

**A SURVEY OF THE EFFECTS OF COMPETITIVE STRATEGIES ON  
PERFORMANCE OF VETERINARY PHARMACEUTICAL FIRMS IN  
NAIROBI COUNTY, KENYA**

**BY**

**KAMONZO KILONZI JOSEPH**

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**A Research Project Submitted to the School Of Business in Partial Fulfillment for  
the Award of Degree of Masters of Business Administration of Kenyatta University**

**November, 2011**

Kamongo Kilonzi  
*A survey of the  
effects of*



2012/390683

**DECLARATION**

I hereby declare that this research project is my original work and has not been presented for a degree or any other award in any other university.

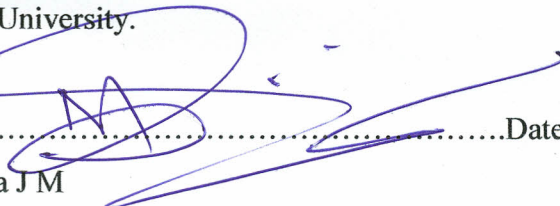
Signed..........Date. 29.11.2011.....

Kamonzo Kilonzi Joseph  
D53/01/15279/08


This research project report has been submitted for the examination with our approval as the university supervisors.

Signature..........Date. 29/11/2011.....

Muathe SMA (PhD)  
Dept of Business Administration  
School of Business,  
Kenyatta University.

Signature..........Date. 30/11/2011.....

Mr. Kilika JM  
Dept of Business Administration  
School of Business,  
Kenyatta University.

For and on behalf of Kenyatta University  
Signature..........Date. 30/11/2011.....

Mr. Bett S K  
Chairman, Department of Business Administration  
School of Business,  
Kenyatta University

## **DEDICATION**

This work is dedicated to my parents, Mr.& Mrs. Michael K. Kitheka for instilling the value of education in my early life, my wife Dorcas, children Emmanuel, Grace and Abigael for their love and encouragement. God bless them abundantly.

## ACKNOWLEDGEMENT

I sincerely appreciate the effort of my supervisors, Dr Muathe S.M.A and Mr. James Kilika who have given me guidance, advice and positive criticism as I worked on this research project. I humbly thank them for their support. I wish also to thank my family for their understanding during my study when I was unavailable to spend time with them.

DECLARATION

CERTIFICATE

DEDICATION

APPRECIATION

TABLE OF CONTENTS

Abstract

### CHAPTER ONE INTRODUCTION

1.1 Background of the Study

1.2 Statement of the Problem

1.3 Objectives of the Study

1.4 General Objectives

1.5 Specific Objectives

1.6 Research Design

1.7 Significance of the Study

1.8 Scope of the Study

1.9 Limitations of the Study

1.10 Summary

### CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

2.2 Theoretical Literature

2.2.1 The Concept of Strategic Human Resource Management

2.2.2 Concept of Competitive Strategy

2.2.3 Concept of HRM

2.2.4 Concept of Competitive Strategy and HRM

# TABLE OF CONTENTS

	Page
Declaration.....	ii
Dedication.....	iii
Acknowledgement.....	iv
List of Tables.....	viii
List of Figures.....	x
Operational Definition of Terms.....	xi
Abbreviation and Acronyms.....	xii
Abstract.....	xiii
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background to the Study.....	1
1.1.1 The organization and the environment.....	1
1.2 Statement of the Problem.....	4
1.3 Objectives of the Study.....	5
1.3.1 General Objectives.....	5
1.3.2 Specific objectives of the study were;.....	5
1.4 Research Question.....	5
1.5 Significance of the Study.....	5
1.6 Scope of the study.....	6
1.7 Limitation of the Study.....	6
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>7</b>
2.1 Introduction.....	7
2.2 Theoretical Literature.....	7
2.2.1 The Concept of Strategies and Strategic Management.....	7
2.2.2 Concept of Competitive Strategies.....	10
2.2.3 Competitive Strategies.....	12
2.2.4 Generic Competitive Strategies.....	12

2.2.5	Successful execution of the cost leadership strategy .....	14
2.2.6	Successful execution of differentiation strategy .....	15
2.2.7	Successful execution of focused strategy .....	16
2.2.8	Integrated cost leadership/differentiation strategy .....	17
2.3	Business Performance Indicators .....	18
2.4	Empirical Literature .....	21
2.4.1	Cost leadership and their effect on performance. ....	21
2.4.2	Differentiation strategies and their effects on performance.....	23
2.4.3	Focus strategy and their effects on performance .....	24
2.4.5	Summary of Empirical Literature Review .....	25
2.5	Conceptual Framework.....	28

**CHAPTER THREE: RESEARCH METHODOLOGY ..... 30**

3.1	Introduction.....	30
3.2	Research Design .....	30
3.3	Target Population.....	30
3.4	Sampling Design.....	30
3.5	Data Collection Instruments .....	31
3.5.1	Data Collection Procedure .....	31
3.6	Data Analysis.....	32

**CHAPTER FOUR: RESEARCH FINDINGS ..... 33**

4.0	Introduction.....	33
4.1	General Information.....	33
4.2	Cost leadership Strategy .....	37
4.3	Differentiation.....	50
4.4	Focus Strategy.....	57
4.5	Performance .....	60

**CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION .... 64**

5.1	Introduction.....	64
-----	-------------------	----

5.2	Summary of Major Findings .....	64
5.3	Conclusion.....	65
5.4	Recommendations.....	66
5.4	Suggestions for Further Research .....	67
<b>REFERENCES .....</b>		<b>68</b>
APPENDIX I: Questionnaire.....		73
APPENDIX II: List of Veterinary Pharmaceutical Firms in Nairobi County .....		82

## LIST OF TABLES

	<b>Page</b>
Table 4.1: Year of establishment .....	33
Table 4.2: No employees .....	34
Table 4.3: Category of ownership.....	36
Table 4.4: Company written vision statement .....	38
Table 4.5: Those involved in development of company strategy .....	39
Table 4.6: Manufacture and production system.....	42
Table 4.7: procurement of raw materials .....	43
Table 4.8 Procurement of other supplies .....	43
Table 4.9: Source of raw materials .....	44
Table 4.10: involvement in marketing and sales .....	45
Table 4.11: Positioning of salesmen .....	46
Table 4.13: Method of retaining key employees .....	46
Table 4.15: Availability of price discounts.....	48
Table 4.16 quantity discounts .....	48
Table 4.17: Cost leadership strategy .....	49
Table 4.18: Cost leadership Strategy Descriptive Statistics .....	50
Table 4.19: Differentiation strategy .....	51
Table 4.20: Differentiation strategy Descriptive Statistics.....	52
Table 4.21 creation of unique image to customers .....	53
Table 4.22: Method of creating a unique image .....	53
Table 4.23: branding of products you offered .....	53
Table 4.24: Existence of R&D in production dept .....	55
Table 4.25: Existence of marketing and sales dept.....	56

Table 4.26: Policy on product guarantee .....	57
Table 4.27: policy on product replacement .....	57
Table 4.28: Regional focus to market products .....	59
Table 4.29: Criteria used to focus on specific markets.....	59
Table 4.30: How do you measure your performance.....	60
Table 4.31: Average monthly sales.....	60
Table 4.32: Average monthly costs .....	60
Table 4.33: Average monthly clients.....	61
Table 4.34: Pearson's Correlations.....	62

## LIST OF FIGURES

	<b>Page</b>
Figure. 2.1: Hierarchy of strategy .....	9
Figure.2.2: The five generic competitive strategies.....	11
Figure 2.3: The balance scorecard.....	21
Figure 2.4: Conceptual framework.....	29
Figure 4.1: Presence of branches .....	35
Figure 4.2: Number of branches .....	36
Figure 4.3: Category of operation.....	37
Figure 4.4: written mission statement.....	38
Figure 4.5:Method of setting prices .....	40
Figure 4.6 production of own products.....	41
Figure 4.7:Frequency of overhauling production units .....	42
Figure 4.8: How customers get products from the company .....	45
Figure 4.9 introduction of new molecule to the market .....	47
Figure 4.10: packaging of products .....	54
Figure 4.11: R&D for products.....	55
Figure 4.12: product marketers.....	56
Figure 4.13: special category of customers .....	58
Figure 4.14: special category of products to specialized customers.....	58
Figure 4.15: majority of your customers .....	59

## OPERATIONAL DEFINITION OF TERMS

**Veterinary Pharmaceutical Firms** -Companies that market and sell veterinary medicine e.g. Acaricides, dewormers vaccines, antibiotics, mineral licks and multivitamins

**Strategy** – Refers a plan of action designed to achieve a particular goal

**Generic competitive strategies**- Developed by porter. They are generic because they are applicable to a large variety of situations and contexts.

**Cost Leadership**- An integrated set of actions designed to produce or deliver goods or services with features acceptable to customers at the lowest cost relevant to competitors

**Differentiation** – A strategy of making products and or services unique. It adds costs in order to add value for which customers are willing to pay a premium.

**Focused Strategy**- A strategy chosen by firms when they want their core competencies to serve a particular industry segment.

## **ABBREVIATION AND ACRONYMS**

<b>GDP</b>	<b>:</b>	<b>Gross Domestic Product</b>
<b>KARI</b>	<b>:</b>	<b>Kenya Agricultural Research Institute</b>
<b>KVB</b>	<b>:</b>	<b>Kenya Veterinary Board</b>
<b>P&amp;PB</b>	<b>:</b>	<b>Poisons and Pharmacy Board</b>
<b>R&amp;D</b>	<b>:</b>	<b>Research and Development</b>
<b>SPSS</b>	<b>:</b>	<b>Statistical Package for Social Sciences</b>
<b>VPF</b>	<b>:</b>	<b>Veterinary Pharmaceutical Firms</b>

## ABSTRACT

Agriculture is the mainstay of the Kenyan economy accounting for 24% of the GDP and accounting 18% of all formal employment in the country. Agriculture includes crop husbandry and animal production. The livestock sector in Kenya accounts for 10-15 % of the GDP. Au -1BAR, Kenya livestock sector study .The sector employs about 50% of the total labor force in the agricultural sector. The sector contributes over 30% of the agricultural GDP. The livestock resource is estimated at 60 million units comprising of 29 million poultry, 13million cattle, 16 million, goats and sheep., 0.52 million donkey,0.3 million pigs and 0.5 million of other exotic livestock. The sector offers an opportunity for increased employment and household economy, if appropriate packages are put in place in production and marketing. Among the inputs required for effective and efficient production are vaccines, dewormers, curative medicines, acaricides and minerals which are provided in the market by veterinary pharmaceutical firms. The purpose of this study was to identify the competitive strategies used by veterinary pharmaceutical firms in Kenya to gain competitive advantage. It also evaluates the effect of the strategies on firm performance. The study was to focus on strategies and approaches employed by the various firms, to establish how this relates to competitive advantage and are manifested in performance. The main objective of the study was to establish the effect of competitive strategies on performance of veterinary pharmaceutical firms in Nairobi County. The specific objectives was be to examine the relationship between cost leadership strategies and performance, to establish the differentiation strategies and their relationship to performance, to examine focus strategies and their relationship with performance. A survey involving the entire population of 30 veterinary pharmaceutical firms was done. .Data was collected using personally administered structured questionnaires. Data collected was edited then coded. Descriptive statistics was used to analyze the data. This was presented in be percentages, frequency distribution tables and other descriptive statistics mainly mean and standard deviation. The statistical package for social sciences (SPSS) was used for this analysis. This information has been displayed by use of bar charts, graphs and pie charts. The results of the data analysis were presented and conclusions drawn. From the results it has been concluded that all the three competitive strategies of focus, cost leadership and differentiation have a positive and significant relationship to performance. The study recommends that VPFs should use more of the focus strategy than the other strategies since it has the most significant relationship to performance. This will ensure competitiveness in the market and enhance performance.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Veterinary pharmaceutical firms have a long history in Kenya. At independence in the early 1960s, the provision of veterinary services and products was under taken by the government of Kenya. There were two main veterinary pharmaceutical firms in the country namely Cooper (K) Ltd and Ciba-Geigy Ltd. The government was the main customer to those firms. The firms supplied veterinary products to the government which would in turn supply farmers and other end users through the department of veterinary services. This state of affairs began to change with the introduction of the structural adjustment programs in the late 1980s and early 1990s. The government was forced to cut spending on non-core activities.

Veterinary pharmaceutical firms are now forced to deal directly with the farmers through business people (in Agro vets pharmacies and Agro-chemical shops). This turn of events saw the increase in the number of veterinary pharmaceutical firms in the country. Presently almost 5 decades since independence; Kenya is host to more than 50 firms dealing in Animal Health Products. These firms are faced with stiff competition among themselves and hence the need to employ competitive strategies in order to perform effectively in the market.

#### 1.1.1 The organization and the environment

Organizations are collection of people who interact with each other in specific, usually repeated ways over some period of time (Sanchez, 2004). Thus an organization is a system of interdependent actors who collectively share some goals for creating and redesign value through their interactions.

An organization internal environment is composed of elements within the organization including employee management and especially corporate culture, which defines employee culture (Thomson, 2001). Internal environment is generally controllable by the firm because they can be altered.

The firm's external environment includes both industry characteristics such as actual and potential competitors, buyers and suppliers as well as non market factors such as regulatory, political and social environment in which firm operates, Saloner (2009).

According to Cronje (2000) the macro environment consists of a number of broader forces that affects not only the firm but also other actors in the micro environment. These can be grouped under economic, socio-cultural, political legal and technological. These shape the character of the opportunities and threats facing a firm and yet largely uncontrollable.

Mwaura (1997) notes that understanding the external environment is of utmost importance. Actually the day to day decisions that occupy the managers is not the internal environment but rather how to tackle external environment, which is not only dynamic but also unpredictable. Ranging from law to politics, technology to competitors, external environment needs constant review and analysis of its effects to the firm if it is to remain competitive and attain its goals. The external environment of a firm profoundly influences the firms growth and profitable.

According to Hoskisson (2008) an integrated understanding of the internal and external environment is essential for firms to understand the present and predict the future. A firm's external environment includes the general environment industry and competitor environments. The general environment is composed of dimensions in the broader society that influence an industry and the firms within it. These dimensions are grouped into six environmental segments: Demographic, economic, political-legal, socio-cultural, technological and global. Firms cannot directly control the general environments segments and elements.

According to Song (2002) the industry is the set of factors that directly influences a firm and its competitive actions and competitive responses. The threat of new entrants, the power of suppliers, the power of buyers, the threat of product substitutes and the intensity of rivalry among competitors. The greater the firm capacity to favorably influence its

industry environment the greater the likelihood that the firm will earn above average returns. How companies gather and interpret information about the competitors is called competitor analysis. Understanding the firms competitor environment complements the insights provided by studying the general and industry environments.

Valikangas (2005) indicates that an analysis of the general environment is focused on the future, analysis of the industry environment is focused factors and conditions influencing a firms profitability within its industry and analysis of the competitor environment is focused on predicting the dynamics of the competitors actions, responses and intensions. According to Hoskisson (2008) an industry is a group of firms producing products that are close substitutes. In the course of competition, these firms influence one another. Typically industries include a rich mix of competitive strategies that companies use in pursuing value creation and above average returns. In part, these strategies are chosen because of the influence of an industry's characteristics. Compared with the general environment, the industry environment more directly affects the firm's value creation and above average returns.

According to Sanchez (2004) the five forces model recognizes that suppliers can become a firms competitor (by integrating forward) as can buyers buy (integrating backwards). Several firms have integrated forwards in the pharmaceutical industry by acquiring distributors or wholesalers. In addition, firms choosing to enter a new market and those producing products that are adequate substitute for existing products can become competitors of the company.

The firm's actions and context in which they are taken together determine performance. Because the firm's internal and external environment context changes over time, so does the efficiency of a given strategy consequently strategy should be dynamic. In a stable environment the strategic analysis tends to take a back seat to efficient, effective implementation.

## 1.2 Statement of the Problem

Veterinary pharmaceutical firms operating in Nairobi County are integral drivers of our Agricultural economy and especially the livestock production economy. They provide essential inputs to the livestock farmers for use in livestock production. Livestock production is one of the keys to the attainment of Vision 2030. According to the Kenya economic survey (2003) it employs 50% of the total Agricultural force. For the veterinary pharmaceutical firms to provide these essential inputs for livestock production, they need to develop and implement sound competitive strategies in order to guarantee acceptable performance in the competitive market environment.

There is stiff competition among the various veterinary pharmaceutical firms in Nairobi since they compete for the same customers. Over the last couple of years beginning in the mid 90s to the present, the cut throat competition for the market has witnessed the closure of some veterinary pharmaceutical firms with others migrating. Some multinational have left the country completely with some maintaining offices with single country representatives. For some of local veterinary pharmaceutical firm's total closure of their business has been their only option. It is only with competitive strategies being put in place that will guarantee acceptable performance of the VPF that will guarantee acceptable performance of the VPF and delivery of inputs to the farmers for livestock production.

Apart from the competition in the market, VPFs also face other challenges in their operations in the market. According to Grasswitz, (2004) after the drought in 2000 for example several VPF and their distributors reported a reduction in profit of up to 70%. It is estimated that Kenyan livestock farmers spent Kshs 0.64 billion (approximately US\$ 8 million) on veterinary pharmaceuticals in 2000, although this is probably a very conservative estimate. The main question is what competitive strategies veterinary pharmaceutical firms use in order to position themselves in the market and whether these strategies help them meet their performance expectations in the market effectively and efficiently.

The study therefore sought to investigate the competitive strategies employed by veterinary pharmaceutical firms and the effect of these strategies on their performance. Finally the study has recommended the best competitive strategies which can be adopted by the firms to optimize their performance.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objectives**

To determine the effect of competitive strategies on the performance of veterinary pharmaceutical firms in Nairobi County; Kenya

#### **1.3.2 Specific objectives of the study were;**

- i. To examine the relationship between cost leadership strategies and performance of veterinary pharmaceutical firms.
- ii. To establish the relationship between differentiation strategies and performance of veterinary pharmaceutical firms.
- iii. To examine the relationship between focus strategies and performance of veterinary pharmaceutical firms.

### **1.4 Research Question**

The research was guided by the following Questions.

- i. What is the relationship between cost leadership strategies and performance of veterinary pharmaceutical firms?
- ii. What is the relationship between differentiation strategies and performance of veterinary pharmacy firms?
- iii. What is the relationship between focus strategies and performance of veterinary firms?

### **1.5 Significance of the Study**

Findings of this study will be of importance to the following stakeholders. New market entrants in the veterinary pharmaceutical business in Kenya. The study has shown the importance and relevance of competitive strategy planning and its correlation to performance.

Existing veterinary pharmaceutical firms in the county, the study will help any firm operating in the veterinary pharmaceutical industry in Kenya to understand competitive strategy and its importance to performance.

To research institutions and academia, A part from contributing to the body of knowledge; this study has laid a platform for future researches with an interest in competitive strategies employed by Business firms.

### **1.6 Scope of the study**

The study will cover the veterinary pharmaceutical firms in Nairobi County which will cover the population of the study from which the sample will be collected. Nairobi County has been chosen because it has a high concentration of these firms. It is also easily accessible to the researcher. Due to the high concentration of the firms in Nairobi County, firms of different sizes .i.e. small, medium and large will easily be found.

### **1.7 Limitation of the Study**

The major challenges anticipated during the study were be financial and time constraints. Time constraints on the side of the researcher and the respondents who needed to sacrifice their time to fill in the Questionnaires.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter the concept of competitive strategies will be reviewed from various sources. This will be followed by a literature review of porters Generic competitive strategies which forms a basis of this study. Cost leadership, differentiation, focused strategy and market performance indicators will also be analyzed. Finally empirical literature where similar studies have been carried out will be reviewed. The conceptual framework will found at the end of this chapter.

#### **2.2 Theoretical Literature**

##### **2.2.1 The Concept of Strategies and Strategic Management.**

Strategy a word of military origin refers to a plan of action designed to achieve particular goal Thompson (2001). Strategy is a framework through which an organization can assert vital continuity whilst managing to adapt to the changing environment to gain competitive advantage.

According to Igor Ansoff (1984) strategic management is a systematic approach to the major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. Consequently strategic planning is that decision making process that aligns the organization internal capability with the opportunity and threats it faces in its environment.

According to Wheelen (2008), strategic management is that set of managerial decisions and actions that determines the long run performance of an organization; it includes environmental scanning, both external and internal, strategy formation, strategy implementation, evaluation and control.

According to Hoskisson (2004) a strategy of an organization forms a comprehensive master plan that states how the organization will achieve its mission and objectives. It maximizes competitive advantage and minimizes disadvantage.

The typical business firm usually considers three types of strategy: corporate strategy, business and functional strategy. Corporate strategy describes a company's overall direction in terms of its general attitudes towards growth and management of its various businesses and product lines. Corporate strategy usually fit within the three main categories of stability, growth and retrenchment.

Business strategy usually occurs at the business unit or product level and it emphasizes improvement of the competitive position of a company's products or services in the specific industry or market segment served by that business unit. Competitive and cooperative strategies. In cooperative strategies, alliances are formed.

Functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resources productivity. It is concerned with developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantages examples are technological followership (imitation of the product of other companies) and technological leadership (pioneering of an innovation). Functional strategies support business strategies, which, in turn support the corporate strategy (ies).

Mintzberg (1994) poses that strategy is a response to internal factors or forces which can be simple or complex but which are perceived as being critical to the existence of an organization. Basu (1999) poses that in order to be in a good position to compete with other firms in your industry. You must have an understanding of what you are up against competition wise.

According to Johnson and Scholes (2002) the survival and success of organizations are influenced by their ability to respond to the following competing pressures; changes in the business environment, strategic capability of an organization; its resource, competences and cultural-political and context the expectation and purposes.

The environment within which a firm operates is perhaps the largest determinant of the strategies it adopts. Porter (1980) observes that the essence of formulating competitive strategy is to relate an organization to its environment. Organizations are environment dependent. In order for organizations to achieve their goals and objectives they must constantly adjust to their environment.

This environment is turbulent, constantly changing and so it makes it imperative for the organization to continuously adapt their activities in order to survive. The success and survival of every organization depends on how well it relates itself to the external environment. The veterinary pharmaceutical firms are also affected by environmental changes. These include both natural environmental and external business environment. Understanding these changes facilitates the understanding of the behavior of these firms. This study will look at the competitive strategies that have been in use by veterinary pharmaceutical firms.



**Figure 2.1: Hierarchy of strategy**

Source: Researcher, 2011

### 2.2.2 Concept of Competitive Strategies

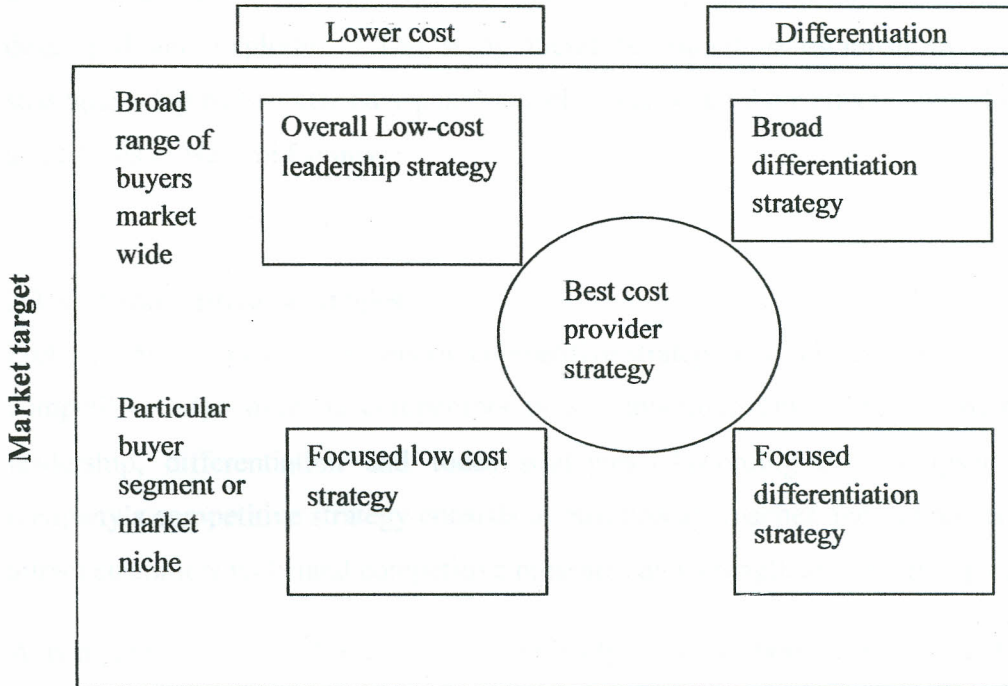
The essence of strategy lays in creating tomorrow's competitive advantages faster than competitors mimic the ones you possess today. A company has competitive advantage wherever it has an edge over rivals in attracting customer and defending against competitive forces. A company's competitive strategy consists of the business approaches and initiatives it takes to attract customers withstand competitive pressure and strengthen its market position.

The objective is to knock the socks off rivals companies ethically and earn competitive advantage and cultivate clientele loyalty. The strategy combines both offensive and defensive actions. Competitive strategy has a narrow scope than business strategy competitive strategy deals exclusively with management's action plan for competing successfully and providing customers with superior value.

According to Porter (1980) five categories of competitive strategy approaches stand out.

Cost leadership strategy by striving to be the overall low cost provider of a product or service that appeal to a broad range of customers. Broad differentiation strategy; by seeking to differentiate the company's product offering from rivals in ways that will appeal to a broad range of buyers. A best cost provider strategy by giving customers more value for the money by combining an emphasis on low cost with an emphasis on upscale differentiation the target is to have the best (lowest) cost and prices relative to producers of products with comparable quality and features. A focused or market niche strategy based on lower cost concentrate on a narrow buyer segment and out compete rivals on basis of lower cost. A focused or market niche strategy based on differentiation offering niche members a product or service customized to tastes and requirements.

## Type of competitive advantage being pursued



**Figure 2.2: The five generic competitive strategies**

Source: Adapted from .Porter M.E (1980)

According to Neely (1998) the organization efficiency and effectiveness are the two most fundamental dimensions of performance and hence the two should be measured. According to Neely (1998) efficiency refers to how economically the organizations resources are utilized whereas effectiveness refers to how accurately the organization products or services satisfy the customer needs.

According to the Oxford dictionary of Business (1998) efficiency measures how successfully the inputs have been transformed into output while effectiveness measures how successfully the system achieves its desired outputs.

The performance indicators for the veterinary pharmaceuticals firms are the firms net worth, profitability, financial leverage, productivity and recognition of the firm by other competitors in the industry/sector.

Dibb (1997) notes that competitive strategy indicates the specific markets towards which activities are to be targeted and the types of competitive advantages that are to be developed and exploited. The study therefore sought to establish the competitive strategies adopted by veterinary pharmaceutical firms and their effects on performance of these firms in Nairobi County.

### **2.2.3 Competitive Strategies**

Porter (1980) suggests three generic competitive strategies which can help a firm develop competitive edge over its competitors in a competitive environment. These are cost leadership, differentiation and focus strategies. According to Thompson (1996) a company's competitive strategy consists of business approaches and initiatives it takes to attract customers withstand competitive pressures and strengthen its market position.

A company's strategy for competing typically contains both offensive and defensive actions with emphasis shifting from one to the other as market conditions warrant. Companies world over, try every conceivable approach to attracting customers, earning their loyalty on repeat sales, out competing rivals and winning an edge in the market place. There are many competitive strategies as there are competitors. However, beneath the subtleties and superficial differences, are impressive similarities when one considers the company's market target and the type of competitive advantage the company is trying to achieve.

### **2.2.4 Generic Competitive Strategies**

Three categories of competitive strategy approaches stand out. Low cost leadership strategy is where a company achieves lower costs than its rivals and competes across a broad range of segments. Harvey (1988) describes cost leadership as striving to be the overall low cost provider of a product or service that appeal to a wide range of customers.

The cost leadership strategy is an integrated set of actions designed to produce or deliver goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors. Low cost leaders seek cost advantages while serving a broad customers segment. Striving to be the industry's overall low cost provider is a

powerful competitive approach in markets where many buyers are price sensitive. The aim is to open up a sustainable cost advantage over competitors and then use the company's lower cost edge as a basis for either under pricing competitors and gaining market share at their expense or earning a higher profit margin selling at the going market price. Firms acquire cost advantage by improving process efficiency, accessing lower cost materials, making optimal outsourcing, vertical integration decisions and avoiding some costs altogether. According to Porter (1998) once low cost has been achieved, the position provides high margins which can be re-invested in new equipment and modern facilities in order to maintain the cost leadership.

A broad differentiation strategy is the second category of the generic competitive strategy. According to Thompson and Strickland (2001) this strategy seeks to differentiate the company's product offering from rivals in ways that will appeal to a broad spectrum of buyers. The differentiation strategy is an integrated set of action designed by a firm to produce or deliver good or services (at an acceptable cost) that customers perceive as being different in ways that are important to them.

According to Thompson (1997) differentiation strategies becomes an attractive competitive approach whenever buyers needs and preferences are too diverse to be fully satisfied by a standardized product. To be successful with a differentiation strategy, a company has to study buyer's needs and behavior carefully to learn what buyers consider important, what they think has value and what they are willing to pay for.

According to Hoskisson (2004) a firm using the differentiation strategy seeks to be different from the competitors on any many dimensions as possible. The less similarity between the firms goods and those of competitors the more buffered it is from rivals actions.

A product can be differentiated in many ways. Unusual features, rapid product innovation, technological leadership perceived prestige and status, different tastes and engineering design and performance are examples of approaches to differentiation.

The third generic competitive strategy is the focus strategy where a company chooses to concentrate on only one segment or a limited range of segments. With this approach it can seek either lower costs or differentiation. Thus we have a focus or market niche strategy based on lower cost or a focused or market niche strategy based on differentiation. In the former strategy a company concentrates on a narrower buyer segment and out competes rivals on the basis of lower cost; while in the latter strategy the company concentrates on niche members by offering them a product customized to the tastes and requirements.

### **2.2.5 Successful execution of the cost leadership strategy**

According to Hoskisson (2004) firms using the cost leadership strategy sell no-frills, standardized goods to the industry most typical customers. According to porter (1980) to achieve substantial rewards from this strategy the company/firm must be the cost leader and unchallenged in this position. There is room for only one; and if there is competition for market leadership based on this strategy there will be price competition.

According to Thompson (1996) the strategy can successfully be executed by using superior management techniques, concentrating on cost saving opportunities, minimizing waste and not adding values which customers regard as unimportant to the product. Although cost leadership implies keeping costs as low as possible, products provided by a firm pursuing cost leadership must still have qualities and features that customers find acceptable. Indeed emphasizing on cost reductions while ignoring competitive features is ineffective.

According to Hoskisson (2004) a company pursuing this strategy must have core competencies in the following primary activities, inbound logistic e.g. (materials handling, warehousing and inventory control) and outbound logistics (e.g. collecting, storing and distributing products to customers). These activities often account for significant portions of the total cost to produce goods. Thus, cost leaders seeking competitively valuable ways to reduce costs may want to concentrate on the primary activities of inbound logistics and outbound logistics.

Cost leaders should also carefully examine all support activities to find additional sources of potential cost reductions. There are competitive risks of the cost leadership strategy. One risk is that the processes the cost leader uses to produce and distribute its goods could become obsolete because of innovation by its competitors. This may allow rivals to produce at costs lower than those of the original cost leader.

A second risk is that the cost leader may focus on cost reductions at the expense of trying to understand customer perceptions of “competitive levels of differentiation.” A final risk for cost leadership strategy concerns imitations. Competitors can successfully learn to imitate the cost leader’s strategy.

### **2.2.6 Successful execution of differentiation strategy**

Differentiation adds costs in order to add value for which customers are willing to pay a premium for. A differentiation focus strategy to be successful the market must be capable of clear segmentation. According to Thompson (1996) companies can pursue differentiation from many angles; a different taste, special features; spare parts availability, prestige and distinctiveness, product reliability. The possibility for successful differentiation exists in activities performed in the industry’s value chain.

According to Njoroge (2006) the most common places in the chain where differentiation opportunities include; purchasing and procurement activities where high quality raw materials are procured. manufacturing activities that reduce product defects, extend product shelf life, allow better warranty coverage and result in more end-user convenience and enhance product appearance, marketing sale and customer service activities that results in such differentiating activities as superior technical assistance to buyer, faster maintenance and repair services, more and better product information provided to customers; quicker order processing, more frequent sales calls and greater customer convenience.

According to Thompson (1996) with differentiation, superior performance is achieved by serving customer needs differently. The more unique the differentiation the more

sustainable the advantage accrued since differentiation must inevitably add costs these can be recouped if the market is willing to pay the necessary premium prices. According to Harvey (1998) achieving differentiation is likely to result in insulation against competitive rivalry due to securing customer loyalty. The resulting competitive advantage also leads to increased returns, sometimes through making customers less sensitive to high product price.

According to Hoskisson (2004) there are some competitive risks associated with differentiation strategy. These include the following, one risk is that the customers might decide that the price differential between the differentiators products and the cost leaders product is too large. In this instance a firm may be offering different features that exceed target customers needs. Another risk of the strategy is that a firm's means of differentiation may cease to provide values of which customers are willing to pay. This occurs mainly due to imitation of the product by competitors and costumers perception changes.

Counterfeiting is the third risk of the differentiation strategy while the fourth risk is the customers experience perception of the value of a product differentiation features. It occurs when competitors begin to offer products with similar features.

### **2.2.7 Successful execution of focused strategy**

Firms choose focused strategy when they want their core competencies to serve the needs of a particular industry segment. According to Thompson (1996) this entails concentrating on a narrow buyer segment and out competing rivals on the basis of lower cost.

To successfully execute this strategy, a firm needs to have products that are lower in cost than rivals while at the same time offering products of high quality. According to Thompson (1996) using a focused strategy to compete on the basis of low cost is fairly common business approach. Producers of private-label goods have lowered their marketing, distribution an advertising costs by concentrating on direct sales to retailers,

pursuing a cost advantage via focusing works well when a firm can find ways to lower costs significantly by limiting its customer base to a well defined buyer segment.

At the other of the spectrum a differentiated based-focused strategy is found. Its strategy is based on targeting upscale buyers wanting products with world-class attributes. These customers are willing to pay a premium for the finest items available. Focusing works best when it's costly or difficult for competitor to meet the specialized needs of the niche market and when the industry has many different segments suited to its strengths and capabilities.

The risks associated with focused strategy are several. One is the chance that competitors will find effective ways to match the focused firm in serving the narrow target market. A second is the potential for the niche buyer preferences and needs to shift towards the products attributes desired by the market as a whole. A third is that the segment becomes so attractive it is soon inundated with competitors, causing segment profits to be splintered.

### **2.2.8 Integrated cost leadership/differentiation strategy**

Particularly in global market the firm's ability to integrate the means of competition necessary to implement the cost leadership and differentiation strategies may be critical to developing competitive advantages compared with the firm implementing one dominant business level strategy, the company that successfully uses an integrated cost leadership/differentiation strategy should be in a better position to adapt quickly to environmental changes, learn new skills and techniques more quickly and effectively leverage its core competencies while competing against rivals.

The successful execution of this integrated strategy requires that the firm be able to produce relatively differentiated products at relatively low costs. According to Hall (1980) the most successful firms competing in low-profit potential industries were integrating the attitudes of the cost leadership and differentiation strategies. Lim and Kim (1988) discovered that "business which combined multiple forms of competitive

advantage out-performed businesses that were only identified with one firm.” These findings suggest that integration of strategies is useful to business firms.

The integrated cost leadership/differentiation strategy though a common strategy is difficult to implement. The difficulty is largely due to the fact that cost leadership and differentiation strategies emphasize different primary and support activities. To achieve the low-cost position emphasis is placed on product and process engineering with in frequent product changes. To achieve a differentiated position; marketing and new product R/D are emphasized, whereas production and process engineering are not. Thus successful implementation of the integrated strategy requires a careful combination of activities intended to reduce costs with activities intended to create a differentiation features. This balancing act requires a flexible organizational structure. This means that the organization must have a flexible decision making patterns that are partially centralized and partially decentralized.

### **2.3 Business Performance Indicators**

According to Thompson et al (2007), a creative distinctive strategy that sets a company apart from its rivals and yields a competitive advantage is the company’s most reliable ticket for earning above average performance. Without this a company risks being out competed by stronger rivals and or being locked into mediocre financial performance.

According to Mutuku (2005) the performance of any business organization is affected by the strategies in place within that occasion. According to Hunger and Wheelen (1995) strategies determine the long term performance of a firm.

According to Gichohi (2006) performance is normally measured using standards which are usually detailed expressions of strategic objectives. They are also the measures of acceptance performance results. Measures used to assess organizational performance depend on organization and the objectives that need to be achieved. These objectives are normally established in the strategy formulation stage of strategy management process and they could include; profitability, market share, and cost reduction among others.

(Hunger and Wheelen, 1995) Thomson et al (2007) identified two distinct performance yardsticks. They are those relating to financial performance and those relating to strategic performance. Those relating to strategic performance are the outcomes that indicate if a company is strengthening its market standing, competitive vitality and future business prospects.

Most studies on organizational performance use a variety of financial and non financial success measures. Researches employ financial measures such as profit (Saunders and Wong, 1985; Turnover (Franzier and Howell, 1983), return on investment Hooley & Lynch 1985, and inventory turnover Franzier and Howell 1983. Non financial measures include innovativeness (Goldsmith and Clutterbuck, 1984) and market standing.

The most commonly used measures of corporate performance according to Hunger and Wheelen (1995), are the rate of Return on Investment, (ROI) Earnings Per Share (EPS) and rate of return on equity (ROE).

A study by Manyuru (2005) on corporate governance and performance considered turnover, net profit and market share as the measures of performance. ROI is the result of dividing net income before tax by total assets. EPS is equal to the earning available to common stockholders divided by weighted average number of shares of common stock standing. ROE shows the relationship of net income to average stockholders equity (Hermanson et al, 1989). Turnover is the sales or gross revenue of the company doing the financial period under review.

A higher or growing turnover implies increased volume of sales due to quantities sold or increased prices. Higher volume of sales will most likely result from increased demand for the company products or services which reflect growth of the company.

According to Drobetz (2004) data on turnover has been used by many companies in assessing corporate performance. However on its own it does not reveal the level of efficiency in production and other related areas.

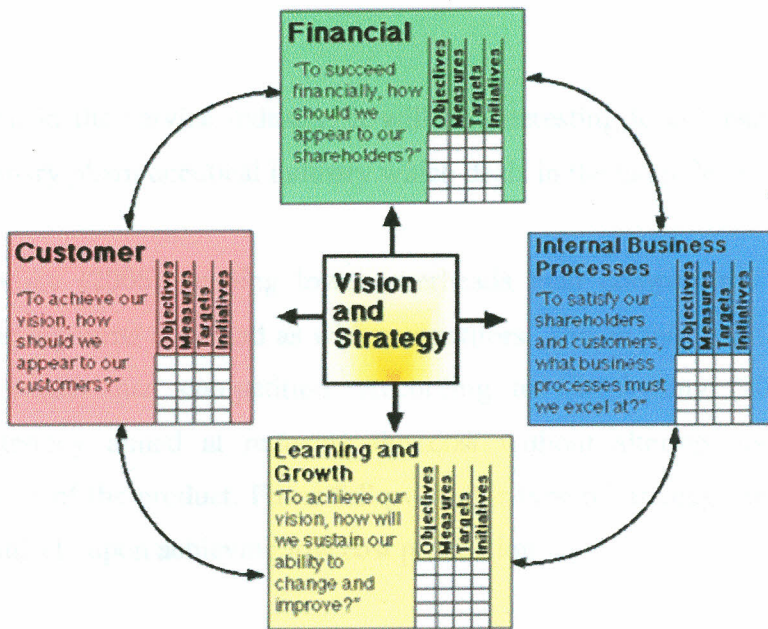
Net profit is the realization income net of all cost, interest on debt or tax and it shows how well a company has controlled its costs in an effort to maximize on shareholder wealth.

Market share price is one of the stock market-based indicators which are considered most appropriate or sensitive measures as they reflect the wealth generation for shareholders. This research project will utilize sales revenue, net profits and growth in number of clients over the period as the measures of performance.

Balogun (2004) and Johnson (2002) say that there are many performance indicators but there is one that has been popularized through the 1990s for being a mutually supportive measure that align organizations strategy without creating a focus on one area of activity at the expense of another. This is the balanced scorecards which combines both quantitative and qualitative measures. Johnson (2002) states that, performance is not only linked to short term output but also to the way in which processes are managed.

Drury (2004) concurs with Kaplan (1996) and says that the (BSC) measures a business from four perspectives. There is the financial perspective which has financial measures to assess how the company looks to shareholders. These measures are ROI, cash flows, organizational profitability, sales backlog and profit forecast. Secondly there is the customer perspective which helps assess the company performance in the eyes of the customer. This could be customer satisfaction, customer ranking survey, market share and price index.

The third perspective is the intended operational measures to assess how well the company is doing on the business processes that impact on customers' service. The fourth is innovation and learning perspective which assesses if the company is continuing to improve. For example revenue per employee, % revenue from new service, rate of improvement index, staff attitude survey and or number of employee suggestions.



**Figure 2.3:** The balance scorecard

**Source:** Kaplan1996

Both the literature and some of the studies carried out do not reveal a conclusive relationship between competitive strategy and performance and this therefore necessitates the need for further research.

## 2.4 Empirical Literature

### 2.4.1 Cost leadership and their effect on performance.

A research done by Gitonga (2003), found Cost leadership to be one of the strategies applied by hospitality establishments in Nairobi. According to Gakumo (2006), most commercial banks based their cost leadership strategy on high level of capital investment and streamlined organizational structure. According to Gakumo (2006) process engineering skills and volume sale techniques were the least emphasized aspects of cost leadership strategy by commercial banks.

In a study carried out by Kariuki (2006) the preference of Cost leadership strategy was not much, with 72% of respondents in the hotel industry not preferring to use the

strategy. This being in the service industry, it will be interesting to compare with the results in the veterinary pharmaceutical industry which deals in the tangible goods.

According to Njoroge (2006) keeping lower overheads than competitors was more preferable than keeping same overhead as with competitors. This in turn would translate to having lower prizes than competition. According to Chepkwony (2008) cost leadership is a strategy aimed at reducing the cost without altering positively or negatively the quality of the product. Firms following this type of strategy seek strategic advantage based entirely upon achieving low cost production.

According to Dulo (2006) manufacturing firms pursuing a cost leadership strategy follow policies of purchasing materials in large volume to get low costs of inputs, mass producing a limited range of products, marketing non branded or privately branded goods or services (to avoid advertising costs), making extensive use of automation to maximize economies of scale, locating any manual production in low-wages areas of the world and aggressive pricing to build and maintain market share.

In a study on the competitive strategies applied by Mumias Sugar Company, Jowi (2006) indicates that cost leadership is based on aggressive construction of large scale facilities, tight cost and overhead control, vigorous pursuit of cost reductions associated with learning effects and utilization of the economies of scale for discretionary expenses such as R&D, promotion or advertising. At a minimum the prerequisite for a successful execution of such a strategy are access to sufficient financial resource, adequate process engineering skills, intense supervision of labour and low-cost distribution capability.

According to Mbugua (2006) organizations following the cost leadership strategy have manufacturing and material management at the centre of their attention. The cost leader also normally ignores the different market segment and positions its products to appeal to the average customer. The reason the cost leader makes this choice is, again, that developing a line of products tailored to the needs of different market segment is an expensive proposition.

#### **2.4.2 Differentiation strategies and their effects on performance**

In a study carried out by Kariuki (2006) on competitive strategies and performance of the five star Hotels in Kenya, it was found that all the respondents indicated that differentiation as a strategy was 71% important and 29% very important. None of the respondents could ignore the importance of differentiation as a strategy. This revealed that 100% preferred differentiation as a strategy though at different levels.

According to Njoroge (2006) where differentiation is only limited to a few features like colour and size, good management of overhead cost is very important so that companies can compete on price.

On a study on the application of porter's generic strategies by commercial banks in Kenya, Gakumo (2006) indicates that reputation on quality and service and use of corporate image were the most used differentiation aspects by commercial banks as selling points. Commercial banks are service organizations hence the results for the study on veterinary pharmaceutical may be different. According to Gakumo(2006) strength in carrying out basic research and reward on creativity among employees were the least used differentiation aspects as selling points.

According to Chepkwony (2008) differentiation strategy aims at improving the products or the organizations image or quality by adding value or improve features of a product. Thus a differentiated product can command a higher selling price in comparison with competition. Differentiation can be done through technology, design distribution and product features.

According to Jowi (2006) this strategy is intended to maximize the value added to a product or service over and above the general cost components that apply to all competitors in the industry. To succeed in such strategy a company must be able to demonstrate uniqueness of its products in order to justify price differential.

According to Kariuki (2003) requires strong marketing skills, superior product engineering and quality, and close coordination of the R&D, production, distribution and marketing functions. Identify the firm differentiation itself along several dimensions.

According to Dulo (2006) a differentiator chooses a high level of product differentiation to gain competitive advantage. Accordingly product differentiation can be achieved in three principal ways, i.e. quality, innovation and responsiveness to customers. When differentiation is based on responsiveness to customers, a company offers a comprehensive after sale service and product repair.

According to Kariuki (2006) a firm pursuing this strategy can strive to be the quality leader, the service leader, the style leader or the technology leader but it is not possible to be all these things. The firm cultivates those strengths that will contribute to its intended differentiation. Thus the firm seeking quality leadership must use the best component, put them together and expertly, inspect them carefully, and effectively communicate its quality

### **2.4.3 Focus strategy and their effects on performance**

According to Gakumo(2006) focus strategy has two variants of cost focus and differentiation focus. An organization that is not pursuing any particular strategy but is choosing between various aspects of the different strategies is said to be stuck in the middle. In a study on the application of porter's generic strategies on commercial banks in Kenya Gakumo (2006) indicates that focus strategy with 15% was the second most applied strategy by commercial banks in Kenya. A further 40% of the banks were stuck in the middle meaning that they failed to develop their strategy in at least one of the three directions.

In a study of the competitive strategies and performance of the five stars hotel in Kenya, Kariuki (2006) indicates that 21% of the respondents considered focus as a strategy very important while 58% rated this strategy as important. Therefore 80% of the respondents used focus as a strategy in their business.

In a study on competitive strategies adopted by LPG marketers in Kenya to cope with competition, Njoroge (2006) indicates that the focus strategy is aimed at narrowing the market segment, products and category or certain buyers. This helps firms narrow their operations to specific markets and thus achieve competitive advantage.

On a study carried out on the factors influencing the marketing strategies adopted by micro and small entrepreneurs in Eldoret, Kenya Chepkwony (2008) indicates that focus strategy is about achieving competitive advantage by concentrating on a particular market or product niche. An organization following such a strategy seeks to identify and satisfy market niche or certain segments of the market. That market might be defused geographically by certain buyer groups or by segment of product use.

According to Dulo (2006) the focus strategy differs from the other two strategies chiefly because it is directed towards serving the needs of a limited customer group or segment. Geographical niche can be defined by region or even by locality. In following a focus strategy a company is specializing in some way. In the same study, Dulo (2006) indicates that a focus strategy provides an opportunity for entrepreneur to find and then to exploit a gap in the market by developing an innovative product that customers cannot do without.

According to Jowi (2006), firms that follow a focus strategy by definition try to monopolize a niche in the market place, that may fall anywhere within the area on the left side of the Porter curve.

According to Kariuki (2003) in a focus strategy, a firm focuses on a limited set of customers and through either a cost leadership or differentiation strategy or a combination of both, it tries to gain a competitive advantage over other firms pursuing either cost leadership or differentiation strategies on a broader industry wide basis.

#### **2.4.5 Summary of Empirical Literature Review**

Several studies have been undertaken in Kenya which focuses on competitive strategies and performance. This includes Aseto (2011) who has done research on marketing strategies use by multinational pharmaceutical firms in Nairobi. This study has mainly

dealt with marketing strategies without any reference to the effectiveness and hence performance of the firms.

Gichohi (2006) has carried out studies on the influence of competitive strategies on the performance of hair salon Nairobi-Kenya. This study is nearly similar to this study though in a different field or industry. The study focuses on a service industry while this study will focus on the goods supplied by the veterinary pharmaceutical firms.

Kariuki (2006) studied competitive strategies and performance of five hotels in Kenya. According to Kariuki competitive advantage is generated by use strategies that are not easily copied by competition hence differentiation is key to good performance in the hotel industry. He recommends further research on other industries. Kariuki (2006) continues to say that competition strategies form a key basis on performance and hence cannot be underrated or ignored.

Dulo (2006) did a study on the sources of competitive advantage and performance of firms in the Kenya sugar industry. Although he describes the failure of some chief executives of sugar companies failing to respond to questionnaires, he asserts that the challenge is richly compensated by use of secondary data. He further recommends that similar studies be conducted in different industries so that Kenyan based firms know how sources of competitive advantage and competitiveness influence performance.

In his study on the application of Porter's generic strategies by commercial banks in Kenya, Gakumo (2006) urges further research to determine the factors influencing the choice particular option of the Porter's generic strategies of differentiation, cost leadership and focus. In his conclusion Gakumo (2006), notes that there is widespread application of Porter's generic strategies in the banking sector. This study would want to establish if the same applies in the veterinary pharmaceutical industry as well.

Omondi (2006) in a study of competitive strategies adopted by airlines in Kenya recommends that further studies should be conducted to establish the link between performance of an airline and the competitive strategies it has adopted, though this study

is not in the airline industry it attempts to follow the above recommendation but in the veterinary pharmaceutical industry. Omondi (2006) further recommends research to find out why some competitive strategies are used more frequently than similar or related strategies which could lead to the same results.

Njoroge (2006) carried a study on competitive strategies adopted by liquefied petroleum gas marketers in Kenya to cope with competition. According to Njoroge (2006) a number of similarities were noted in terms of strategies adopted by LPG marketers. The study notes that Kenya is a price sensitive, market and customers pick products based on how they are priced. Given that the differentiation on LPG can only be differentiated through cylinder colour and size, cost leadership was the competitive strategy which many companies use to compete through price. Given that many products in the veterinary pharmaceutical firms are similar across many firms, this study will find out if the same results could be replicated as in the LPG market. It is for this reason that a study ought to be undertaken to study the effect of competitive strategies on the performance of veterinary pharmaceutical firms.

#### **2.4.6 The veterinary pharmaceutical firm industry in Nairobi County**

The veterinary industry has existed for than a half a century in Kenya. According to Chaneau (1998) between the 1930s and 1960s the industry was involved in the servicing of commercial ranchers and dairy farms. According to FAO (1997) the state veterinary department of the colonial government subsidized the drugs and artificial insemination.

After colonial administration, the veterinary department of the state undertook the responsibility to provide regulatory and veterinary drugs for free. In the early 1990s according to Chaneau (1998) due to the operating costs and the structural adjustment programmes (SAPs) the government withdrew from the delivery subsidized veterinary drugs. Thus according to Mwangi (2006) the Kenyan veterinary pharmaceutical industry was liberalized in 1990s.

Grasswitz (2004) indicates that there are numerous veterinary pharmaceutical firms in the country. In Nairobi majority of these firms are located owing to the infrastructure and centrality of the capital city. According to the pharmacy and poison board records there are 30 recognized veterinary pharmaceutical firms recording operating in Nairobi County.

According to Muthomi (2000) there are three main categories of veterinary pharmaceutical firms, these are local manufacturers, multinational companies and local importers. The local manufacturers get raw materials by importation and formulate the products here in the country. Multinational companies' get products direct from their parent companies while the local importers usually import ready made veterinary products from overseas suppliers.

## **2.5 Conceptual Framework**

The conceptual frame work shows the relationship between the independent variables (competitive strategies) and the dependent variable (performance).The relationship is however moderated by other factors such as the environment, technology, and organizational structure of the business firm. The size of the firm mainly determines structure.

The independent variables are cost leadership, differentiation, and focus strategy. Each of these strategies has been operationalized to yield the shown parameters. Likewise the dependent variable, promotion has been operationalised to the various indicators of business performance.

Environmental dynamism acts as a moderator in the relationship between business level strategy and performance. In low hostility environments a cost leadership strategy and in high hostility environment a differentiation strategy lead to better performance compared with competitors.

In highly dynamic environments a cost leadership and in low dynamic environments a differentiation strategy are more helpful in improving financial performance. Organizational structure moderates the relationship between competitive strategies and performance. A mechanistic structure is helpful in improving the financial performance adopting either a cost leadership or a differentiation strategy.

Independent variables

Dependent variable

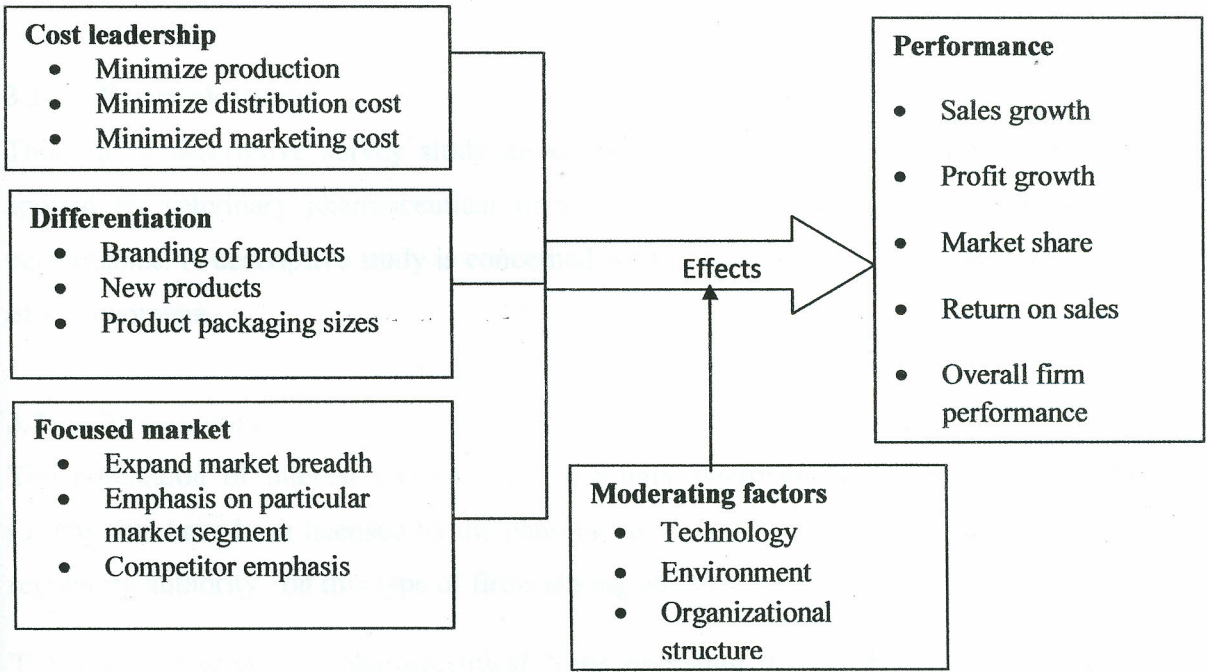


Figure 2.4: Conceptual framework

Source: Researcher 2011

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the methodology that was used in gathering data. It explains the methods and tools to used present data and analysis to get proper and maximum information related to the subject that was under study.

#### **3.2 Research Design**

This was a descriptive survey study aimed at establishing the competitive strategies applied by veterinary pharmaceutical firms in Nairobi County and how they affect performance. A descriptive study is concerned with finding out the what, where and how of a phenomena.

#### **3.3 Target Population**

The population of interest consisted of veterinary pharmaceutical firms in Nairobi County that have been licensed by the pharmacy& poisons board which is a government regulatory authority on this type of firms among others.

There are 30 veterinary pharmaceutical firms operating in Nairobi according to data obtained from the pharmacy and poisons board in their Nairobi office headquarters. There was however no documented evidence of the number of employees in these firms. Some of these firms are importers while others are local manufacturers. However they all have common characteristics in that they sell competing products and all compete for the same distributors and retailers who in turn sell to the same users mainly the livestock farmers. The population of the study constituted all the thirty veterinary pharmaceutical firms in Nairobi County. The target population was 30 respondents; one officer from each veterinary firm was required to fill the questionnaire.

#### **3.4 Sampling Design**

A census survey of these veterinary pharmaceutical firms was done owing to the small population of the subjects. Data was collected from all the 30 veterinary pharmaceutical firms. One officer namely the marketing manager or the financial manager was selected

to fill in the questionnaire from each firm. This was to ensure that the results of the study were a true representation of the study population. Out of the thirty veterinary pharmaceutical firms, a respondent was identified from each firm. Due to the nature of the information and data required for the study. A senior manager (e.g. marketing manager, financial manager) was chosen for the study.

### **3.5 Data Collection Instruments**

Data was collected by use of self administered questionnaire. The respondents from the firms will have questionnaire dropped to them and picked later. The main instrument in data collection was a structured questionnaire targeting senior managers in these firms. These were mainly the financial and marketing managers of the firms under study. The questionnaires used both open ended and close ended questions divided into:

Section A- , collected data on demographic aspects of the company/firm.

Section B- Collected data on the competitive strategies employed by the veterinary pharmaceutical firms.

Section C- Collected data on performance of veterinary pharmaceutical firms.

The questionnaires were structured of close-ended questions and a few open-ended questions. Closed ended questions were accompanied by a list of possible alternatives from which respondents were required to select an answer that best described their situation. The main advantage of closed-ended questions is that they are easier to analyze since they are in an immediate usable form. They are also easy to administer. Open ended questions usually facilitate in-depth response and opinions beyond the researcher's scope.

#### **3.5.1 Data Collection Procedure**

Primary data was collected using structured questionnaire which were personally administered to the respondents of the selected veterinary pharmaceutical firms. The method of drop and pick later was used to enable the respondents fill the questionnaire in their own free time when they could fill the questionnaire adequately. Secondary data was collected from the secondary sources by the researcher.

Secondary data was obtained from company annual reports, periodical, market reports, newspapers and financial reports. For the collection of primary data from the respondents, an introduction letter was done to the selected companies requesting them to assist the researcher get the information required. The data was then be edited and coded for further analysis.

### 3.6 Data Analysis.

The statistical package for social sciences (SPSS) was used for this analysis. Data collected was edited then coded. Descriptive statistics was used to analyze the data. These are percentages, frequency distribution tables and other descriptive statistics such mainly mean and standard deviation. In addition correlation analysis has been used to establish the relationship between the dependant variable and independent variables. This information has been displayed by use of bar charts, graphs and pie charts

The first part of the questionnaire was to identify the respondents who were involved in the veterinary pharmaceutical firms and to provide the information required.

Table 1: Frequency distribution of responses

Response	Frequency	Percentage
1978-2021	10	10.0%
1983-2014	10	10.0%
1991-2004	10	10.0%
2004-2010	10	10.0%
No response	1	1.0%
Total	40	100.0%

Source: Author (Survey Data 2011).

## CHAPTER FOUR

### PRESENTATIONS, DISCUSSIONS AND INTERPRETATION OF RESEARCH FINDINGS

#### 4.0 Introduction

The purpose of this study was to investigate the effect of competitive strategies on the performance of veterinary pharmaceutical firms in Nairobi County; Kenya. The study was a census survey that targeted 30 companies .27 companies responded representing a return rate of 90%.The data obtained were coded and analysed to yield the findings presented in the sections that follow. Data was collected using self-administered questionnaires and the analysis was presented in the form of tables, using scientific package for statistical package for social sciences (SPSS).

#### 4.1 General Information

The first part of the questionnaire dealt with collection of general information and bio-data of the veterinary pharmaceutical firms under the census survey. The tables and discussions that follow provide the information collected.

**Table 4.1: Year of establishment**

	Frequency	Percent
1970-1979	6	22.2
1980-1989	12	44.4
1990-1999	1	3.7
2000-2010	7	25.9
No response	1	3.7
Total	27	100.0

Source: Author, (Survey Data 2011)

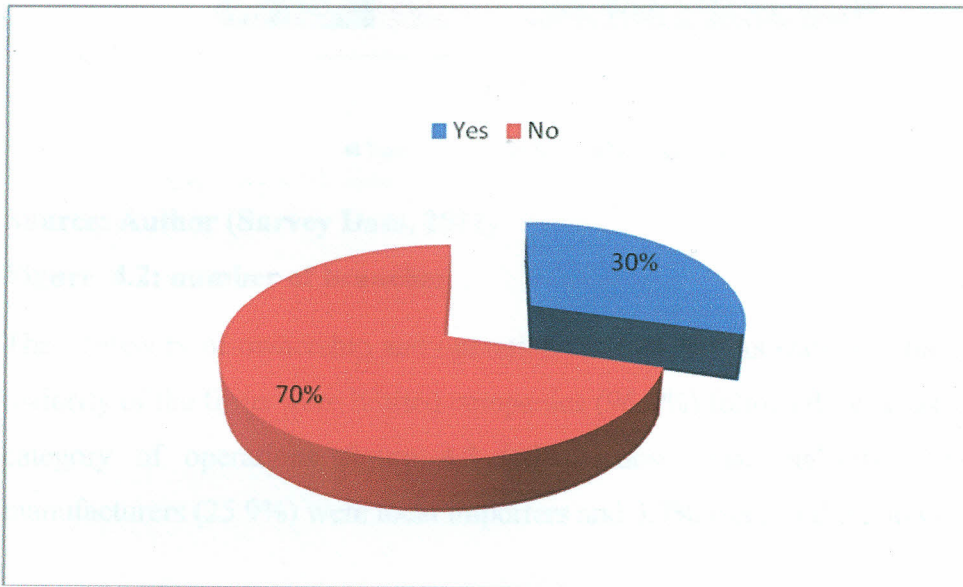
The year of establishment of the organizations was sought. As shown in the table 4.1 above, majority of the companies were established between 1980- 1989 at (44.4%) followed by 2000-2010 at (25.9%) and 1970-1979 at (22.2%). 1990-1999 had (3.7%). The mean of the year of establishment was found to be 1988. The majority of the firms were established in the period between 1980-1989. This can be explained by the introduction of SAPS which saw the government pulling out of the business of providing veterinary products to the farmers through the department of veterinary services. This meant there was a business gap that needed to be filled hence the marked increase in the number of veterinary pharmaceutical firms established during this period. The second highest number of firms is seen in the period between 2000-2010. This significant increase can be explained by the general growth of the Kenyan economy which grew significantly during this period of time.

**Table 4.2: No employees**

	No employees at present (%)	No of employees at Inception (%)
4 Employees	0	18.5
5	0	18.5
7	0	7.4
10	18.5	7.4
15	0	14.8
26	7.4	0
30	18.5	0
80	0	3.7
100	0	7.4
120	0	18.5
140	7.4	0
156	3.7	0
300	3.7	0
375	14.8	0
450	7.4	0
	100.0	100.0

Source: Author ( Survey data, 2011)

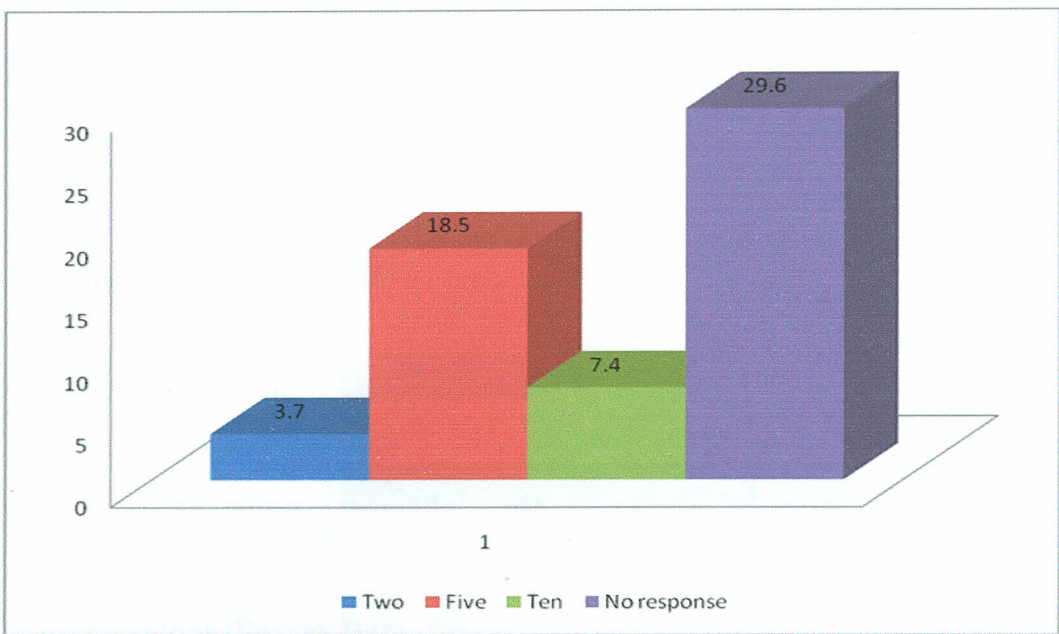
The number of employees at both inception and present was sought. As shown in the table 4.2 above, majority of the companies had average of 4 employees at inception (18.5%) which is the lowest. At present the highest is 450 at (7.4%). Majority of the respondents (18.5%) presently have 30 employees on average. The mean for the number of employees at inception was found to be 40 employees while the mean at present was determined to be 177 employees. The increase in the number of employees is explained by the subsequent increase in the number of the VPFs.



**Source: Author (Survey Data, 2011)**

**Figure 4.1: Existence of branches**

On the existence of branches, figure 4.1 above shows that the majority (70%) don't have branches while (30%) do have branches, on further probe figure 4.2 below reveals that majority (18.5%) have five branches, followed by 7.4% with ten branches and 3.7% with two branches



Source: Author (Survey Data, 2011)

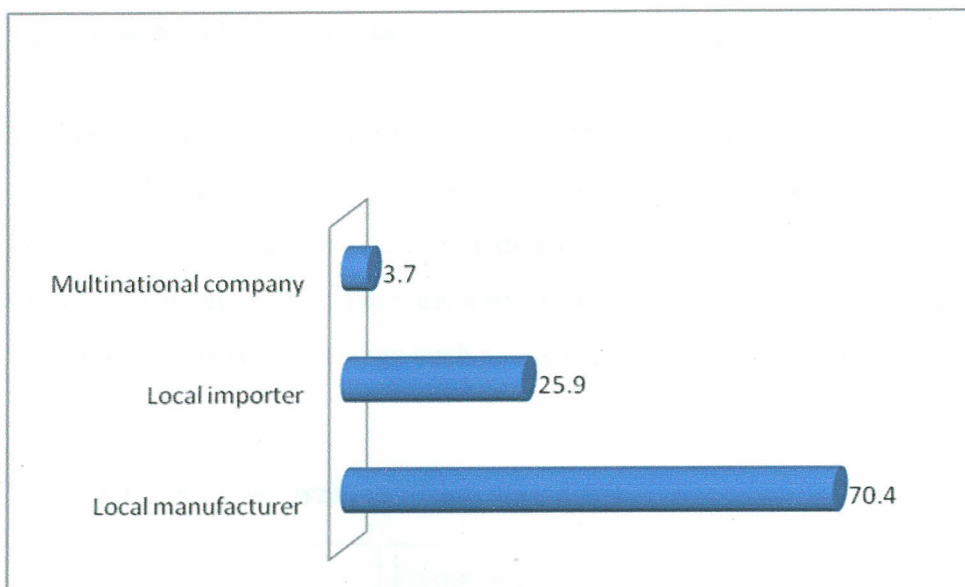
Figure 4.2: number of branches

The category of ownership and operation was sought. As shown in the table 4.3 below, majority of the firms were limited companies (96.3%) followed by parastatals (3.7%). On category of operations figure 4.3 below shows that majority (70.4%) are local manufacturers (25.9%) were local importers and 3.7% were multinationals.

Table 4.3: Category of ownership

	Frequency	Percent
Limited company	26	96.3
Parastatal	1	3.7
Total	27	100.0

Source: Author ( Survey data, 2011)



**Source: Author (Survey Data, 2011)**

**Figure 4.3: Category of operation**

## 4.2 Cost leadership Strategy

The questionnaire on Section B sought to find out the cost leadership strategies employed by veterinary pharmaceutical firms and their effect on performance. This is in line with objective one of the study which was to examine the relationship between cost leadership strategies and performance of veterinary pharmaceutical firms. To succeed in cost leadership strategies, companies have to scrutinize each cost creating activity and determine what factors cause cost to be high or low. The firms then use this knowledge to keep their costs in check in order to be able to compete using the cost leadership strategy.

The existence of vision and mission statement was sought. The table 4.4 below shows that majority (74.1%) had vision statements, only 25.9% didn't have. On mission statement, the below figure 4.4 shows that majority (78.%) of the firms have written mission statements while (7%) did not have. Upon further probe on who is involved in the design of the two statements, table 4.5 below shows that majority (51.9%) are managers and owners of the firms while (40.7%) by the owners alone.

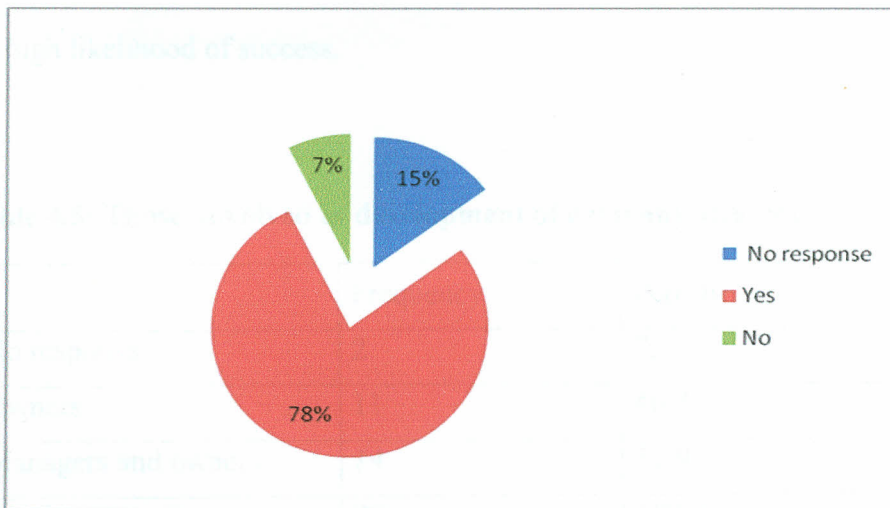
### 4.2.1 Vision and Mission Statement

The two statements constitute the top management views and conclusions about the company's director and future product/market/customer/technology focus. Companies that have written mission and vision statement are indicative of the top management and managers who are able to plan and execute a given strategy to its logical conclusion. This includes a competitive strategy such as the cost leadership strategy.

**Table 4.4: Company written vision statement**

	Frequency	Percent
Yes	20	74.1
No	7	25.9
Total	27	100.0

**Source: Author (Survey Data, 2011)**



**Source: Author (Survey Data, 2011)**

**Figure 4.4: Company has written mission statement**

#### 4.2.2 Those Involvement in Company Strategy Formulation

Very early in the strategy making process, a company's senior managers and owners must wrestle with the issue of what path the company should take in order to attain its goals.

According to the study findings in table 4.5 manages and owners are involved in formulation of strategy at (51.9%) while owners alone (40.7%) are involved in formulation of strategy. The involvement of owners and manages in formulation of strategy is important for continuity (owners) and successful implementation (or execution of the cost leadership strategy (by managers). It further demonstrates agreement between the owners and the managers in following up a certain type of competitive strategy and the high likelihood of success.

**Table 4.5: Those involved in development of company strategy**

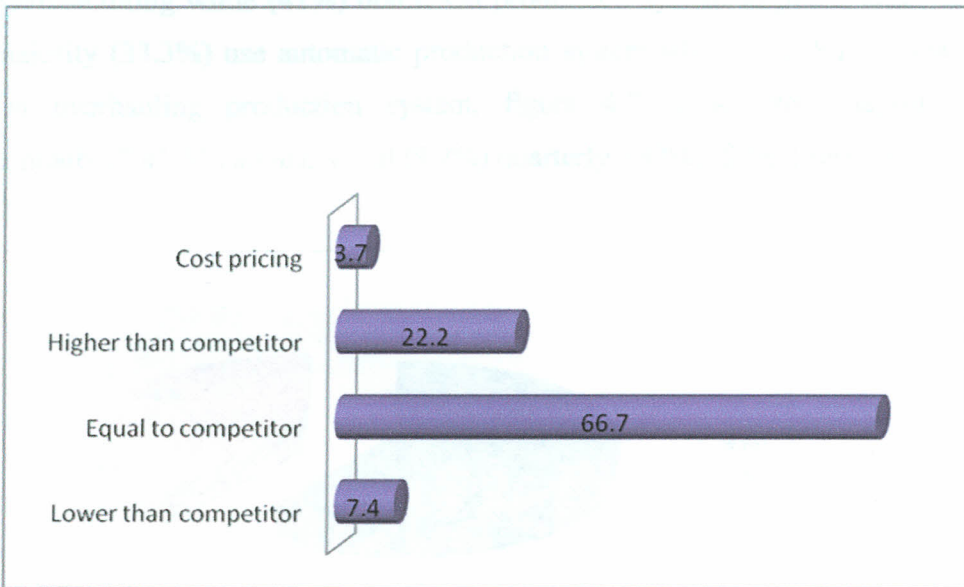
	Frequency	Percent
No response	2	7.4
Owners	11	40.7
Managers and owners	14	51.9
Total	27	100.0

**Source: Author (Survey Data, 2011)**

### 4.2.3 Pricing Technique

A company's goal in pursuing a cost leadership strategy is to outperform competitors by doing everything to produce goods or services at a cost lower than theirs. Because of its lower costs the leader is able to charge a lower price than its competitors yet make the same level of profit.

The pricing technique used was investigated and from the figure 4.4 below, majority (66.7%) set their prices equal to competitors, (22.2%) higher than the competitors, (7.4%) lower than the competition and finally only (3.7%) price based on costing



Source: Author (Survey Data, 2011)

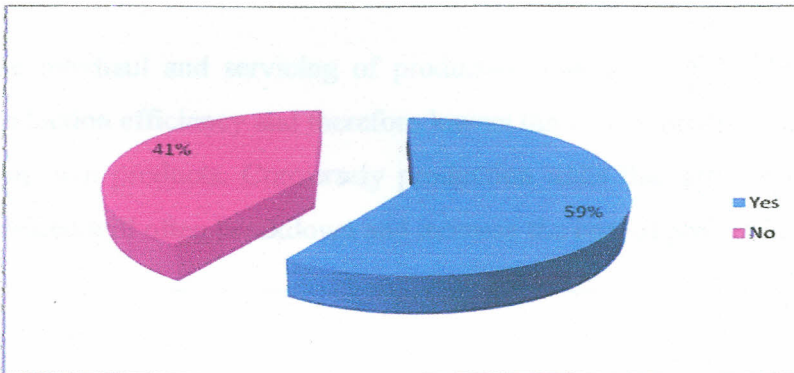
Figure 4.5: pricing technique

### 4.2.4 Involvement in Own Product Manufacturing

Manufacturing and cost of production are structural cost drivers incurred by firms that are involved in their own product manufacturing. Firms can compete successfully on the cost leadership strategy when they manufacture their own products because they are able to control their cost of production. Since they do their own production, the cost leaders can

be able to increase their efficiency and hence lower costs compared to its rivals. The development of distinctive competitors in manufacturing and material management is central to achieving the goal. Companies pursuing a low cost strategy may attempt to ride down the experience curve so that they can lower their manufacturing costs. Low-cost strategy usually implies tight production control and rigorous use of budgets to control the production process.

The respondents were asked whether they manufacture their own products and production system in place. The figure 4.6 below shows that majority (59%) do own manufacturing while (41%) don't. On production system in place, table 4.6 shows that majority (33.3%) use automatic production system while (29.6%) use manual systems. On overhauling production system, figure 4.7 shows that majority (51.9%) do annually.(7.4%) bi annually and (3.7%) quarterly. (37%) did not respond.



Source: Author (Survey Data, 2011)

Figure 4.6: production of own products

#### 4.2.5 Production System Used

The type of production system used, whether manual or automatic rises labour efficiency questions. To compete effectively using the cost leadership strategy, labour efficiency must be high to reduce on costs and hence lower prices. The automatic system is highly efficient compared to the manual production system which requires employment of many

labourers who in turn increase the production cost a situation which is not desirable to those pursuing cost leadership strategies.

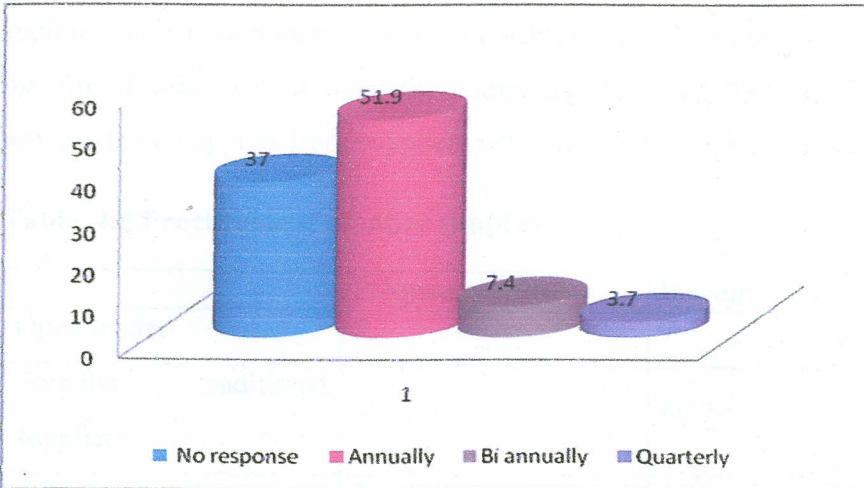
**Table 4.6: Manufacture and production system**

	Frequency	Percent
No response	10	37.0
Manual	8	29.6
Automatic	9	33.3
Total	27	100.0

Source: Author (Survey Data, 2011)

#### 4.2.6 Frequency of Production Unit Overhaul

The overhaul and servicing of production machines is important because it enhances production efficiency and therefore lowers the cost of production for firms manufacturing their own products. Conversely production units that are not frequently overhauled or serviced will often breakdown and increase the cost of production.



Source: Author (Survey Data, 2011)

**Figure 4.7: Frequency of production unit overhaul**

On raw material procurement and products delivery to customers, table 4.7 shows that majority (63%) do bulk purchasing. Further on table 4.8 indicate that majority (66.7%) procure through regular traditional suppliers, (25.9%) procure through cheaper suppliers and only (7.4%) use open tender to procure. Table 4.9 shows that majority (51.9%) import raw materials while (11.1%) buy locally. On products delivery to customers, figure 4.8 shows that majority (52%) use courier services and meet the cost incurred, (22.2%) have customers collecting products from their premises, (19%) deliver to customer's premises and finally (7%) use courier services and customers meet the cost incurred

**Table 4.7: procurement of raw materials**

	Frequency	Percent
No response	10	37.0
Bulk	17	63.0
Total	27	100.0

Source: Author (Survey Data, 2011)

#### 4.2.8 Procurement of other Supplies

This section sought to find out how the veterinary pharmaceutical firms procure other supplies such as stationery, computers, vehicles etc. this category of supplies add costs to the firm hence there it need for companies pursuing the cost leadership strategy to procure these supplies from suppliers who provide the best prices in the market.

**Table 4.8 Procurement of other supplies**

	Frequency	Percent
Open tender	2	7.4
Regular traditional suppliers	18	66.7
Cheaper suppliers	7	25.9
Total	27	100.0

Source: Author (Survey Data, 2011)

#### 4.2.7 Raw Materials Procurement

The manufacturing and raw materials management functions are the centre of attention of a company pursuing a cost leadership strategy. Raw materials purchased in bulk form are likely to be cheaper to the company which in turn will lower the cost of production and therefore compete successfully using the cost leadership strategy.

#### 4.2.9 Source of Raw Materials

This section sought to find out the source of raw materials for those involved in manufacturing of own products.

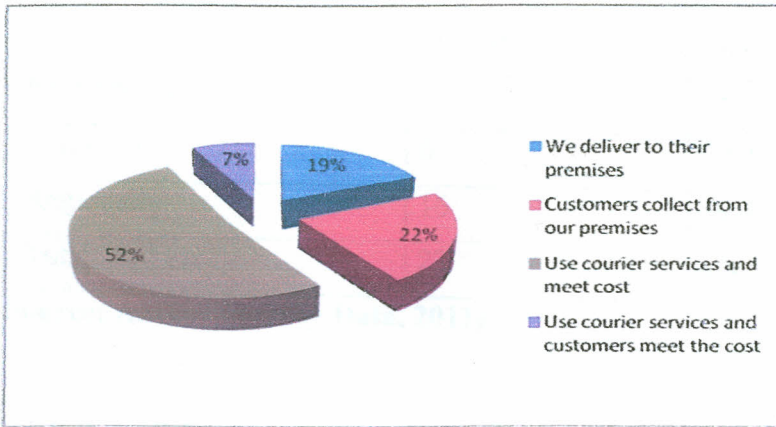
**Table 4.9: Source of raw materials**

	Frequency	Percent
No response	10	37.0
Locally	3	11.1
Imports	14	51.9
Total	27	100.0

**Source: Author (Survey Data, 2011)**

#### 4.3.0 Methods of Delivery of Products to Customers

This section wanted to find out how the veterinary pharmaceutical firms get their products to their customers. Some methods add cost to the firm while other method passed on the cost to the customers and therefore reduce costs from the veterinary pharmaceutical firm.



Source: Author (Survey Data, 2011)

Figure 4.8: Method of delivery of products to customers

The respondents were asked whether they are involved in sales, positioning of their salesmen and key employees retention policy. The table 4.10 below shows that majority (81.5%) are involved in sales while (18.5%) are not. On positioning of their salesmen, majority (59.3%) are positioned regionally while (22.2%) centrally. On key employee's retention policy, majority (81.5%) have a policy while (18.5%) don't have. Those with the policy stated higher salary (77.8%) and medical cover at (3.7%)

#### 4.3.1 Involvement in Sales and Marketing and Positioning of Salespeople

The cost of sales persons and marketing are structural cost drivers that increase the cost of the veterinary pharmaceutical firms. Whether the salespeople are centrally located or based regionally determines the levels of cost incurred in sustaining their activities.

Table 4.10: involvement in marketing and sales

	Frequency	Percent
Yes	22	81.5
No	5	18.5
Total	27	100.0

Source: Author (Survey Data, 2011)

**Table 4.11: Positioning of salesman**

	Frequency	Percent
No response	5	18.5
Centrally	6	22.2
Regionally	16	59.3
Total	27	100.0

Source: Author (Survey Data, 2011)

#### 4.3.2 Retention of Key employees and Method Used

Retention of key employees and the methods used to retain them was sought in this section. Retention of key employees for long period in the firms increases efficiency and lowers the cost of training new employees every so often. This in turn keeps the costs down and provides a good basis for cost leadership strategy for the concerned firm.

**Table 4. policy on retention of key employees**

	Frequency	Percent
Yes	22	81.5
No	5	18.5
Total	27	100.0

Source: Author (Survey Data, 2011)

**Table 4.12: Method of retaining key employees**

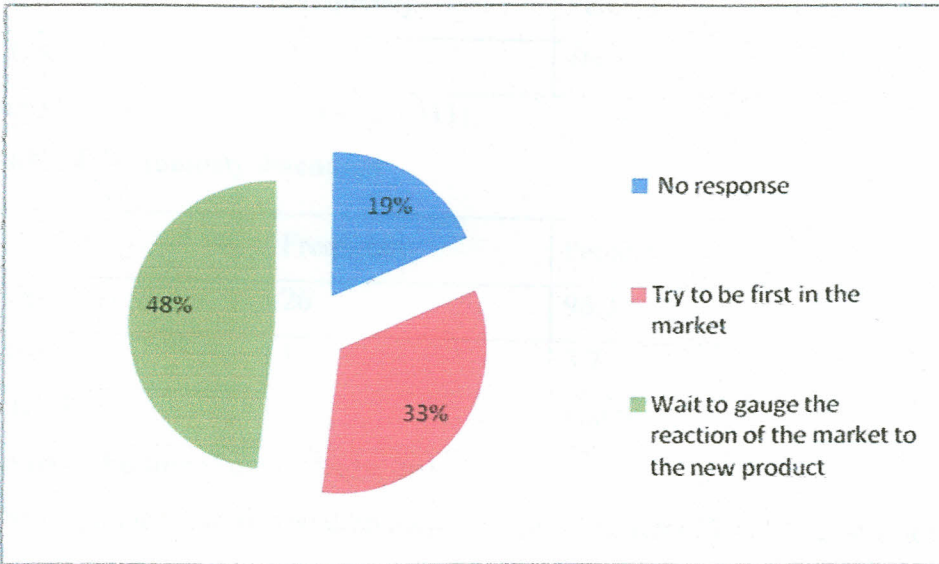
	Frequency	Percent
No response	5	18.5
Paying higher salaries	21	77.8
Providing medical cover	1	3.7
Total	27	100.0

Source: Author (Survey Data, 2011)

The respondents were asked how they introduce new molecules in the market and levels of discounts. The figure 4.9 below shows that majority (48%) wait to gauge the market reaction to the molecule while (33%) try to be first in the market. On discounts, customers ask for both quantity and price discounts and offer both at (100%)

### 4.3.3 Introduction of New Molecule into the Market

Introduction of a new product into the market is part of the executional cost drivers. This section sought to know how the veterinary pharmaceutical firms introduce new molecules into the market



Source: Author (Survey Data, 2011)

Figure 4.9: introduction of new molecule to the market

### 4.3.4 Price Discounts and Quantity Discounts

Price and quantity discounts used by firms to entice their customers where the customers pay less for the products by getting a price discount. Since cost leadership strategies rely

on competing using prices, this section sought to know whether veterinary pharmaceutical firms offer this types of discounts.

**Table 4 price discounts**

	Frequency	Percent
Yes	27	100.0

**Source: Author (Survey Data, 2011)**

**Table 4.13: Availability of price discounts**

	Frequency	Percent
Yes	27	100.0

**Source: Author (Survey Data, 2011)**

**Table 4.14 quantity discounts**

	Frequency	Percent
Yes	26	96.3
No	1	3.7
Total	27	100.0

**Source: Author (Survey Data, 2011)**

The respondents were asked on their opinion of different level of cost leadership strategy by indicating how strongly they agreed or disagreed to the items. The scale was anchored from 1=Not at all to 5= Very large extent. The results indicating the number of respondents and the percentage of respondents were as presented in table 4.14. The numbers in parentheses are the % of the respondents.

**Table 4.15: Cost leadership strategy**

	No at all	Less extent	Moderate extent	Large extent	Very large extent	No response
<b>Offering low priced products</b>	1,(3.7%)	2,(7.4%)	16,(59.3%)	2,(7.4%)	6,(22.2%)	0
<b>Building customer loyalty</b>	0	5,(18.5%)	6, (22.2%)	5,(18.5%)	11,(40.7%)	0
<b>Longer opening hours</b>	1,(3.7%)	0	8, (29.6%)	11, (40.7%)	7, (25.9%)	0
<b>Offering price discount</b>	0	1,(3.7%)	1,(3.7%)	25,(92.6%)	0	
<b>Prompt service/ Delivery of products</b>	0	0	6, (22.2%)	18, (66.7%)	3, (11.1%)	0
<b>Retention of popular staffs</b>	5,(18.5%)	1,(3.7%)	7,(25.9%)	12, (44.4%)	2,(7.4%)	0
<b>Hiring high caliber staff</b>	5,(18.5%)	5,(18.5%)	2,(7.4%)	5,(18.5%)	6,(22.2%)	4,(14.8%)

**Source: Author (Survey Data, 2011)**

The respondents were asked on their opinion of different level of cost leadership strategy by indicating how strongly they agreed or disagreed to the items on the very large extent and not at all scales. The highest scores were from the item “offering price discount” (n=25, 92.6%), followed by “Prompt service/ Delivery of products” (n=21, 77.8%), “Longer opening hours” (n=18, 66.6%) , “Building customer loyalty” (n=16, 59.2%), “Retention of popular staffs” (n=14, 51.8%), “Hiring high caliber staff” (n=11, 40.7%), and finally “Offering low priced products” (n=8, 39.0%), On the not at all and less extent scale the highest scores were from “Hiring high caliber staff” (n=10,%).The mean score for cost leadership was found to be 3.584 and the aggregate mean determined to be 3.89. Therefore offering price discounts was the most preferred in the cost leadership strategy while hiring high caliber staff was the least preferred method in the cost leadership strategy.

**Table 4.16: Cost leadership Strategy Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Offering low priced products	27	1	5	3.37	1.043
Building customer loyalty	27	2	5	3.81	1.178
Longer opening hours	27	1	5	3.85	.949
Offering price discount	27	2	4	3.89	.424
Prompt service/ Delivery of products	27	3	5	3.89	.577
Retention of popular stuffs	27	1	5	3.19	1.241
Hiring high caliber staff	23	1	5	3.09	1.564

N=7 mean average= 3.5

Source: Author (Survey Data, 2011)

Overall Mean response rate on Cost leadership Strategy was 3.5 which is above average, this shows that most of the respondents agreed to the variables

### 4.3 Differentiation

The second objective of the study was to establish the relationship between differentiation strategies and performance of veterinary pharmaceutical firms.

The respondents were asked on their opinion of different level of differentiation strategy by indicating how strongly they agreed or disagreed to the items. The scale was anchored from 1=No at all to 5= Very large extent. The results indicating the number of respondents and the percentage of respondents were as presented in table 4.16. The numbers in parentheses are the % of the respondents

**Table 4.17: Differentiation strategy**

	No at all	Less extent	Moderate extent	Large extent	Very large extent	No response
<b>Having superior products</b>	0	0	0	11, (40.9%)	16, (59.3%)	0
<b>Popularity of marketing staff</b>	0	0	13,(48.1%)	14,(51.9%)	0	0
<b>Location of your premises</b>	2, (7.4%)	5,(18.5%)	3,(11.1%)	1, (3.7%)	12,(44.4%)	4,(14.8%)
<b>Engage in promotional activities</b>	0	5,(18.5%)	7,(25.9%)	11, (40.9%)	4,(14.8%)	0
<b>Offers refreshments to clients</b>	16(59.3%)	11,(40.7%)	0	0	0	0
<b>Use of staff uniforms with logo</b>	9,(33.3%)	7,(25.9%)	7,(25.9%)	2, (7.4%)	1, (3.7%)	0
<b>offering clients gifts</b>	1,(3.7%)	17,(63%)	4,(14.8%)	5,(18.5%)	0	0

**Source: Author (Survey Data, 2011)**

The respondents were asked on their opinion of different level of differentiation strategy by indicating how strongly they agreed or disagreed to the items on the very large extent and not at all scales. The highest scores were from the item “Having superior products” (n=27, 100.0%), followed by “Engage in promotional activities” (n=15, 55.7%), “Popularity of marketing staff” (n=14, 51.9%) , “Location of your premises” (n=13, 48.1%), “offering clients gifts” (n=5, 18.5%), On the not at all and less extent scale the highest scores were from “Offers refreshments to clients” (n=27, 100%).The mean score for differentiation was found to be 3.07 while the aggregate mean was 3.52. The most preferred differentiation strategy method was by the VPFs having superior products while the least preferred , in fact not used at all by the VPFs was by offering refreshments to clients.

**Table 4.18: Differentiation strategy Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Having superior products	27	4	5	4.59	.501
Popularity of marketing staff	27	3	4	3.52	.509
Location of your premises	23	1	5	3.70	1.521
Engage in promotional activities	27	2	5	3.52	.975
Offers refreshments to staffs	27	1	2	1.41	.501
Use of staff uniforms with logo	27	1	5	2.30	1.235
offering clients gifts	27	1	4	2.48	.849

Source: Author (Survey Data, 2011)

The respondents were asked whether they strive to create unique image to your customers, brand the products you offer in the market and package your products. The table 4.18 below shows that all respondents (100.0%) strive to create unique image to their customers by use of company logo (85.2%) and company colors (14.8%). On branding of their products, all respondents (100.0%) brand products as shown in table 4.19 below. On packaging, figure 4.10 shows that (81%) pack in different sizes while (19%) pack in standard packs.

### 4.3.1 Creation of Unique Image to Customers

A company that pursues a differentiation strategy strives to differentiate itself along as many dimensions as possible. The less it resembles its rivals the more it is protected from competition and wider its market appeal.

**Table 4.19 creation of unique image to customers**

	Frequency	Percent
Yes	27	100.0

Source: Author (Survey Data, 2011)

### 4.3.2 Method of Creating a Unique Image

This section sought to establish what method the firms use to create a unique image of their companies.

**Table 4.20: Method of creating a unique image**

	Frequency	Percent
Through company logo	23	85.2
Company colors	4	14.8
Total	27	100.0

Source: Author (Survey Data, 2011)

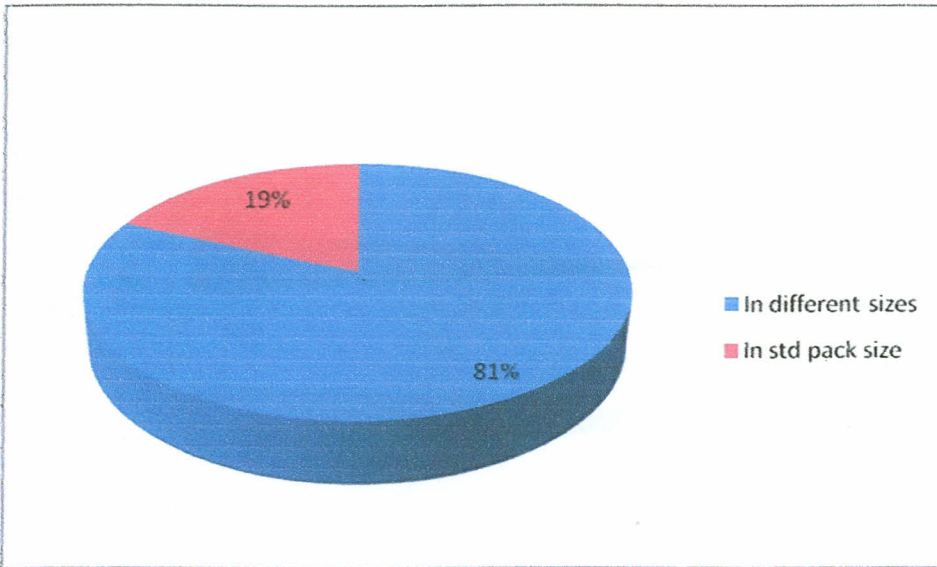
**Table 4.21: branding of products offered**

	Frequency	Percent
Yes	27	100.0

Source: Author (Survey Data, 2011)

### 4.3.3 Product Packaging

The main objective of the generic differentiation strategy is to achieve a competitive advantage by creating a product that is perceived by customers to be unique. Packaging of products provides the firm pursuing this strategy to make their product appear unique .



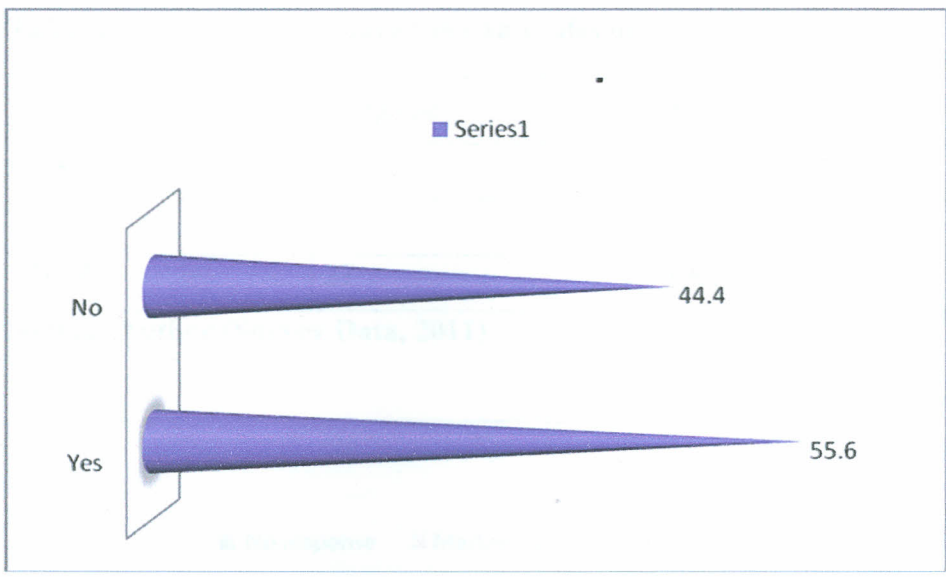
Source: Author (Survey Data, 2011)

Figure 4.10: product packaging

The respondents were asked about Research and Development section, marketing, product guarantees and replacement policy. The figure 4.11 below shows that majority (55.6%) of the respondents have R&D for products. Another that majority (55.6%) of the respondents have R&D exist in production department as shown in table 4.20. The table 4.21 below shows that most of the respondents have marketing and sales department. (81.5%) while minority (18.5%) doesn't have. Marketing is done by marketers (56%) and technical staff (26%) as indicated in figure 4.12 below. On product guarantees (55.6%) offer this to customers while (44.4%) don't as shown in table 4.22. On product replacement all the respondents have the policy (100.0%) as indicated in table 4.23.

#### 4.3.4 Existence of R&D for Products & Production

This section sought to find out the existence of a research and development department for products and production. A differentiating company concentrate on the organizational function that provides the sources of its differentiation advantage. Differentiation on the basis of innovation and technological competence depends on the R&D function.



**Figure 4.11: Existence of R&D for products**

Source: Author (Survey Data, 2011)

**Table 4.22: Existence of R&D in production dept**

	Frequency	Percent
No response	5	18.5
Yes	15	55.6
No	7	25.9
Total	27	100.0

Source: Author (Survey Data, 2011)

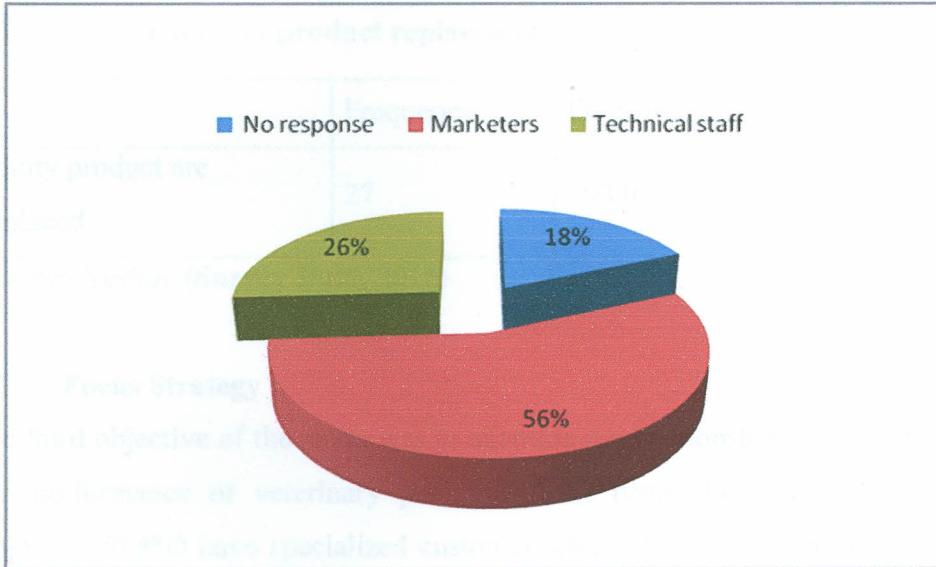
**4.3.5 Marketing and Sales Department**

This section sought to find out the existence of sales and marketing departments and who actually does the marketing. Efforts to improve services to customers depend on the quality of the sales and marketing function.

**Table 4.23: Existence of marketing and sales dept**

	Frequency	Percent
Yes	22	81.5
No	5	18.5
Total	27	100.0

Source: Author (Survey Data, 2011)



Source: Author (Survey Data, 2011)

**Figure 4.12: Product marketing**

#### 4.3.6 Policy on product replacement

This is a policy that a firm following the differentiation strategy can utilize to appeal to customer's satisfaction and create a unique image to its customers.

**Table 4.24: Policy on product guarantee**

	Frequency	Percent
Yes	15	55.6
No	12	44.4
Total	27	100.0

Source: Author (Survey Data, 2011)

**Table 4.25: policy on product replacement**

	Frequency	Percent
Faulty product are replaced	27	100.0

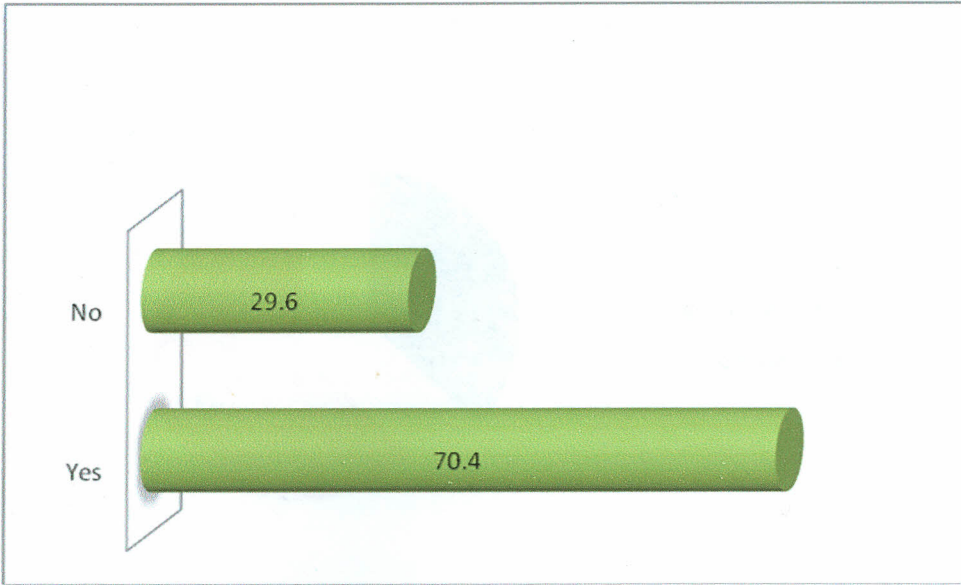
Source: Author (Survey Data, 2011)

#### 4.4 Focus Strategy

The third objective of the study was to examine the relationship between focus strategies and performance of veterinary pharmaceutical firms. From the figure 4.13 below, majority (70.4%) have specialized customer while 29.6%) don't have. On the existence of special category of products to specialized customers, figure 4.14 shows that majority (63%) don't have while (37%) have. Figure 4.15 indicates that general customers form the bulk of the customers (63%) while specialized customers are (37%).

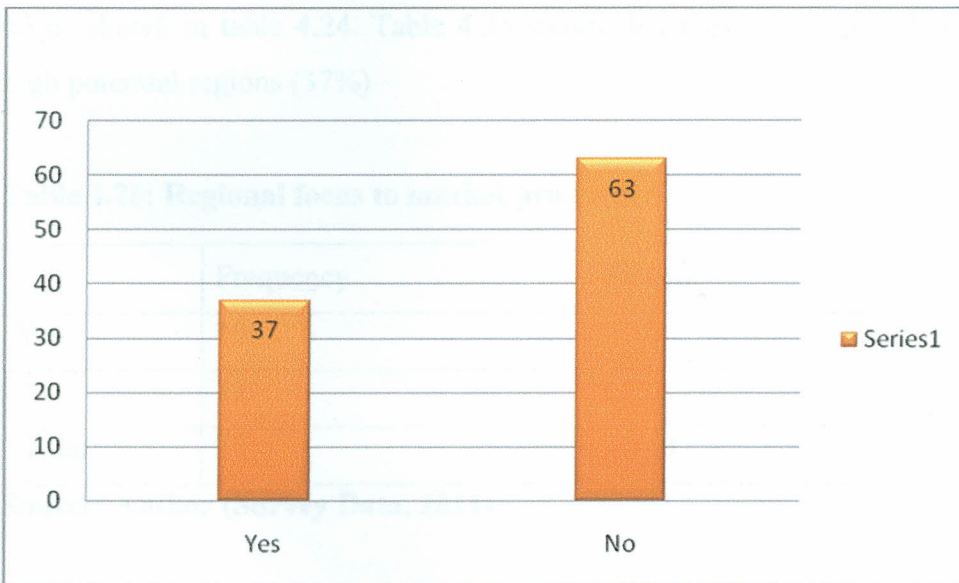
##### 4.4.1 Specialized Customers/Specialized Products

A focus strategy concentrates on serving a particular market niche which can be defined geographically or by type of customer or by segment of the product line. Geographic niche can be defined by region or even by locality. In following the focus strategy, a company is specializing in a way. As for customer groups, a focused company chooses specific niches in which to compete rather than going for the whole market.



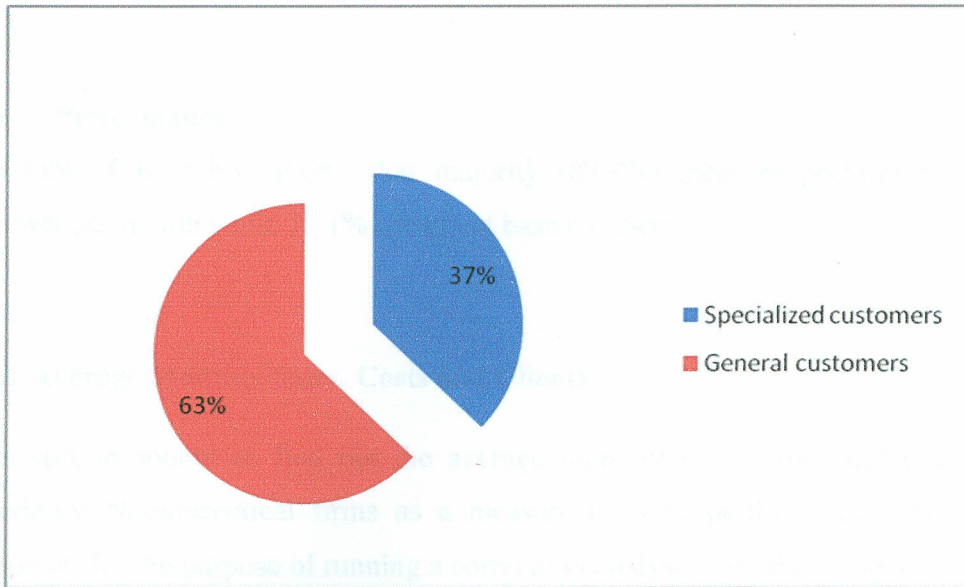
Source: Author (Survey Data, 2011)

Figure 4.13: Category of customers



Source: Author (Survey Data, 2011)

Figure 4.14: category of products to specialized customers



**Source: Author (Survey Data, 2011)**

**Figure 4.15: Types of customers**

On market specialization, majority (63%) don't specialize on specific region while (37%) do as shown in table 4.24. Table 4.25 shows that those who specialize concentrate on high potential regions (37%)

**Table 4.26: Regional focus to market products**

	Frequency	Percent
Yes	10	37.0
No	17	63.0
Total	27	100.0

**Source: Author (Survey Data, 2011)**

**Table 4.27: Criteria used to focus on specific markets**

	Frequency	Percent
No response	17	63.0
High potential areas	10	37.0
Total	27	100.0

**Source: Author (Survey Data, 2011)**

## 4.5 Performance

The table 4.30 below shows that majority (87.9%) measure performance by sales turnover per month while 11.1% use client base numbers.

### 4.5.1 Average Monthly Sales, Costs and Clients

This section sought to find out the average monthly sales, costs and clients for the veterinary pharmaceutical firms as a measure of their performance. This section is important for the purpose of running a correlation analysis with the competitive strategies of cost leadership, differentiation and focus strategies.

**Table 4.28: measurement of performance**

	Frequency	Percent
Sales per month	24	87.9
No of client	3	11.1
Total	27	100.0

Source: Author (Survey Data, 2011)

The table 4.31 below shows that majority (37%) make monthly turnover of 2.5-5 million, while cost are at (59.6%) 1.5-2.5million. On client numbers, (40.7%) have 200 clients as shown on table 4.29 below.

**Table 4.29: Average monthly sales**

	Frequency	Percent
1.5-2.5 million	2	7.4
2.5-5 million	10	37.0
5-10 million	8	29.6
10-30 million	5	18.5
More than 30 million	2	7.4
Total	27	100.0

Source: Author (Survey Data, 2011)

**Table 4.30: Average monthly costs**

	Frequency	Percent
0.5-1.5 million	4	14.8
1.5-2.5 million	16	59.3
2.5-5 million	2	7.4
5-10 million	4	14.8
10-30 million	1	3.7
Total	27	100.0

Source: Author (Survey Data, 2011)

**Table 4.31: Average monthly clients**

	Frequency	Percent
50	1	3.7
100	6	22.2
200	11	40.7
1000	4	14.8
2000	5	18.5
Total	27	100.0

Source: Author (Survey Data, 2011)

The average mean score for the average monthly clients was determined to be 619 clients.

**Table 4.32: Pearson's Correlations**

		(Performance)Average monthly sales	Cost leadership strategy	Focus strategy	Differentiation strategy
Performance (Average monthly sales)	Pearson Correlation	1	0.265	0.403(*)	0.265
	Sig. (2-tailed)	.	.182	.037	.182
	N	27	27	27	27
Cost leadership strategy	Pearson Correlation	0.265	1	.450(*)	1.000(**)
	Sig. (2-tailed)	.182	.	.019	.
	N	27	27	27	27
Focus strategy	Pearson Correlation	0.403(*)	.450(*)	1	.450(*)
	Sig. (2-tailed)	.037	.019	.	.019
	N	27	27	27	27
Differentiation strategy	Pearson Correlation	0.265	1.000(**)	.450(*)	1
	Sig. (2-tailed)	.182	.	.019	.
	N	27	27	27	27

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

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

**Source: Author (Survey Data, 2011)**

The Pearson correlation test is used to establish whether there is evidence of an association between two variables. In this case the dependent variable is performance while the independent variables are the competitive strategies of cost leadership, differentiation and focus. At the 0.05 significant level the correlation between focus strategy and performance is (0.403) which indicates that it is significantly correlated.

For the differentiation and cost leadership strategies the correlation is significant at the 0.01 significant levels. In comparison therefore focus strategy has a high casual relationship with performance in comparison with differentiation and cost leadership strategies.

The table 4.34 shows that all the three strategies have positive relationships to performance. However focus strategy has the strongest relation (0.403) then Cost leadership strategy and Differentiation strategy at (0.265) each. This means that the use of focus strategy increases the performance of VPFs more compared to the other strategies of cost leadership and differentiation.

## CHAPTER FIVE

### SUMMARY CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This chapter gives a summary of the study findings. It also presents the recommendations, conclusion and areas for further research. The data were analyzed by use of SPSS package to produce the descriptive statistics. Frequency tables and charts were used to describe the data and draw conclusions on the findings.

#### 5.2 Summary of Major Findings

Veterinary pharmaceutical firms operating in Nairobi County are integral drivers of our agricultural economy and especially the livestock production economy; there is stiff competition among the various veterinary pharmaceutical firms since they compete for the same customers. Over the last couple of years beginning in the mid 1990s to the present, cut throat competition for the market has witnessed the closure of some veterinary pharmaceutical with other migrating to other countries. Many multinationals left the country completely with some maintaining regional offices with single country representatives. To guarantee acceptable performance veterinary pharmaceutical firms need to put in place sound competitive strategies that will ensure their continued existence o be able to deliver essential inputs to the farmers for livestock production.

The specific objectives of this study were, first to examine the relationship between cost leadership strategies and performance of veterinary pharmaceutical firm to establish the relationship between the differentiation strategies and performance of veterinary pharmaceutical firms and finally to examine the relationship between focus strategies and performance of veterinary pharmaceutical firms.

The following summaries are made in light of the objectives of the study. Majority of the VPF were established between 1980- 1989. This can be attributed to that period in the early and late 1980s when the SAPs were introduced in Kenya. The government pulled out of the provision of veterinary inputs to farmers and these services were privatized.

Many of the companies had an average of 4 employees at inception. This is an indication of how the business began at a low pace with minimal labor requirements. Presently, the highest number of employees is at 450 while majority of the firms indicate an average of 30 employees. Majority of the firms were found to be limited companies which shows that the business is in hands of private investors compared previously before SAPs when most of the business was in the hands of the government.

Many of the firms have been shown to have vision and mission statement where these two documents have been designed in majority of the cases by the owners and managers of the firms. Majority of the companies do their own manufacturing locally and by use of automated production systems. This is an indication of firms that want to cut on costs and utilize the strategy of cost leadership to compete in the market.

According to the research findings all the companies offer both quantity and price discount to their customers. On the most preferred cost leadership method used, majority of the respondents indicated that they offer price discount as the main method. This could indicate that VPF use price discounts to attract and maintain customers. The other major finding on cost leadership strategy method was that majority of VPFs do not consider hiring high caliber staff as a viable method for competition. On the differentiation competitive strategy, the most preferred method was by having superior products. This will mainly be of importance to the end users of the products from the VPFs

### **5.3 Conclusion**

The results show that all the three competitive strategies have a positive and a significant relationship with the performance of veterinary pharmaceutical firms. The focus strategy was found to have the strongest and most significant relationship with performance at

(0.04.3). Cost leadership strategy and differentiation strategy both had significant relationship with performance at (0.265) each.

The results shows that all the three strategies have positive relationships to performance, however focus strategy has the strongest relation (0.403) then Cost leadership strategy and Differentiation strategy at (0.265) each

#### **5.4 Recommendations**

From the finding of the study it is recommended that VPFs should use more of the focus strategy in order to enhance their performance. This is recommendation is made on the basis of the very strong relationship between focus strategy at (0.403) correlation and performance of veterinary pharmaceutical firms. This is in comparison with the cost leadership strategies and the differentiation strategy.

From the findings of the study it is recommended that VPFs should use more of the focus strategy than the other strategies of cost leadership and or differentiation. The use of a company logo is more recommended than the use of company colors. From the study findings it is also recommended that VPFs should meet the delivery cost of their products to the clients. In light of the study findings it is also recommended that VPFs offer price discounts in order to be competitive in the market and improve their performance.

Focus strategy entails the firm focusing on product segments of the customers. From the findings of the study majority of the firms focus on high potential areas to market their products. High potential areas in this context mean areas that receive above average rainfall and farmers keep exotic breeds of animals that are also highly productive economically.

The use of company logo is recommended more than the use of company colours. Company logos are unique to particular companies whereas colours may in some other instances represent other themes. From the study findings, it is recommended that VPFS should meet the delivery cost of their products to their clients. This is a good way of building customers loyalty.

On price discounts, since majority of the firms use this method, it is recommended that VPF use the method to avoid losing out to other competitors in the market. Firms that use price discounts will have the price of their products better priced than their competitors.

#### 5.4 Suggestions for Further Research

The following areas are suggested for further research;

- i) Analysis of competitive strategies used by retail veterinary pharmaceutical outlets in Nairobi County as well as other counties.
- ii) A survey of the factors that influence the performance of veterinary pharmaceutical firm in Nairobi County.
- iii) Empirical analysis of the perception of veterinary pharmaceutical firms by the retail veterinary outlets

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## APPENDIX I: QUESTIONNAIRE

### SECTION A: COMPANY BIO DATA

1. What is the name of your company.....
2. Year it was established.....
3. Number of employees on inception.....Number now.....
4. Do you have branches Yes [ ] No [ ]
5. If yes above how many .....and location .....
6. Category of ownership  
Sole [ ]  
Partnership [ ]  
Ltd company [ ]  
Other [ ]
7. In what category do you fall here below  
Local manufacturer [ ]  
Local importer [ ]  
Multinational co. [ ]

### SECTION B- COMPETITIVE STRATEGY

#### i) Cost Leadership Strategies

8. Does your company have a written
  - a) Vision statement Yes [ ] No [ ]
  - b) Mission statement Yes [ ] No [ ]



1. Are you involved in the marketing and sales of your products? Yes [ ] No [ ]
2. If yes above are our sales persons based
  - i) Centrally [ ]
  - ii) Regionally [ ]
  - iii) Other. Specify .....
3. If you involved in production of your products how often do you service and overhaul your production units
 

Semi annually [ ]      annually [ ]      Bi-annually [ ]

Other specify [ ].....
4. Do you have a policy of retaining your key employees
 

Yes [ ]      No [ ]
5. If yes above how do you do it.
  - i) Paying higher salaries[ ]
  - ii) Providing medical cover[ ]
6. How do you procure your supplies for the company e.g. vehicles, computer, stationary etc.
  - i) By open tender[ ]
  - ii) From regular traditional supplies[ ]
  - iii) From cheaper suppliers [ ]
7. How do you introduce a new molecule into the market?
  - i) Try to be first in the market [ ]

ii) Wait to gauge reaction of market to the new product. [ ]

iii) Introduce last after the others. [ ]

8. Do your customer ask for price discounts

9. Yes [ ] No [ ]

10. Do you normally give price discounts?

11. Yes [ ] No [ ]

12. Do you give quantity discounts?

13. Yes [ ] No [ ]

14. To what extend do you use the following as a means of attracting and retaining customers

Means of attracting and retaining customers	5	4	3	2	1
1. Offering low priced products					
2. Building customer loyalty					
3. Longer opening hours					
4. Offering price discount					
5. Prompt services/delivery of products					
6. Retention of popular staff					
7. Employing high caliber staff					

Key 5- Very large extend

4. To a large extend

3. Moderate extend

2- Less extend

1. Not at all.

## SECTION B – COMPETITIVE STRATEGIES

### ii) Differentiation Strategies

15. Do you strive to create a unique image of your company to your customers

Yes [ ] No [ ]

(i) Company name

(ii) Office location

17. To what extent do you

employ the following

factor

Offering superior products

Popularity of marketing staff

Location of your premises

Engage in promotional activities

Offer refreshment to clients

Use of staff uniform with company logo

Offering clients gifts

Key 5- Very large extent

2- Less extend

1- No extent

18. How often does your company update its logo

(iv) Every six months [ ]

(v) Annually [ ]

(vi) Bi annually [ ]

(vii) Every three years or more [ ]

16. If yes above how do you create a unique image of your company?

- i) Through company logo. [ ]
- ii) Company colors. [ ]
- iii) Others specify .....

17. To what extent are the following factors used as a way to distinguish your company from others

Factor	5	4	3	2	1
Having superior products					
Popularity of marketing staff					
Location of your premises					
Engage in promotional activities					
Offer refreshment to clients					
Use of staff uniform with company logo					
Offering clients gifts					

Key 5- Very large extend                      4. To a large extend                      3. Moderate extend  
 2- Less extend                      1. Not at all.

18. How often does your company introduce new products into the market

- iv) Every six months[ ]
- v) Annually [ ]
- vi) Bi annually[ ]
- vii) Every three years or more. [ ]

34. Do you brand the products you offer in the market?

Yes [ ] No [ ]

35. If yes above are all the products branded.....

36. How does your company package its products

a. In different sizes to cater for all clients [ ]

b. In standard pack sizes [ ]

c. As per client request [ ]

37. Do you have a research and development department for products?

Yes [ ] No [ ]

38. Do you have a R & D depart for the production department Yes [ ] No [ ]

39. What delivery methods are used by your company to customers?

a. Customer collect from our premises [ ]

b. We deliver to our customers. [ ]

c. We send by courier to customers. [ ]

40. Do you have a marketing and scale department in your company?

Yes [ ] No [ ]

41. Who does the marketing of your products?

a. Marketers [ ]

b. Technical staff [ ]

42. Do you offer products guarantees to your customer Yes [ ] No [ ]

43. What is your policy on product replacement.

- a. No policy on product replacement[ ]
- b. Faulty product are replaced[ ]
- c. Faulty products are not replaced[ ]

## SECTION B – COMPETITIVE STRATEGY

### iii) Focus Strategies

44. Do you have a special category of customers.

Yes [ ]      No [ ]

45. Do you have a specialized product range for some customers only?

Yes [ ]      No [ ]

46. Who form the majority of your customers.

- i) Specialist customers[ ]
- ii) General customers[ ]
- iii) High class customers [ ]

47. Does your company focus on a specific region when marketing your products?

Yes [ ]      No [ ]

48. If yes above what category do you focus on

- i) High potential areas[ ]
- ii) Low potential areas[ ]
- iii) Medium potential areas [ ]

## SECTION C: PERFORMANCE

49. How do you measure your performance?

Sales per month [ ]

Number of clients served per month [ ]

Net profit per month [ ]

50. What are your average monthly sales?

0.5million – 1.5 million [ ]

1.5million-2.5million [ ]

2.5million – 5 million [ ]

5million – 10million [ ]

10 million – 30 million [ ]

More than 30 million [ ]

51. What is your average monthly total cost

0.5million – 1.5 million [ ]

1.5million-2.5million [ ]

2.5million – 5 million [ ]

5million – 10million [ ]

10 million – 30 million [ ]

More than 30 million [ ]

52. What is the average number of clients served per month?.....

## APPENDIX IV: LIST OF VETERINARY PHARMACEUTICAL FIRMS IN NAIROBI COUNTY

Pharmaceutical companies	Website address	Phone contact	Email address	Physical address
1. AESTHETICS LIMITED		Tel:020 555157,537615/6 Fax: 020 537616	<a href="mailto:aesthetics@iconnect.co.ke">aesthetics@iconnect.co.ke</a>	Enterprise Rd, Industrial area P.O Box 18171 Nairobi
2. ANICARE LTD		Tel: 020 3747460/1,3743795 Fax: 020 374187	<a href="mailto:anicare@africaonline.co.ke">anicare@africaonline.co.ke</a>	Sarit centre, Ground Flr P.O Box 466-00600
3. ANTIPEST KENYA LTD	<a href="http://www.antipest.co.ke">www.antipest.co.ke</a>	Tel: 020 602731/2 Fax: 020-607910 Mobile: 0733 343089 0723 786612	<a href="mailto:sales@antipest.co.ke">sales@antipest.co.ke</a>	Wilson Airport gate, off Langata Rd P.O Box 5378 00506 Nairobi
4. ASSIA PHARMACEUTICALS	<a href="http://www.assiapharm.co.ke">www.assiapharm.co.ke</a>	Tel: 020 537622-6 Fax: 020 537627/8 Mobile: 0722 203616	<a href="mailto:enquiries@assiapharm.co.ke">enquiries@assiapharm.co.ke</a>	Funzi Rd, Industrial area P.O Box 30620-00100 Nairobi
5. AQUAPET LTD		Tel: 020 211651, 020 4444867 Fax: 020 316692	<a href="mailto:aquapet@todays.co.ke">aquapet@todays.co.ke</a>	Kijabe street, Nairobi P.O Box 55754-00200 Nairobi
6. BIODEAL LABORATORIES LTD	<a href="http://Biodeal.co.ke">Biodeal.co.ke</a>	Tel: 020 536229/30/32, 557808 Fax:020-536231	<a href="mailto:Sales@biodeal.co.ke">Sales@biodeal.co.ke</a>	Lunga Lunga Rd, Industrial area P.O Box 32040-00600 Nairobi
7. COOPERS K-BRANDS LIMITED	<a href="http://www.coopers.co.ke">www.coopers.co.ke</a>	Tel: 020 4180612-16, 3001666 Fax: 020-4182397 Mobile: 0722 209840 0734 330044	<a href="mailto:info@coopers.co.ke">info@coopers.co.ke</a>	Cooper centre, Kaptagat Rd P.O Box 40956-00100 Nairobi
8. COSMOS LIMITED	<a href="http://www.cosmos-pharm.com">www.cosmos-pharm.com</a>	Tel: 020 550700 Fax: 020 550680	<a href="mailto:info@cosmos-pharm.com">info@cosmos-pharm.com</a>	Ragwe Rd, off lunga lunga Rd, Industrial area

		Mobile: 0722 333834 0733666834		P.O Box 41433-00100 Nairobi
9. DAWA LIMITED	<a href="http://www.dawalimited.com">www.dawalimited.com</a>	Tel: 020 8563405, 8563093 Fax: 020 8561554	admin@dawalimited.com	Baba Dogo Rd, Ruaraka P.O Box 16638-00620
10. EAGLEVET KENYA		Tel: 020 2018562 Fax: 020 22018563 Mobile: 0721 701232 0733 602833	eaglevetkenya@yahoo.com	Road, Industrial area P.O Box 15938-00100 Nairobi
11. HIGHCHEM ESSENTIALS	<a href="http://www.highchem.co.ke">www.highchem.co.ke</a>	Tel: 020 530774/530783 Fax: 020 652573	essentials@highchem.co.ke	Mogadishu Rd, Industrial area P.O Box 30467, GPO, 00100 Nairobi
12. JUANCO SPS LIMITED	<a href="http://www.juancogroup.com">www.juancogroup.com</a>	Tel: 020 2088754, 2088755 Fax: 020 2088793	info@juancogroup.com	Juanco centre, Ngong Hills P.O Box 381,00502 Karen
13. KAMRO AGROVET LIMITED	<a href="http://www.kamro.co.ke">www.kamro.co.ke</a>	Tel: 020 602058/602059 Fax: 020 602102	kamroagrovvet@gmail.com	Mirage Plaza, Mombasa Rd P.O Box 6892-00300 Nairobi
14. KENYA VETERINARY VACCINES		Tel: 020 536018, 536043 Fax: 020 537744	vaccines@wananchi.com	Road A, off Enterprise Rd P.O Box 53260-00200 Nairobi
15. LABORATORY & ALLIED LTD	<a href="http://www.laballied.com">www.laballied.com</a>	Tel: 020 530101, 530141 Fax: 020 557941 Mobile: 0722 134203 0720 758882	sales@laballied.com	Mombasa Rd, Opp Sameer Africa P.O Box 424875, 00100 Nairobi
16. LESUKUT LTD	<a href="http://www.lesukut.co.ke">www.lesukut.co.ke</a>	Tel: 020 2250715, 2211203 Fax: 020 2217328 Mobile: 0722 209689 0735 337629	vets@lesukut.co.ke	Jubilee Insurance Building, 3 <sup>rd</sup> Flr P.O Box 40875-00100 Nairobi

17. METROVET KENYA LIMITED	<a href="http://www.metrovetkenyaltd.com">www.metrovetkenyaltd.com</a>	Tel: 020 2250715, 2725380 Fax: 020 2712476 Mobile: 0722 516365	sales@metrovetkenyaltd.com	Kindaruma Rd, off Kamburu drive P.O Box 1606-00100 Nairobi
18. MURPHY CHEMICALS LTD	<a href="http://www.murphychemicals.co.ke">www.murphychemicals.co.ke</a>	Tel: 020 8561014/15, 350415 Fax: 020 8562199 Mobile: 0722 570768 0733 610860	sales@murphychemicals.co.ke	Baba Dogo Rd, Ruaraka P.O Box 20496 Nairobi
19. NAIROBI VETERINARY CENTRE	<a href="http://www.nairobivet.co.ke">www.nairobivet.co.ke</a>	Tel: 020 2217566/2217581 Fax: 020 240193 Mobile: 0729 852658 0734 292004	info@nairobivet.co.ke	Development Hse, Ground Flr P.O Box 72788-00200 Nairobi
20. NERIX PHARMA LIMITED	<a href="http://www.nerixpharma.com">www.nerixpharma.com</a>	Tel: 020 820951/3, 820717 Fax: 020 820950	info@nerixpharma.com	Unit 52 Alpha centre, Mombasa Rd P.O Box 25453 00603 Nairobi
21. NORBROOK KENYA LIMITED	<a href="http://www.norbrook.co.uk">www.norbrook.co.uk</a>	Tel: 020 2019457/8 Fax: 020 2019456 Mobile: 0722 200804 0734 514160	enquiries@norbrook.co.ke	Old Limuru Rd, Karuri P.O Box 1287,00606 Nairobi
22. OSHO CHEMICALS INDUSTRIES LTD	<a href="http://www.oshochem.com">www.oshochem.com</a>	Tel: 020 533621/3, 532939/40 Fax: 020 650197 Mobile: 0733 880480 0726 880480	oshochem@oshochem.com	Osho complex, Industrial area P.O Box 49916-00100 Nairobi
23. SPHINX PHARMACEUTICALS	<a href="http://spinx.co.ke">spinx.co.ke</a>	Tel: 824267/820051 Fax: 020 8201902 Mobile: 0733 587009 0722 565305	Spinx@spinx.co.ke	Old Nairobi Airport Rd P.O Box 69512-00410 Nairobi
24. TWIGA CHEMICAL INDUSTRIES LTD	<a href="http://www.twigachemicals.com">www.twigachemicals.com</a>	Tel: 020 3942300, 530020 Fax: 020 530022	info@twiga.chem.com	OI kalou Rd, Industrial area P.O Box 30172-00100 Nairobi

25. ULTRAVETIS EAST AFRICA LTD	<a href="http://www.ultravetis.com">www.ultravetis.com</a>	Tel: 020 537665/5, 554255 Fax: 020 537664	info@ultravetis.com	Nanyuki Rd, Off Lunga Lunga Rd P.O Box 44096-00100 Nairobi
26. UNGA FARM CARE		Tel: 020 53006/07 Fax: 020 535625 Mobile: 0722 205132 0733 624136	information@unga.com	Commercial Street, Industrial area P.O Box 41780-00200 Nairobi
27. UNIVERSAL CORPORATION LTD	<a href="http://www.ucl.co.ke">www.ucl.co.ke</a>	Tel: 066 31459/61/62 Fax: 066 31462	info@ucl.co.ke	Lunga lunga rd ind, Area. P.O Box 42367 Nairobi
28. VETCARE KENYA	<a href="http://www.vetcarekenya.com">www.vetcarekenya.com</a>	Tel: 550196/7 Telefax: 550197	vets@wananchi.com	Off Enterprise Rd, Industrial area P.O Box 25123-00603 Nairobi
29. MEGA SCOPE LABORATORIES (K)LTD		Tel: 020 3533065 Fax: 0202212176	info@shepherd.co.ke	Cargen House moi Avenue P.O BOX 54000 -00200 Nairobi.
30. BEDSON EAST AFRICA LTD	<a href="http://www.bedson.co.za">www.bedson.co.za</a>	Tel: 0722742541 Tel: 0733625038	Kenneth.wameyo@bedsoneast frica.com	Lavington, BOX 785, Uhuru Gardens Nairobi