform (Kiragu, 2014).

Resource Dependence Theory

The resource dependence theory was postulated by Pfeffer and Salancik in 1978. Organizational success in resource dependency theory (RDT) is defined as organizations maximizing their power (Pfeffer 1981). Research on the bases of power within organizations began as early as Weber (1947) and included much of the early work conducted by social exchange theorists and political scientists. Generalization of power-based arguments from intra-organizational relations to relations between organizations began as early as Selznick (2009). RDT characterizes the links among organizations as a set of power relations based on exchange resources.

According to Johnson (2008), RDT proposes that actors lacking in essential resources will seek to establish relationships with others in order to obtain needed resources. Also, organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them. Within this perspective, organizations are viewed as coalitions alerting their structure and patterns of behaviour to acquire and maintain needed external resources. Acquiring the external resources needed by an organization comes by decreasing the organization's dependence on others and/or by increasing other's dependency on it, that is, modifying an organization's power with other organizations.

Although RDT was originally formulated to discuss relationships between organizations, the theory is applicable to relationships among units within organizations. RDT is consistent with ecological and institutional theories of organizations where organizations are seen as persistent structures of order under constant reinterpretation and negotiation, interacting with an indeterminate environment of turbulence and a multitude of competing interests. Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy (Murage, 2014).

Similarly, to Supermarkets their resources emanate from the loans, owners or proprietors, or externally who may include MFIs or banks. The stakeholders in either environment is key in ensuring the supermarkets succeed. The proper utilization of the resources by supermarket owners most of whom are not informed and with limited management skills, tend to misuse them or not even identify them this works against their competitiveness. Strategic management practices therefore are meant to place the Supermarkets in a better position to remain aloft in the even growing and competitive business environment.

Balanced Scorecard Model

Balanced Scorecard is one of the models commonly used in marketing theories. It is basically a performance management planning tool that was created by Kaplan and Norton in 1992 in their research that was published in Harvard Business Review Article. The motive behind their inquiry was to find out why businesses struggled so much by using lagging indicators especially in their

performance (Kaplan and Norton, 1992). Hence with the effort of finding the best strategies to help organizations achieve their desired outcomes, the authors came up with a model that promotes balancing of four critical perspectives in an organization (Kaplan and Norton, 1992).

In the quest of finding out why organizations had many problems, the authors established that some managers find it difficult to establish which specific strategies are important than the others (Niven, 2011). They often have mixed reaction where some think that it is important to focus on financial strategies while other indicate that maximizing internal operations is important then financial focus should follow (Kaplan and Norton, 1992). However, according to them, they realized that organizations with good performance results do not focus on a single strategy but rather a combination of strategies. In this regard, they came with four specific areas that the model out emphasis and the perspectives are; customer perspective, financial perspective, internal perspective, and innovation and learning perspective (Kaplan and Norton, 1992).

The model demonstrates that it is important to link performance measures in a balanced manner focusing on the four identified perspectives. This model or theory is important to the current study because it provides strategies that KQ should focus while ensuring that their turnaround strategies will eventually yield performance fruits (Niven, 2011). The theory also provides a framework on which the current strategies used by Kenya Airways will be evaluated to identify if they are actually meeting the set criteria by Kaplan and Norton in their 1992 model. From the model, the basic assumptions and takeaway points is that: it is a management framework, the Scorecard is flexible, it is adaptable, and there is need of technological (software) platforms for purposes of innovation and learning respectively (Kaplan and Norton, 1992).

EMPIRICAL REVIEW

Cost Leadership Strategy and Performance

Cost leadership is a concept developed by Michael Porter, utilized in business strategy. It describes a way to establish the competitive advantage. Cost leadership, in basic words, means the lowest cost of operation in the industry (Kiragu, 2016). It is a strategy used by businesses to create a low cost of operation within their niche. The use of this strategy is primarily to gain an advantage over competitors by reducing operation costs below that of others in the same industry. Cost leadership is a business strategy that allows a company to become the lowest cost producer within an industry. The use of this strategy is primarily to gain advantage over competitors by reducing operation costs below that of others in the same industry. 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.

Kitua (2014), opines that a firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors. If cost-

leadership strategies can be implemented by numerous firms in an industry, or if no firms face a cost disadvantage in imitating a cost-leadership strategy, then being a cost leader does not generate a sustained competitive advantage for a firm. The ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate (Robert, 2011). Beyond existing competitors, a cost-leadership strategy also creates benefits relative to potential new entrants. Specifically, the presence of a cost leader in an industry tends to discourage new firms from entering the business because a new firm would struggle to attract customers by matching or even undercutting the cost leaders' prices. Thus, a cost-leadership strategy helps create barriers to entry that protect the firm and its existing rivals from new competition.

In many settings, cost leaders attract a large market share because a large portion of potential customers find paying low prices for goods and services of acceptable quality to be very appealing. The need for efficiency means that cost leaders' profit margins are often slimmer than the margins enjoyed by other firms. However, cost leaders' ability to make a little bit of profit from each of a large number of customers means that the total profits of cost leaders can be substantial (Anderson, 2014).

Differentiation Strategy and Performance

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs. It is an approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any firm (Porter, 1980).

A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other Intellectual Property (IP), unique technical expertise, talented personnel, or innovative processes. Successful differentiation is displayed when a company accomplishes either a premium price for the product or service, increased revenue per unit, or the consumers' loyalty to purchase the company's product or service (brand loyalty). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors (Hambuck, 2003).

Differentiation strategy is not suitable for small companies. It is more appropriate for big companies. To apply differentiation with attributes throughout predominant intensity in any one or several of the functional groups (finance, purchase, marketing, inventory etc..). This point is critical. For example GE uses finance function to make a difference. You may do so in isolation of other strategies or in conjunction with focus strategies (requires more initial investment). It provides great advantage to use differentiation strategy (for big companies) in conjunction with focus cost strategies or focus differentiation strategies.

Focus Strategy and Performance

This is a marketing strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. A focus strategy is usually employed where the company knows its segment and has products to competitively satisfy its needs. Focus strategy is one of three generic marketing strategies (Mbogo, 2009). Focus or niche strategy involves segmenting markets and appealing to only one or a few groups of customers or industry buyers. It is a marketing strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. Focus strategy identifies the market segments where the company can compete effectively. The strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. The premise is that the needs of the group can be better serviced by focusing entirely on it and this enables the firm enjoy customer loyalty (Gamble, 2010).

Successful companies leverage competitive advantages in the marketplace to achieve high levels of performance. They either attain overall market leadership by differentiating themselves from competitors or dominate market segments where they focus their efforts. Focus strategy identifies the market segments where the company can compete effectively (Kiragu, 2014). The strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. Low production cost is an effective competitive advantage, but it doesn't apply in all markets. The key is to segment your market into sections that you can reach at low cost and that are cost-sensitive. Once you have identified market segments in which consumers are looking for the lowest prices, you can use focus strategy to concentrate the company's resources there. Ideally, the cost of reaching those consumers is low, allowing you to maintain your price advantage while focusing on increasing sales (Munyeki, 2012).

Companies can compete on service by emphasizing customer satisfaction. Focus strategy for companies that develop a service competitive advantage relies less on market segmentation and more on assigning resources to increase excellence in customer service. Customer service focused on high levels of customer satisfaction implies hiring employees with good people skills, training them in customer relations, training them on the products they are supporting and

monitoring for rapid response times. Because such customer service is expensive, companies focused on customer service as a competitive advantage avoid the lowest-cost market segments but can do well in high-value sectors (Panayides, 2013).

RESEARCH METHODOLOGY

Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project. This research problem was studied through the use of a descriptive research design. According to Cooper &Schindler (2013), a descriptive study is concerned with finding out the what, where and how of a phenomenon. This study therefore was able to generalize the findings to all the supermarkets.

Target Population

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics, (Mugenda & Mugenda, 2003). The target population for this study comprised of 50 Top Managers, 80 Middle level managers and 120 lower level managers of Supermarkets in Machakos County. The target population for the study was therefore, 250 respondents.

Sampling Procedure

Sampling techniques provide a range of methods that facilitate in reducing the amount of data that needs to be collected by considering only data from a sub-group rather than all possible cases or elements. According to Mugenda and Mugenda (2003), a sample of 25-30% is statistically significant to draw conclusions for a given study. The study therefore sampled 75 respondents from the population to inform the research findings which form 30% of the target population. Stratified random sampling technique was used to establish the sample size.

Data Collection Procedure

According to Kothari (2004), data collection procedures are strategies employed in research to ensure credible, valid and reliable data is obtained to inform the research findings. The study administered the questionnaire individually to all respondents of the study. The study exercised care and control and ensured all questionnaires issued to the respondents were received and achieved, the study maintained a register of questionnaires, which was sent, and which was received. The questionnaire was administered using a drop and pick later method.

Data Analysis and Presentation

Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 22) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing the percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS (Version 22) to communicate research findings. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open-ended questions. In addition, the study conducted a multiple regression analysis. The multiple regression equation was; $\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon}$

Where: Y= Performance of Supermarkets; B_0 - intercept coefficient; ε_i – error term (extraneous variables); X1 –Cost Leadership Strategy; X2– Differentiation Strategy; X3–Focus Strategy; β_1,β_2, andβ_3 =regression coefficients

However, qualitative data was analysed using a Likert scale of 1 to 5 based on weights for the degree of influence of independent variables on the dependent. 1 for Not at all, 2 for Low extent, 3 for moderate extent, 4 for greater extent and 5 very greater extent.

RESEARCH RESULTS

The main objective of the study was to establish the influence of competitive strategies on performance of family owned supermarket chains in Machakos County, Kenya. The study was guided by the following specific objectives; cost leadership strategy, the role of differentiation strategy and focus strategy on performance of family owned supermarket chains in Machakos County, Kenya.

The researcher adopted descriptive statistics to establish the influence of competitive strategies on performance. The sample size of the study was 75 respondents from supermarket chains in Machakos County. The study relied on primary data collected by structured questionnaires. The collected data was coded into SPSS Version 23.0 for analysis. Coefficient of correlation was 0.861 an indication of strong positive correlation between the variables. The adjusted coefficient of determination was 0.728 which translates 72.8%. The residual was 27.2% and would be explained by other factors beyond the scope of the current study.

Cost Leadership Strategy

The study established that cost leadership strategy positively influenced performance of the supermarkets. This was associated to reduced cost of operations and consumer prices. Family owned chains supermarkets in Machakos County had adopted offers and promotions as a

marketing strategy. The study further established that supermarkets had improved deliveries on accessible customers and had reduced transportation costs.

Differentiation Strategy

On regard to the role of differentiation strategy, the study established that differentiations strategy positively influenced performance of family-based supermarkets. This was due to venturing from traditional business to different mode of business transaction. Supermarkets had extended market coverage to new areas, adopted IT, introduced new products to the market and tailored products to suits specific requirements of the clients. The study further established that supermarkets had rebranded and reviewed products/ services prices to outweigh their competitors.

Focus Strategy

The study found out that family-based supermarkets in Machakos County had remained in the same business and advanced in customer service delivery. The supermarkets had come up with product/service range to cater for all client categories and had extended to locations where customers emanated from. The study further pointed out that supermarkets had enhanced efficiency and effectiveness.

REGRESSION ANALYSIS

The study conducted regression analysis to establish the effect of competitive strategies on performance of family owned supermarket chains in Machakos County, Kenya. The findings of coefficient of correlation and coefficient of determination was identified by the researcher. The findings are indicated in the table 1.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.0.861[a]	.741	0.728	1.22867

a. Predictors: (Constant), Focus Strategy, Differentiation Strategy, Cost Strategy

From the findings, coefficient of correlation was 0.861 an indication of strong positive correlation between the variables. The adjusted coefficient of determination was 0.728 which translates 72.8%. This indicates that the variations of dependent variables would be traced by independent variables; focus strategy, differentiation strategy and cost strategy. The residual of 27.2% would be explained by other factors beyond the scope of the current study.

An ANOVA was carried out at 5% level of significant level. A comparison between F Calculated and F Critical was carried out. The findings are indicated in Table 2.

Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	794.550	3	264.850	53.322	.000[b]
Residual	278.150	56	4.967		
Total	**1072.70**	**59**			

a. Dependent Variable: Performance
b. Predictors: (Constant), Focus Strategy, Differentiation Strategy, Cost Strategy

From the findings, $F_{Calculated}$ was 53.322 and $F_{Critical}$ was 2.769 an indication that $F_{Calculated} > F_{Critical}$, this indicates that the overall regression model influenced the study. The p value was $0.00<0.05$ an indication that the at least one variable significantly the performance of family owned supermarket chains in Machakos County, Kenya.

To determine the individual factor influencing effect of competitive strategies on performance of family owned supermarket chains in Machakos County, Kenya, the following coefficient were generated.

Table 3: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	14.940	3.791		3.941	.000
Cost Strategy	4.132	1.130	.149	3.655	.005
Differentiation Strategy	.262	.122	.324	2.155	.036
Focus Strategy	.179	.047	.207	3.835	.000

a. Dependent Variable: Performance

The resultant equation becomes;

$$\mathbf{Y = 14.940 + 4.132X_1 + 0.262X_2 + 0.179X_3}$$

Where: Y= Performance of Supermarkets, X_1 = Cost Leadership Strategy, X_2=Differentiation Strategy and X_3=Focus Strategy

From the findings, when all the variables ware held constant (cost leadership strategy, differentiation strategy and focus strategy) performance of family owned supermarket chains in Machakos County, Kenya would be at 14.940. A unit increases in cost leadership strategy when all the variables were held constant, performance would be at 4.13. A unit increase in differentiation strategy when all other variables were held constant, performance would be at 0.262. A unit increase in focus strategy when all other variables were held constant, performance would be at 0.179.

The p value of cost leadership strategy was 0.005<0.05 an indication that the variable significantly influenced performance of family owned supermarket chains in Machakos County, Kenya. This is supported by Kiragu (2016) who stated that cost strategy was primarily used to gain an advantage over competitors by reducing operation costs below that of others in the same industry. Cost leadership is a business strategy that allows a company to become the lowest cost producer within an industry.

The p value of differentiation strategy was 0.0.36<0.05 an indication that the variable positively influenced performance of family owned supermarket chains in Machakos County, Kenya. This is in agreement to a study by Kireru et al. (2016) who stated that there was a need to accurately identify changes in customer needs, design and develop more complex products which would satisfy those needs, provide higher levels of customer support and service in order to provide value and win customers.

The p value of focus strategy was 0.00<0.05 an indication that the variable significantly influenced performance of family owned supermarket chains in Machakos County, Kenya. This is in agreement with Mbogo (2009) who stated that focus strategy is usually employed where the company knows its segment and has products to competitively satisfy its needs.

CONCLUSIONS

The study concludes that cost leadership strategy positively influenced performance of family-based supermarkets in Machakos County. Respondents were in agreement that supermarkets had improved deliveries on accessibility for customers. Machakos County family-based supermarkets had reduced operational cost and consumer prices. Supermarkets had adopted offers and promotions as a marketing strategy.

The study further concludes that differentiation strategy significantly influenced performance of family-based supermarkets in Machakos County. Supermarkets had extended market coverage to new areas and adopted IT. Supermarkets had tailored products to suit specific requirements of the clients and introduced new products to the market. Supermarkets in Machakos county rebranded and reviewed their products to create market recognition.

The study concludes focus strategy positively influenced performance of family-based supermarkets. Machakos County family-based supermarkets came up with product range to cater for all clients' categories. The study further concludes that supermarkets remained in same business and advanced in customer services and enhanced their efficiency and effectiveness.

RECOMMENDATIONS

The study recommends that family-based supermarkets ought to reduce cost of production and improve deliveries on accessibility for customers. Machakos County supermarkets ought to

adopt marketing strategy such as offers and promotions to clients. Operational costs and consumer prices ought to be reduced by the supermarkets.

The study recommends supermarkets ought to improve products to its customers, adopt technology usage and extend market coverage to new areas. Supermarkets ought to rebrand and review their services for market recognition and outweigh their competitors. Supermarkets ought to introduce new products to the market and change their mode of business transaction to a different mode of transaction.

The study further recommends that family-based supermarkets in Machakos County ought to enhance their efficiency and effectiveness in service delivery. Supermarkets ought to extend to locations where majority of clients comes from and come up with new products range to cater for all clients' categories. Supermarkets ought to advance in customer services for increased accountability.

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