# EFFECT OF COMPETITIVE STRATEGIES ON CUSTOMER LOYALTY AMONG RETAIL BUSINESS IN GARISSA TOWN, KENYA

**BY**

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## DECLARATION

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

Sign……………………………… Date………………………………………

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This project has been presented to the University for Examination with my approval as university supervisor.

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# DEDICATION

I hereby dedicate this research project to my family for their sacrifice, encouragement and continuous support throughout my education.

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## OPERATIONAL DEFINITION OF TERMS

**Competitive strategy-** Competitive strategies are the method by which a business can achieve competitive advantage in the market.eg. Cost leadership, differentiation.

**Customer loyalty-** Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience.

**Retail business-** Is the sale of goods from a single point e.g. Malls, markets, department stores directly to the consumer in small quantities for the end use.

**Strategy -** Is a long term plan of action designed to achieve a particular goal, most often winning.

**Cost leadership-** Strategy used by businesses to create a low cost of operation within their business niche when compares with competitors.

**Performance** - Is a measure system that uses of a multi-dimensional set of performance measures for the planning and management of a business.

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **SPSS-** | Statistical Packages for Social Scientist |
| **APA-** | American Psychological Association |
| **RM-** | Relationship marketing |
| **U.S** | united States |
| **MBV** | Market Base View |
| **RBV** | Resource Base View |
| **SCP** | Structured Conduct performance |
| **MBA** | Masters of Business Administrations |
| **PIMS** | Product impact market Studies |
| **CERID** | Center for Research & integrated Development |

# ABSTRACT

This study aimed at analyzing the effect of competitive strategy and customer loyalty among retail business in Garissa Town. Under this objective, the study intended to examine the extent to which cost leadership strategy affects customer loyalty; to find out how the focus strategy influences customer interest; to assess the effect of differentiation strategy in retail business. The findings of this study will help the organisations to understand the relationship between the competitive strategies and customer loyalty. The study objectives included; determining the effects of cost leadership strategies on customer loyalty in retail business; to establish how focus strategy affects customer loyalty in retail business; to establish the differentiations strategies used by businesses to enhance customer loyalty in retail business in Garissa town. The study used descriptive research design in the collection of data. The target population was drawn from four hundred and fifty retail business in Garissa town. Through Stratified proportionate random Sampling technique a total of one hundred and thirty five respondents was obtained. This study concluded that cost leadership strategy, requires a continuous search for cost reductions in all aspects of the business. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Differentiation creates a better entry barrier. Retail business in Garissa town use focus strategy on a particular buyer group, product segment, or geographical market. Focus strategy means achieving either a low cost advantage or differentiation in a narrow part of the market. This has creates a defendable position within that part of the market of retail business in Garissa town. The study recommended that retail business in Garissa town should ensure continued capital investment to maintain cost advantage through economies of scale and market share. Develop cheaper ways to produce existing products. Increase capital investment in new technology, which can lead to large market share in the long-run. achieving a successful strategy of differentiation usually requires strong marketing skills, Product innovation as opposed to process innovation, research and development, customer support, less emphasis on incentive based pay structure etc. Retail business in Garissa town can also do differentiation of their products through different design, brand image, number of features, new technology etc. Retail business in Garissa town should embrace a focus strategy in order to gain a competitive advantage by aiming at attending to specific small niches that require special features or prices. The retail business in Garissa town should use a focus strategy by selecting a segment or a group of segments within the industry for which a strategy is tailored and also have different segments in which it can focus on or represent the impossibility to go to the broader perspective, because these are facts creating tradeoffs and so barriers to imitation.

# CHAPTER ONE

# INTRODUCTION

This chapter will deal with a systematic dissemination of the significant issues concerning the area of study to set a platform for the general research undertakings, these includes; - The background of the study, the statement of the problem, the general objective of study the specific objectives of the study, the research questions, significance of the study and study limitation.

## 1.1 Background of the Study

At the dawn of the second and third millennium, for firms to succeed in a competitive global environment, they need good strategies. A strategy is a firm’s theory about how to compete successfully, a unifying theme that gives it coherence to its various actions (Peng, 2009). Strategic decisions are normally trying to achieve some advantages for the organization over competition. Strategy can be seen as the matching of resources and activities of an organization to the environment in which it operates (Johnson & Scholes, 2002). It is the search for strategic fit between organization’s internal resources and competence on one hand and the external environment.

Modern retail business development in Africa has mostly been in the form of store-based rather than non-store retailing. The reason for this is that companies have to first establish a physical presence in a market and be visible enough before they can develop a multi-channel strategy centered on internet retailing. Nonetheless, the continent has a fairly good presence of direct sellers and out-of-store transactions happen more often than might be expected. Firstly, direct sellers can access remote areas where no bricks-andmortar stores are present, while, secondly, direct selling offers local entrepreneurs an opportunity to earn extra income.

As with store-based retailing business, South Africa is the springboard for international expansion into neighboring markets. Leading players such as Avon Products Inc. and Tupperware Brands Corp are selling their products, either produced domestically or imported, in markets like Kenya, Mozambique, Nigeria, Sudan and Uganda. Kenyan-based retail business such as Nakumatt Holdings has developed a very modern and up market concept that appeals to urban consumers. The company is the largest modern grocery retailer in Kenya, accounting for an estimated 35% value share of sales. (Lagat, 2011). It is the first Kenyan-based retailer to offer 24-hour shopping, adopting a strategy employed by Western retailers in order to enable consumers to shop at any time so as to make sure that sales are not lost to a competitor Uchumi Supermarkets has replicated this strategy at its Ugandan branch in 2009.

To overcome competition in this era organizations are becoming more aggressive in using available opportunities and dealing with threats in their environment. However, an organization's strength may not always bring success they require (Brooks, 2010). Competition will determine how appropriate a firm's activities will contribute to its performance, such as a cohesive culture, innovations or a good implementation (Porter, 2012). Every organization that competes in an industry has a competitive strategy it uses.

The strategy may have been developed through a planning process or may come up through the activities of various functional departments of the organization (Porter, 2012). A number of terms have been used as substitutes for relationship marketing or to describe similar concepts (Brooks, 2010). These include direct marketing, database marketing, customer relationship management, data driven marketing, micromarketing, one-to-one marketing, loyalty based marketing, segment of one marketing, customer partnering, dialogue marketing and interactive marketing. All this suggests that RM is also an umbrella philosophy for relational approaches in marketing.

Henard (2001) in a meta-analysis of customer satisfaction research found that customer satisfaction explains less than twenty five percent of the variance in repeat purchase which is considered to be major cue for customer loyalty. They point out that there is a strong possibility of other factors excluding satisfaction that have an effect on loyalty.

### 1.1.1 The Concept of Competitive Strategy

The concept of strategy is a multi-dimensional concept that can be applied in all fields of study and life. Strategy has been defined variously by different authors. (Johnson, Scholes & Whittington, 2005) defined strategy as the direction and scope of an organization over the longtime, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders expectations.

A competitive advantage therefore is the goal of strategic thinking and the primary focus of successful entrepreneurial action (Gordon, 2004). To achieve the goal of competitive advantages, a firm must offer value to customers at a cost that produces economic performance superior to rivals. The better conceived a company’s strategy and the more competently it is executed, the more likely that the company will be a standard performance in the market place. A winning strategy fits the circumstances of a company’s external situation and its internal resource strengths and competitive capabilities, builds competitive advantage, and boosts company performance.

According Porter (2008) a firm's relative position within its industry determines whether a firm profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average (Pearce & Robinson,2007).

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs. It is rewarded for its uniqueness with a premium price. The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others (Porter, 2006). Competitive Advantage highlighted that the focus strategy has two variants.

In focus strategy a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Peng & Wang, 2006).

According to Peace and Robinson (2007) strategic responses are the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. No goal can be achieved without a proper planning. Planning is the process of setting goals and choosing the means to achieve them. Plans help managers have a clear idea of what they need to organize (Stoner et al., 2003). The essence of formulating strategy is relating a company to its environment (Porter, 2006). The industry in which a firm competes is the key aspect of the firm's environment.

Porter further argues that the competitive rule of the game as well as the strategies potentially available to the firm has been strongly influence by the industry structure. All firms are therefore affected by outside forces and for them to succeed; they have to strategize their plans in a way that will enable them deal with the five basic competitive forces, potential entrants, bargaining power of suppliers, rivalry of existing industry competitors, bargaining power of buyers, threat of substitutes products .What is important to know is that strategy defines a firm's purpose and the obligations of the organization to its stakeholders, deals with organizational competitive advantage by positioning the organization in the environment and defines the business of the organization its product or market scope

### 1.1.2 Competitive Strategy and Customer Loyalty

Competitive advantage is the edge a firm has over its competition that allows it to enjoy better sales, better margins, more profits and a higher level of customer loyalty. This allows the firm to return greater value for its shareholders and other stakeholders. The more sustainable its competitive advantage, the harder it is for competitors to catch the firm. While customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services (Rudawska, 2005).

Michael Porter, a leading authority on company strategy and the competitiveness of nations and regions, says that there are three ways to achieve competitive advantage: price, monopoly, and differentiation. In the high-tech world, it may be possible to compete on price for a limited time, but there is always someone either bigger than you or newer (with no legacies to worry about), so achieving a sustainable advantage based on price is extremely difficult.

For example, in the 1970s, Japan exported low-price cars to the U.S. Now Japanese cars are mainstream, and Korean cars are less expensive. And in the coming years we can project that Chinese exports will capture the price-sensitive buyers—and they will no doubt be followed by Indian exports. It seems as if there is always a newer, low-cost option coming into the marketplace.

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard & Calantone, 2000). To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage cited by (Rijamampianina, 2003).

Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services therefore Customer loyalty is both an attitudinal and behavioral tendency to favor one brand over all others, whether due to satisfaction with the product or service, its convenience or performance, or simply familiarity and comfort with the brand. Customer loyalty encourages consumers to shop more consistently, spend a greater share of wallet, and feel positive about a shopping experience, helping attract consumers to familiar brands in the face of a competitive environment(Storbacka & Gronroos, 2001). To understand customer loyalty one must recognize there are different types and degrees of loyalty. There is monogamous loyalty and there is polygamous (Anderson & Eugene, 2011). There is also behavioral and attitudinal aspects. A look at these concepts will clarify what "customer loyalty" really is, and this is important because having a solid understanding of the concept is critical if one hopes to design a reward program where loyalty enhancement is the primary objective.

We live in a world of polygamous, not monogamous loyalty. For example, a person might shop at Safeway, Thrifty Foods and Save-on-Foods and unfailingly shop at all three. The person is then loyal to them, but not to others, and yet 100% loyal to none. In book Loyalty Myths (Keiningham et al., 2005) suggest that "loyalty can in part be thought of as the probability a customer will purchase a brand on any particular purchase occasion.

Behavioral loyalty consumer perceptions play a significant role in determining the emotional attachments with a particular brand and ultimately the behavioral brand loyalty

(Mothersbaugh & Beatty, 2002). Perceptions towards a brand are not because of direct experience with the product use, they are a determined by the way a brand is communicated or advertised by the company. Similarly study by Kumar and Shah from the University of Connecticut's School of Business (2004) points out that a majority of existing loyalty programs follows these measures to reward behavioral loyalty. That is, the more you spend with the company, the more rewards you earn. A second element of loyalty is attitudinal loyalty. Like behavioral loyalty, attitudinal definitions have existed for a long time. Customers are the lifeblood of any business. Meeting their needs and ensuring their satisfaction is imperative. Unless an organization cares about its customers, customers won't reciprocate in a similar manner. Fierce market competition necessitates that organizations constantly improve their relationship with customers. This can translate into efficient customer lifecycle management by evoking a positive experience across the customer journey (Dawes, 2009).

Monogamous loyalty which is shopping only at one store is difficult in today's marketplace because consumers have thousands of food warehouses to choose from. To gain an ample piece of the pie, grocers need to put programs in place that will warrant customer satisfaction and interest to secure repeat visits (Wright & Vanhuele, 2008). The concept linking company competitive strategy to performance was introduced by (Barney, 2002). Porter (2002) in his research and experience with clients demonstrated that what distinguishes high performers from their competitors is the consistent way they construct and maintain this competitive essence. While many companies compete on the basis of a single point of differentiation, the competitive essence of high performers is almost always achieved through the balance, alignment and renewal of what they identified as the three building blocks of high performance: Market focus position, distinctive capabilities and performance anatomy (Barney, 2002).

According to Gathoga (2011) the ability of a company to outperform its competitor depends on five major factors. The first four set the strategic direction for success. These are:1) ability to take advantage of market Activity trends.2) ability to capture and protect unfair share of markets.3) ability to capture premium pricing.4) prudent creation. 5) Introduction of new products. Firm performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled or the act performing of doing something successfully, using knowledge as distinguished from merely possessing it (Kimotho, 2012). It is the outcome of all the organizations operations and strategies. It is also the extent to which an individual meets the expectations regarding how he should function or behave in a particular context, situation, job or circumstance. Noum (2007) is of the view that performance is what people do in relation to organizational roles. Since their inception, companies have used various yardsticks for measuring and reporting performance.

Pearce and Robinson (2003) highlight three economic goals, which define a company's performance guided by strategic direction. These goals are survival in the market, growth and profitability. A firm's growth is tied inexplicitly to its survival and profitability. Survival means a long term strategy to remain in business and inability to do so mean the company is not capable of satisfying the stakeholder's aims. Although product impact market studies (PIMS) have shown that growth in the market share is correlated with profitability, other important forms of growth do exist. Growth in the number of markets served , in the variety of products offered, in the technologies that are used to provide goods or services frequently leads to improvements in a firms competitive ability.

### 1.1.3 Retail Business in Garissa Town

Garissa Retail business involves the sale of goods and services from a single point directly to the consumer in small quantities for his end use. In a layman's language, retailing is nothing but transaction of goods between the seller and the end user as a single unit (piece) or in small quantities to satisfy the needs of the individual and for his direct consumption. A Firm targets a specific segment of the market. Martin (2000) high-lightened that a firm can choose to focus on a certain customer group, product range, geographical area, service line.

The retail sector in Garissa is comprised of establishments engaged in retailing merchandise generally without transformation and rendering services incidental to the sale for merchandise. Retailing is the final step in the distribution of goods to the customers. Retail business in Garissa is made up of grocery stores, kiosk, shops and supermarkets. In this industry, supermarkets are the large stores. Kiosk and shops have limited assortments, customers cannot pick up items to look at them at their own leisure and they have to scramble for the attention of the shop attendant behind the counter. These leave customers unsatisfied creating a pent up demand for better alternatives. (Oliver, 2007).These better alternatives are provided by supermarkets since they have all in one roof provision for customers that in the past involved a whole day of errands

Differentiations strategy is common in clothing and cosmetic in Garissa retail business that have introduced different varieties of the same product under the same name into a particular product category and thus covers the range of products in that category. It has become common to use differentiation strategy which is based on the product itself, the delivery system, and a broad range of other factors. With this differentiation features many retail business in the town have been providing additional values to customers which reward them with a premium price. And therefore Garissa retail industry continued to record positive growth with stiff completion among the retail business that mostly shares common market with same customers (Wang, 2010).

Cost leadership strategy; few retailers including large and medium in Garissa town focuses on gaining competitive advantage by having the lowest cost and cost structure in the industry. In order to achieve a low cost advantage many firms have a low cost leadership mind-set. Therefore their future prospects are favorable, underpinned by a growing middle-class, increasingly sophisticated consumers, the construction of new shopping malls and the continuing expansion of supermarkets, groceries and non-groceries business, The high penetration of modern retail shops is attributed to the presence of strong brands of local outlets, a broader middle income class relative to other urban towns  decent transportation network and good governance allowing for ease in importation of goods (Porter, 2002)

Focus strategy; few of the retail business have a marketing focus strategy in which a concentration of its resources on entering or expanding in a narrow market or segment. Mostly few large retail businesses commonly practice a focus strategy is usually the company knows its segment and has products to competitively satisfy its needs. Focus strategy is one of three generic marketing strategies.

## 1.2 Statement of the Problem

Retail business industry in Kenya economy over the years has been facing problems of slow growth and development (Lagat, 2011). This stampede of growth and do well performance of the retail business in Kenya is threatening to eliminate poverty and employment generation which by implication should have led retail business and the country's economy towards sustainable performance, progress and development. The retail business competition has been very stiff with firms requiring survival of their businesses by being innovative in their operations, unique and proactive in their execution and implementation of their business. The biggest challenge facing the industry which is indisputable is lack of competitive strategy to retain large numbers of today’s modern and sophisticated customers. Competitive strategies result in a strategic positioning which gives a firm the competitive edge (Porter, 2013).

Retaining customers requires a lot of efforts, but coming up with a strategy that best fits good customer loyalty schemes would be of significant boost to retail business. Ansoff (2002) defines competitive strategy as the distinctive approach which a firm uses to succeed in the market. Today’s Business environment is turbulent and chaotic. Firms interact with the environment and this dictate the approach and strategy to be executed to be outstanding from the competitors. This calls for proactive measures in order to outsmart their rivals in the same industry. Porter (2002) gives cost leadership, differentiation and focus strategies as generic competitive strategies that could be used by firms facing competition. These factors are clearly distinctive in most of the minimarkets and small retail shops. Therefore there is need for more understanding through studies to verify more on the strategies to the operating business environment.

A study by Okoth (2005) for example has highlighted the competitive strategies employed by the Sugar manufacturing firms. Sugar manufacturing firms have formalized vision and mission statements. They employ competitive strategies of cost leadership, differentiation and focus to different degrees. Cost leadership strategy is the most widely practiced amongst the firms. Differentiation strategy -mainly revolve around customers service, distribution networks, and branding. Kepha (2008) study highlighted on responses to competition by Kisii Bottlers ltd. Several other studies have been done on media, banking, public and private institutions (hospitals, parastatals). Also another study by Isaac (2011) on challenges and survival strategies of supermarkets in Nairobi, Kenya focused only on the competitive strategies adopted by leading retail chain supermarkets in Kenya and the challenges faced by these superstores challenges from the competition and loses from the shop lifting and expiries of products as some critical challenges faced by most supermarkets to a greater extent enhance competitiveness and sustain performance, In most cases supermarkets the extent of supermarkets management to serve the customers influences the performance ratings by consumers. On the other hand, increase of branch network and business control mechanisms and management of upcoming financial institutions on financial matters did not appear to be a great challenge to the supermarkets. Based on the prior studies on competitive strategies in different industry, there is always a distinctive strategy relating to a particular context. From the above information, it can be concluded that the core pillars to any business uniqueness and competitiveness depends on how the business strategy is executed.

The essence of formulating a competitive strategy is to relate a business to its environment (Porter, 2012). This enhances competitive advantage over other competitors in the same industry. While a few studies have been done on responses to competition, no research -has dealt with competitive strategies and customer loyalty with reference to retail business in Garissa town. Therefore this study sought to bridge this gap by addressing how the retail business in Garissa is responding to attain customer loyalty in competitive market places.

## 1.3 Research Objectives

### 1.3.1 General Objective

To assess the effects competitive strategies and customer loyalty among retail business in Garissa town

### 1.3.2 Specific Objectives

i. To determine the effects of cost leadership strategies on customer loyalty in retail business in Garissa town.

ii. To establish how market focus strategies on customer loyalty in retail business in Garissa town.

iii. To find out the relationship between differentiation strategies and customer loyalty in retail business in Garissa town.

## 1.4 Research Questions

i. What are the effects of cost leadership strategies on customer loyalty in retail business in Garissa town?

ii. To what extent does market focus strategies affects customer loyalty in retail business in Garissa town?

iii. What is the relationship between differentiation strategies and customer loyalty in retail business in Garissa town?

## 1.5 Significance of the Study

The study is significant in the sense that it would put into perspective the effects of competitive strategies and it will enable the management in retail industry to put them in line with the corporate and business strategies of retaining customers in their business. New investors will make use of the study to verify critical aspects relating to the retail business. The information to be gathered from the study will be of essence to the investors as a guiding principle to understand the dynamics and operations related the study is of particular significance to management, stake holders in retail industry. This is critical to enhance the decision making process and guide on the prerequisites needed to set up the business. Researchers and academicians will use the data to expose further on the study topic. The study data and information obtained would be to explore further the topic for more understanding

## 1.6 Scope of the Study

This research focused on the relationship between competitive strategy and customer loyalty among retail business in Garissa town in Kenya. The Study examined the effect of cost leadership strategy, differentiation strategy; focus strategy in terms of cost and differentiations among retail business in wining customer loyalty. The research covered 135 large and medium retail businesses in Garissa town. The respondents consisted of retail owners of each of the business. The research was between January to June 2016.

## 1.7 Limitations of the Study

The study will concentrate on retail business in Garissa town in Kenya; the town is a semi-arid area with high temperature and thus receives low rainfall in the year. The district is marginalized and thus lacked proper infrastructure. The road network is poor as only some few kilometers within the town is tarmac and hence tiresome and time consuming. This will make the process of data collection hard leading to wastage of time. For this reason the researcher will make proper arrangements with participant off-time hours as well as motivating the respondent with the value of the study.

Also the limited focus on a single primary geographical area (Garissa town) could limit the results in terms of generalization to other geographical areas where there are also retail business in different work conditions. Some of the senior shops or stall owners may be too busy to take time off and respond to the questionnaires even after several requests. But the researcher will exercise utmost patience and care and in view of this the researcher will make every effort possible so as to acquire sufficient data from the respondent.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review of the study, empirical review and conceptualization of the study.

## 2.2 Theoretical reviews

The theories this study considered include relationship marketing theory, customer relationship marketing management theory, theory of planned behavior and the theories for competitive advantages.

### 2.2.1 Relationship Marketing Theory

Relationship marketing theory was proposed by Alexander (1998). The theory argues that relationship marketing is the creation and development of profitable, long-term and interactive relationship with existing and potential customers, suppliers and various interest groups. There are three types of relationship marketing namely database marketing, interaction marketing and network marketing. Database marketing as internal marketing is the use of information technology to increase customer loyalty, profits and customer satisfaction. However, this study seeks to view only one aspect of relationship marketing; customer relationship marketing.

Relationships exist when customers have interactions with the organizations. There are two things that relationship marketing paradigm considers when looking at customer retailer financial relationship (Alexander, 1998). Firstly, relationship marketing must be valuable and viable both to customers and organizations. Secondly, relationship between customers and organization will increase the importance of retailers to maintain and enhance the overall relationships that currently exist with the customers. Customers likely interact with the banks which satisfy their need (Melonakos, 2009). According to Pitta and Katsanis (2005) the profitability of a customer will be greatest during the later years of the customer relationship due to the following three reasons: incremental purchases, increase in price, and decreasing costs.

### 2.2.2 Customer Relationship Management Theory

Customer relationship theory was developed by Westch, (2005). According to the theory, customer relationship management is a combination of relationship marketing and customer centric where justice theory had applied in customer relationship theory. Justice theory involves the elements of trust, satisfaction and loyalty where these elements should have in the relationship between customers and organizations. There are three types of justice theories namely distributive, interactional and procedural. Distributive justice means the perception an individual holds the fairness of outcome. Interactional justice is perceived fairness of the interpersonal interaction in decision process. Finally, procedural justice is a fairness of the process.

Customer relationship marketing is a limited part of the marketing relationship structure, which is the creation and development of long-term, profitable and interactive relationships with both existing and potential customer. In all marketing activities a customer oriented approach is strategic to companies nowadays than before. Therefore, relationships with customers have to be maintained effectively (Pitta & Katsanis, 2005).

### 2.2.3 Theory of Planned Behaviour

Ajzen (2005) formulated the Theory of Reasoned Action where he postulates that a person's behaviour is determined by intention to perform the behaviour and that this intention is, in turn, a function of attitude toward the behaviour and subjective norm. Behaviour is best predicted by intention. Intention is the cognitive sign of a person's readiness to perform a given behaviour, and it is considered to be the immediate precursor of behaviour. Intention is determined by three things: their attitude toward the specific behaviour, their subjective norms and their perceived behavioural control.

Ajzen (1991) developed the Theory of Planned Behaviour that holds that only specific attitudes toward the behaviour in question can be expected to predict that behaviour. In addition to measuring attitudes toward the behaviour, there is need to measure people’s subjective norms which are beliefs about how people they care about will view the behaviour in question. To predict someone’s intentions, knowing these beliefs can be as important as knowing the person’s attitudes. In conclusion, perceived behavioural control influences intentions. Perceived behavioural control refers to people's perceptions of their ability to perform a given behaviour. These predictors lead to intention.

A general rule, the more favourable the attitude and the subjective norm, and the greater the perceived control, the stronger ought the person’s intention to perform the behaviour in question (Reichheld & Sasser, 1990).Loyal customers also serve as a fantastic marketing force by providing recommendations and spreading positive word-of mouth, increase sales by purchasing a wider variety of products, make more frequent purchases and cost less to serve, in part, because they know the product and require less attention.

### 2.2.4 Competitive advantage and strategic management

The pursuit of competitive advantage is arguably the central theme of the academic field of strategic management (Furrer, 2008; Hoskisson et al.,2000; Porter, 2002). Pearce and Robinson (1988, p. 6) define strategic management as, ‘the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organization' Certo and Peter (1990) define strategic management as, 'a continuous, iterative process aimed at keeping an organization as a whole appropriately matched to its environment'. Strategic management is concerned with defining organizational performance, variables of strategic choice and competitive advantage. Strategic choice determines the market in which to participate and where to position the organization within those markets (concepts which, as we will see in the next section, are closely aligned with the market-based view of strategy) (Kotha & Vadlami, 1995).

The prominent role of competitive advantage may derive from both the economic and military origins of the strategy literature (Whittington, 1993). Ramos-Rodriguez and Ruiz-Navarro (2004) identify three roots of strategic management: economics, sociology and psychology. In their view, transaction cost theory, agency theory; evolutionary economics and the resource-based view of the firm derive from the economic roots of the discipline, while contingency theory, resource-dependence theory, and organizational ecology derive from the sociological roots. They also argue that organizational behavior theory and the structural patterns of Mintzberg's (2008) concepts belong to the psychological roots of the discipline (Ramos-Rodríguez & Ruíz-Navarro, 2004).

Nag et al (2007) carried out a large-scale survey of strategic management scholars in an attempt to present a fundamental definition of strategic management. They propose the following definition: 'The field of strategic management deals with (1) the major intended and emergent initiatives (2) taken by general managers on behalf of owners, (3) involving utilization of resources (4) to enhance the performance (5) of firms (6) in their external environments' (Nag et al., 2007). They substantiate their findings by carrying out a second study amongst associated disciplines, such as economics, sociology, marketing and management. Based on this second study, they augment the definition with the concept of internal organization (characterized by notions such as process, routines, organizing, internal, practices and implementation).

### 2.2.5 The Market-Based View (MBV)

The Market-Based View of strategy argues that industry factors and external market orientation are the primary determinants of firm performance. Caves and Porter (2006), Peteraf and Bergen (2003) Structure-Conduct-Performance (SCP) framework and Porter's (2007) five forces model (which is based on the SCP framework) are two of the best-known theories in this category. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm's unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways. In this perspective, a firm's profitability or performance are determined solely by the structure and competitive dynamics of the industry within which it operates (Schendel, 1994).

The Market-Based View (MBV) includes the positioning school of theories of strategy and theories developed in the industrial organization economics phase of Hoskisson's account of the development of strategic thinking. (Hoskisson et al., 1999), Mintzberg et al., 1998).In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model (Porter, 2007). The five forces under consideration consist of the following: barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors.

### 2.2.6 Porter's Generic Competitive Strategies approach

Porter (2007) describes competitive strategy as the search for a favorable competitive position in an industry and the fundamental arena in which competition occurs and he also explains that competitive strategy aim is to establish a profitable and sustainable position against the forces that determine industry competition. These involve identifying sources of competition in the ever changing environment then developing strategies that match organizational resources and capabilities.

Porter (2006) indicated that firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share. This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

Differentiation Strategies are attractive whenever buyer needs and preferences are too diverse to be fully satisfied by a standardized product. A company attempting to succeed through differentiation must study buyer needs and behavior carefully to learn what buyers consider important, what they are willing to pay for. The company has to incorporate buyer desired attributes into its products or service offering that will clearly set it apart from rivals. Most of the supermarkets differentiate their operations on service, variety and choice, positioning, target customers. The essence of abroad differentiation strategy is to be unique in ways that are valuable in a wide range of customers (Thompson

&Gamble, 2007).The best cost provider strategies aims at giving customers more value for the money.

As` Porter (2006) noted, in focus strategy, a firm targets a specific segment of the market The market niche strategy is distinctive from the other strategies due to concentrated attention on a narrow piece of the total market. The target segment or niche can be defined by a geographic uniqueness or special product attributes. This strategy is categorized into focused low cost strategy based on how cost aimed at securing competitive advantages by serving buyer in the target market niche at a lower cost and price than rival competition. Focused differentiation strategy aims at securing competitive advantages with products offering carefully designed to an appeal to the unique preferences and needs of a narrow well defined group of buyers. However, the success or failures of organization is also concerned with how well they understand customer needs and are able to meet those needs (Johnson & Scholes, 2002).

The generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, in this attempt it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Michael Porter argued that to be successful over the long-term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage. Porter (2007) argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy.

## 2.3 Empirical Literature Review

Empirical reviews of the past literature on Porters generic competitive approaches such as cost leadership, focus, differentiation, combination of generic strategies and customer loyalty strategy will be reviewed.

### 2.3.1 Cost Leadership Strategy

Cost leadership strategy is an integrated set of action taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors (Ireland et al., 2011). The cost leadership strategy represents attempts by firms to generate competitive advantage by achieving the lowest cost in the industry. The focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation (Porter, 2012). A company that decides to follow a cost leadership strategy has the objective of being able to realize its offer at lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter, 2008). Cost-leadership strategy strives to supply a standard, no-frills, high-volume product at the most competitive price to customers (Li & Li, 2008). Cost Leadership tends to be more competitors oriented rather than customer oriented (Frambach, et al., 2003). Cost leadership requires a strong focus on the supply side as opposed to the demand side of the market, as this requires a high level of competitor orientation (Day & Wendley, 1988).

### 2.3.2 Differentiation Strategy

The generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter, 2000). Such differentiation can be based upon design or brand image, distribution, and so forth (Frambach et. al, 2003). In particular, differentiator firms create customer value by offering high-quality products supported by good service at premium prices (Walker & Ruekerts, 2011). The effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer, relative to competitive offerings (Slater & Olson, 2001). Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett et al., 2006).

### 2.3.3 Focus Strategy

According to (Porter, 1998) companies that use focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors. As with broad market strategies, it is still essential to decide whether company will pursue cost leadership or differentiation once company has selected a focus strategy as its main approach: Focus is not normally enough on its own. It's simply not enough to focus on only one market segment because company is too small to serve a broader market (Porter, 1998).

In Kenyan, various studies on the adoption of competitive strategies have been undertaken on local firms, for instance, Karanja (2002) looked at competitive strategies in real estates' using Porter's framework and Murage (2001) investigated the competitive strategies adopted by members of The Independent Petroleum Dealers Association. Both studies found that competitive strategies lead to superior performance. The study by

Karanja (2002) found that the strategies pursued by Real Estates conform to Porters Generic Strategy types and since Real Estates serve customers from different income groups, all the three generic strategies were found to be significantly related to performance. The more these strategies were pursued, the more the performance of real estates improved leading to superior performance. Also, Murage (2001) found generic strategies to have positive effects on the superior performance of Petroleum companies and recommended increased pursuit of these strategies by all Petroleum Dealers in Kenya.

Likewise, Abdullahi (2000) examined strategies adopted by Kenyan Insurance companies and found that most do not have clearly defined competitive strategies. Muturi (2000) analyzed strategies by firms facing changed competitive conditions on East Africa Breweries and Mutura (2006) examined factors influencing the effectiveness of guarantor ship in loan recovery on Mwalimu Sacco society limited. Both studies found that the firms adopt generic strategies to enhance performance.

A study by Okoth (2005) for example has highlighted the competitive strategies employed by the Sugar manufacturing firms. Kepha (2008) study highlighted on responses to competition by Kisii Bottlers ltd. Several other studies have been done on media, banking, public and private institutions (hospitals, parastatals). Also another study by Isaac (2011)on challenges and survival strategies of supermarkets in Nairobi, Kenya focused only on the competitive strategies adopted by leading retail chain supermarkets in Kenya and the challenges faced by these superstores.

Despite the various studies, some even on Retail business, many Small scale retail industry do not understand how the adoption of competitive strategies can influence customer loyalty or can help in strategic response to competition (Mburu, 2009).Thus, there was need for a specific study on assessing the competitive strategies and customer loyalty adopted retail business to create an understanding on the effects on performance of the industry

### 2.3.4 Customer Loyalty

Much attention has been paid to customer loyalty by practitioners and through literature in recent decades (Nawaz & Usman, 2010). People in the field have used both attitudinal and behavioral measures to define and assess customer loyalty (Zeithaml, 2000). Loyalty, from an attitudinal stand point, implies a specific desire to continue a relationship with supplier and provider (Reza & Rehman, 2012). This means that a customer is loyal to a brand or firm if they have a positive and preferential attitude towards it. Whereas behavioral loyalty is when a customer repeatedly buys from the same company, (Reza & Rehman, 2012) thus the customer is faithful to the company.

According to Ahmed and Moosavi (2013) “brand loyalty is the customer’s willingness to stay with a brand when competitors come knocking with offers that would be considered equally attractive had not the consumer and brand shared a history.”Rahman et al., (2010) and Deng, Lu, Wei, Zhang (2010), expressed that same notion. Furthermore, Reza and Rehman (2012) note that customer loyalty represents the repeat purchase and referring the company to other customers. They also stated that customer loyalty is a figure that may be measured directly by measuring the actual repeated sales to customers. Additionally, due to intense competition in the market place, businesses have increased efforts to implement the customer retention strategy in order to maximize the lifetime value of customers (Boshoff & du Plessis, 2009).

It is important to note that Cheng et al., (2011) proposed that it is cost-effective to maintain existing customers than obtaining new ones. To this the authors proceeded to state that the cost of developing a new customer is between five and nine times the cost of maintaining existing customers. By the same token, (Lee, 2012; Kumar& Vandara, 2011;Boshoff and du Plessis, 2009), believe that the benefits of customer loyalty are that loyal customers are cheap to maintain, are price insensitive, spread free positive word-of-mouth, always provide suggestions, and always try the company's new products. Several authors suggested that loyal customers are a competitive asset and that a way of increasing customer retention is through secure and collaborative relationship between customer and service providers (Rajeswari & Pradha, 2011; Wichai & Siriluck, 2010; Shannon, 2010). Brand loyalty takes precedence in the services sector, especially with regards to those providing services with little differentiations and ones competing in aggressive conditions, for example, the telecommunications sectors (Santouridis & Trivellas, 2010).

Therefore, it is incumbent on providers to accommodate customer's expectations in this tough competitive environment by developing strategies to strengthen brand loyalty. Thus, with regards to the telecommunication sector, it is significant to ensure a good relationship between customers and mobile service providers. Rahman, et al., (2010) stated that in order to create brand loyalty in customers, companies must help customers acquire new ways of purchasing and reinforce those ways as new habits by reminding them of the value of their purchase while encouraging them to continue purchasing those products in the future.

### 2.4 Summary of the Literature Review and Research Gaps

For organization to retain customer loyalty, they needs proper competitive strategies. In most of the literature of the determinant of successful customer loyalty, elements like focus strategy, cost leadership and differentiation strategy were seen as the determinant conditions. A number of previous studies review have more consideration on the competitive strategies adapted by leading retail chain supermarkets in Kenya and the challenges faced by these superstores However, little focus has been given on assessing the competitive strategies and customer loyalty in the retail industry and especially the retail industry in Garissa town in the Northern Kenya. Therefore, this research will try to fill the gaps and try to find out the competitive strategy and customer among the retail business in Garissa town - Kenya.

**Table 2.1: Summary of research gaps**

| **Author(S)** | **Focus of Study** | **Findings** | **Research Gap** | **Focus of Study** |
|---|---|---|---|---|
| Karanja (2002) | competitive strategies in real estates' using Porter's framework | The strategies pursued by Real Estates conform to Porters Generic Strategy types and since Real Estates serve customers from different income groups, all the three generic strategies were found to be significantly related to performance. The more these strategies were pursued, the more the performance of real estates improved leading to superior performance | The study was on real estate | effects competitive strategies and customer loyalty among retail business in Garissa town |
| Murage (2001) | Competitive strategies adopted by members of The Independent Petroleum Dealers Association. | generic strategies to have positive effects on the superior performance of Petroleum companies and recommended increased pursuit of these strategies by all Petroleum Dealers in Kenya | The study focused on generic strategies | effects competitive strategies and customer loyalty among retail business in Garissa town |
| Abdullahi (2000) | Strategies adopted by Kenyan Insurance companies | most do not have clearly defined competitive strategies | The study was on a different industry | effects competitive strategies and customer loyalty among retail business in Garissa town |

| | | | | |
|---|---|---|---|---|
| Muturi (2000) | strategies by firms facing changed competitive conditions on East Africa Breweries | firms adopt generic strategies to enhance performance. | The study Delt with generic strategies | effects competitive strategies and customer loyalty among retail business in Garissa town |
| Mutura (2006) | factors influencing the effectiveness of guarantor ship in loan recovery on Mwalimu Sacco society limited | Firms adopt generic strategies to enhance performance. | Focus was on SACCOs | effects competitive strategies and customer loyalty among retail business in Garissa town |
| Okoth (2005) | competitive strategies employed by the sugar manufacturing firms in Kenya | Sugar manufacturing firms have formalized vision and mission statements. They employ competitive strategies of cost leadership, differentiation and focus to different degrees. Cost leadership strategy is the most widely practiced amongst the firms. Differentiation strategy -mainly revolve around customers service, distribution networks, and branding. | was limited only to the white sugar manufacturin g firms | effects competitive strategies and customer loyalty among retail business in Garissa town |

| | | | | |
|---|---|---|---|---|
| Isaac(2011) | on challenges and survival strategies of supermarkets in Nairobi, | challenges from the competition and loses from the shop lifting and expiries of products as some critical challenges faced by most supermarkets to a greater extent enhance competitiveness and sustain performance, the supermarkets need to ensure appropriate measures are considered to entice customers. In most cases supermarkets the extent of supermarkets management to serve the customers influences the performance ratings by consumers. On the other hand, increase of branch network and business control mechanisms and management of upcoming financial institutions on financial matters did not appear to be a great challenge to the supermarkets | Targeted supermarkets within Nairobi Central Business District, | effects competitive strategies and customer loyalty among retail business in Garissa town |

## 2.5 Conceptual Framework

A conceptual framework is a figure that shows the relationship between the dependent variable and the independent variable. In this study the dependent variable is customer loyalty while the independent variables are the competitive strategies; cost leadership strategies, differentiation strategies and focus strategy. The relationship of the variables is that good competitive strategies will retain customer trust, confidences and loyalty that will lead to repeated purchases of the firm product over the competitors. A conceptual framework has been drawn to show the relationship of the dependent variable and the independent variables.

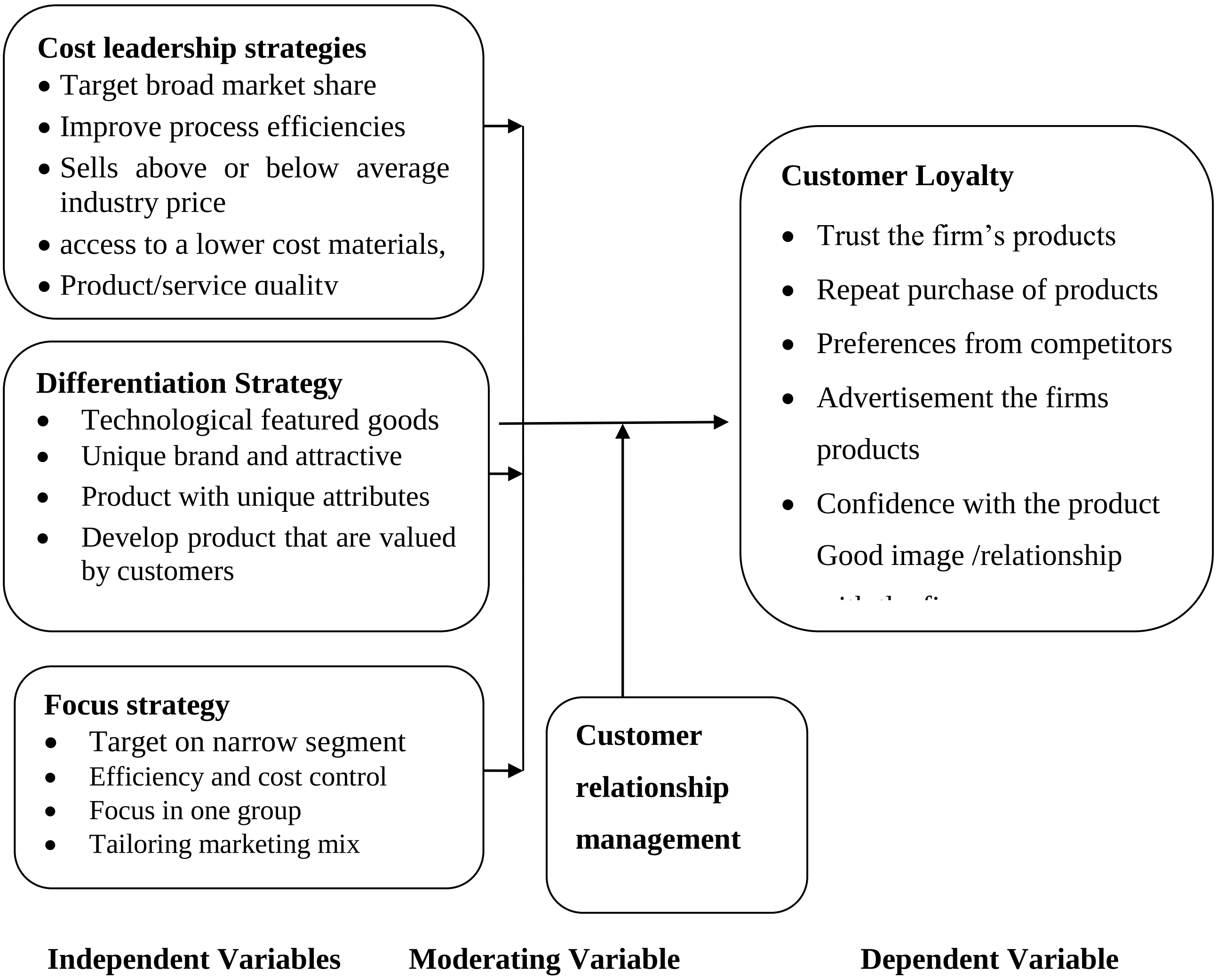



**Figure 2.1: Conceptual framework**
**(Source Author, 2016)**

## CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter describes the methodology of the study. It focuses on research design, study site, target population, sample size, sampling method, sampling procedures, data collection methods, data collection procedures and the methods of data analysis.

### 3.2 Research Design

The study adopted descriptive survey research design. A survey design seeks to obtain information that describes existing phenomena by asking individuals about their perception, attitude and values and describes things as they exist (Mugenda & Mugenda, 1999). Kothari (2003) described research design as the decision regarding what, where, when, how much, by means concerning an inquiry or a research study. . Descriptive research design was also chosen because it would enable the researcher to generalise the findings to a larger population and it was more precise and accurate since it involved description of events in a carefully planned way.

### 3.3 Target Population

Mugenda and Mugenda, (2003), described population as, the entire group of individuals or items under consideration in any field of inquiry and have a common attribute. Target population is the population this study would desire to make generalized result statement about. The target population consisted of 450 retail businesses which are registered as retail business with ministry of trade in the county government of Garissa in year 2015. This consisted of  100 clothing shops, 84 groceries, 23 pharmacies, 8 supermarket, 45 hardwares,30 M-pesa shops, 20 barber shops 5 filling stations, 85 restaurants and 50 cosmetics shops

**Table 3.1: Target population**

| Retail Category | Target Population | Percentage |
|---|---|---|
| Clothing shops | 100 | 22.2 |
| Groceries | 84 | 18.7 |
| M-Pesa shops | 30 | 6.7 |
| Restaurant | 85 | 18.9 |
| Cosmetics Shop | 50 | 11.1 |
| Hardwares business | 45 | 10.0 |
| Pharmacy | 23 | 5.1 |
| Barber Shop | 20 | 4.4 |
| Supermarket | 8 | 1.8 |
| Filling Stations | 5 | 1.1 |
| **TOTAL** | **450** | |

**Sources: Ministry of Trade Garissa County (2015)**

### 3.4 Sampling and sampling procedure

Ngechu (2004) underscores the importance of selecting a representative sample through making a sample frame .From the population frame the required number of subjects, respondent elements of the retail business was selected in order to make a sample. Stratified proportionate random Sampling technique was used to select the sample. According to Bryman and Bell (2003), stratified e random sampling technique produces estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance. From each stratum of the retail business managers population 30% of it was picked.

Mugenda & Mugenda (1999) suggested that in descriptive studies, ten percent to thirty percent (10%-30%) of the survey population is representative enough to generalize characteristics being observed Therefore the sample size was 75 respondent retail managers or owners comprising 15 clothing shop, 10 groceries, 11 M-pesa shops, 6 restaurant, 10 cosmetics, 9 hardwares, 7 pharmacies, 6 barber shops, 2 supermarket, 2 filling stations.

This technique helped in eliminating biasness on the part of the researcher and field assistants when it comes to respondent selection. This technique also gave each and every potential participant an equal chance of being selected and participating in this study.

**Table 3.2 Sample size**

| **Retail category** | **Total number** | **Number of retail stores** |
|---|---|---|
| Clothing shops | 100 | 15 |
| Groceries | 84 | 10 |
| M-pesa shops | 30 | 11 |
| Restaurant | 85 | 6 |
| Cosmetics | 50 | 10 |
| hardware’s | 45 | 9 |
| Pharmacies | 23 | 7 |
| Barbers shops | 20 | 6 |
| Supermarket | 8 | 2 |
| Filling stations | 5 | 2 |
| **Total** | **450** | **75** |

**Sources: Researcher (2015)**

### 3.5 Data Collection Instruments and Technique

Research data was collected from primary sources. Primary data was used due to its nearness to the truth and ease of control over errors (Copper & Schindler, 2008). The questionnaires designed in this study consisted of two parts; the first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent, while the second part of the questionnaires focused on the main independent and dependent variables of the study.

In each of the areas of the questionnaires the respondent was asked to rate or rank on scales (1) Strongly disagree (2) Disagree (3) neutral (4) Agree (5) strongly agree. Mugenda (2003) observes that likert scales are used for rating scales because they measure perception and attitudes. They consisted numbers and descriptions that were used to run the subjective and intangible components in research on the contribution of the various aspects of the identified factors.

In the study both primary and secondary data was collected. Primary data was collected using structured questionnaires while the secondary data was obtained from annual reports of the different retail business. According to Cooper and Emory (2008) a questionnaires is preferred because it is cheaper and quicker to administer and highly convenient for the respondents as they could fill them during free times. The questionnaires were coded and self-administrated where by the researchers delivered the questionnaires to the respondent to enable quick feedback and safe time. According to Nicolaos (2003) the self-administration of questionnaires ensures quick return from the respondent.

### 3.5.1 Validity of the data collection instrument

According to Mugenda & Mugenda (1999) validity is the accuracy and meaningfulness of the instrument, the degree to which an instrument measures what it purports to measure. A pilot study was used to identify those items that could be misunderstood and such changed accordingly and assessed if the questionnaires provide adequate coverage of the objectives that is supposed to measure's pilot study to pre-test the validity and reliability of data collected will be undertaken on at least 10 retail business in Garissa town. The pilot test was not included in the final study .the rule of thumb is that 1% of the sample should constitute the pilot test (Cooper & Schilder, 2011). The proposed pilot test was within the recommendation.

### 3.5.2 Reliability of the data collection instrument.

Reliability refers to the constituency of the results obtained of an instrument from one administration to another for each individual. The measurement of reliability provides consistency in the measurement variables (Wanyoike, 2003). Internal consistency reliability is the most common used psychometric measure assessing survey instruments and scales (Zhang, 2008). In this study, the correlation coefficient obtained was 0.8 (See Appendix ) which showed that the instruments were highly reliable.

## 3.6 Data Collection Procedure

The researcher will seek the help of a research assistant to distribute the questionnaires. The questionnaires will be dropped to the sample population and picked at a later date. This will give the respondents ample time to fill the questionnaires and seek any clarifications from the researcher. The researcher will make follow-up by regular visit to the respondent location and ask them on completion of the questionnaires. Secondary data will be obtained from the annual reports and records of the business enterprises over a period of five years. The secondary data will be used to support the primary data collected from the enterprises.

### 3.7 Data Analysis and presentations

The data that was collected from the respondents was grouped, cleaned, coded, transformed and tabulated. The study used descriptive statistics in the analysis and correlation and regression statistics to assess the study variables to find the relationship between competitive strategy and customer loyalty among retail business then the data was analyzed using statistical packages for social scientists (SPSS) software version 21. It was presented in the equation below

$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_{3+}\ \varepsilon$

$Y$ = Customer loyalty.

$\alpha$ = constant

$b_{1}$-$_4$ = Regression Coefficient

$X_1$ = Cost leadership Strategy

$X_2$ = Differentiation Strategy

$X_3$ = focus Strategy

$\varepsilon$ = error term

The model was used to determine if there is relationship between dependent and independent variables. Quantitative data was presented in form of tables, pie-charts and bar graphs only where it provided successful interpretations of the findings while qualitative data was presented in narrative forms. Content analysis was used to analyze data that is qualitative in nature or aspect of the data collected from the open-ended questions from the group discussions.

### 3.8 Ethical Considerations

Permission for conducting this study was sought from the following bodies, Kenyatta University, ministry of education department of science and technology, the local administration in Garissa County. Then the study subjects were informed of their rights to participate or refuse to participate in the study and their right to remain anonymous as their names were not mentioned anywhere in this research. Informed consent was thereafter sought from the respondents where only those who willingly sign the consent form were allowed to participate. In this study APA referencing style was used to avoid case of plagiarism.

# CHAPTER FOUR

# DATA ANALYSIS, PRESENTATION AND DISCUSSION

## 4.1 Introduction

The study sought to understand the relationship between competitive strategies and customer loyalty among retail business in Garissa town. The specific objectives of the study were: To determine the effects of Cost Leadership Strategies, market focus strategies and differentiation strategies on customer loyalty in retail business in Garissa town. The data was gathered using a questionnaire designed in line with the research questions. Quantitative data was analyzed using descriptive statistics with the use of Statistical Package for Social Sciences (SPSS) version 20.0 and presented using figures, charts and graphs. Content analysis technique was used to analyse qualitative data and reported narrative form alongside quantitative data.

## 4.2 Response Rate

**Table 4.1: Response Rate**

| **Category** | **Administered** | **Respondent** | **Percentage** |
|---|---|---|---|
| Clothing shops | 15 | 14 | 93.3 |
| Groceries | 10 | 9 | 90.0 |
| M-pesa shops | 11 | 10 | 90.9 |
| Restaurant | 6 | 6 | 100 |
| Cosmetics | 10 | 10 | 100 |
| Hardware | 9 | 8 | 88.9 |
| Filling stations | 7 | 6 | 85.7 |
| Barbers shops | 6 | 6 | 100 |
| Supermarket | 2 | 2 | 100 |
| Pharmacies | 2 | 2 | 100 |
| **Total** | **75** | **70** | **93.3** |

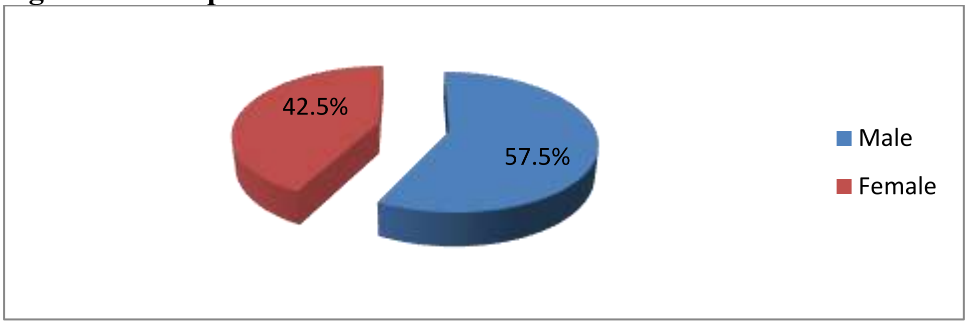
**Research Data (2016)**

A total of 75 questionnaires were distributed out of which 70 questionnaires were returned giving a response rate of 93.3%. This response was good enough and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent.

### 4.3 Demographic Information

#### 4.3.1 Gender

**Figure 4.1: Respondents' Gender**




**Source: Research Data (2016)**

Figure shows that majority (57.5%) of the respondents was male and 42.5%) female. This is an indicator that all the genders were represented.

#### 4.3.2 Age

**Table 4.2: Respondents' Age**

| Years | Frequency | Percentage |
|---|---|---|
| Below 20 | 6 | 8.2 |
| 20 – 25 | 8 | 11.0 |
| 26 – 30 | 17 | 23.3 |
| 31 – 35 | 14 | 19.2 |
| 36 – 40 | 8 | 11.0 |
| 41 – 45 | 5 | 6.8 |
| 46 – 50 | 12 | 16.4 |
| Above 50 | 0 | 0.0 |
| **Total** | **70** | **100** |

**Source: Research Data (2016)**

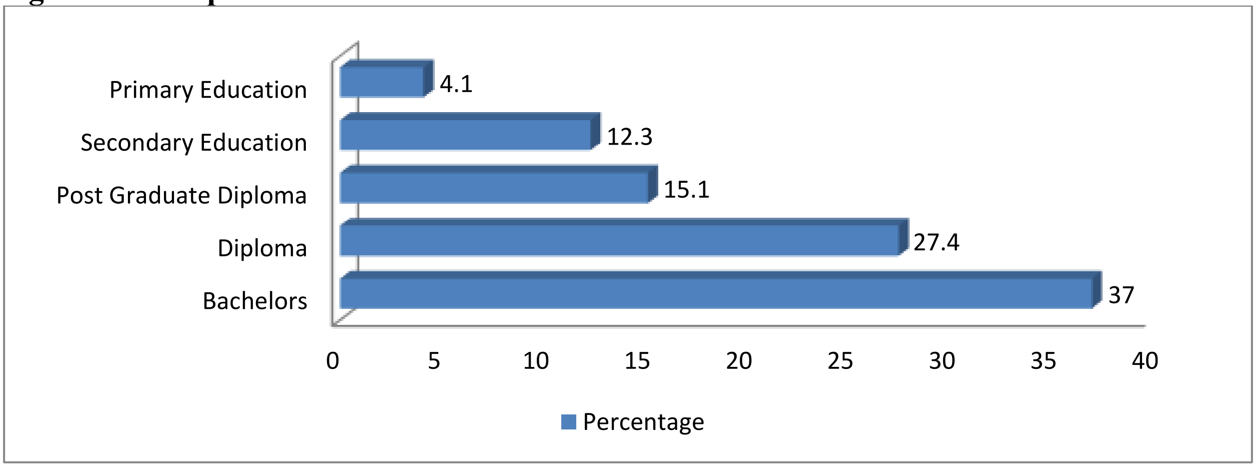
Table 4.2 shows that majority (23.3%) of the respondents were aged between 26 and 30 years, 19.2% aged between 31 and 35 years, 16.4% aged between 46 and 50 years, 11.0%

aged between 20 and 25 years and 36 and 40 years respectively, 8.2% aged below 20 years and 6.8% aged between 41 and 45 years old.

### 4.3.3 Education Level

Figure 4.2 shows that majority (37.0%) of the respondents had attained a Bachelors level of education, 27.4% Diploma level, 15.1% Post Graduate Diploma, 12.3% Secondary education and 4.1% Primary education. These finding shows that majority of the respondents had attained a highest level of education and so they could adequately respond to the respond to the research instruments.

**Figure 4.2: Respondents' Education Level**




**Source: Research Data (2016)**

### 4.3.4 Work Experience

**Table 4.3: Respondents' Work Experience**

| Years | Frequency | Percentage |
|---|---|---|
| Below 3 | 6 | 8.6 |
| 3 to 7 | 15 | 21.4 |
| 8 to 10 | 19 | 27.1 |
| Above 10 | 30 | 42.9 |
| **Total** | **70** | **100** |

**Source: Research Data (2016)**

Table 4.3 shows that majority (42.9%) of the respondents had worked for a period of more than 10 years, 27.1% between 8 and 10 years, 21.4% between 3 and 7 years and

8.6% for a less than 3 years. This is an indicator that majority of the respondents had worked for a considerable period of time and could provide adequate information to the study.

### 4.4 Descriptive Statistics

Descriptive statistics such as means and standard deviations were used to present that quantitative data with the use of Statistical Package for Social Sciences (SPSS) version 20.0. These were presented as per the study objectives as follows.

#### 4.4.1 Cost Leadership Strategies

The first research objective sought to determine the effects of Cost Leadership Strategies on customer loyalty in retail business in Garissa town. The respondents were given a list of statements on a five-point likert scale to indicate their extent to which they concur regarding the influence of cost leadership strategies on customer loyalty. Their responses are shown in table 4.4.

**Table 4.4: Cost Leadership Strategies**

| Statement | SA % | A % | N % | D % | SD % | M | *SD* |
|---|---|---|---|---|---|---|---|
| I target broad market share by ensuring that costs are kept at the minimum possible level | 35.6 | 50.7 | 4.1 | 2.7 | 2.7 | 3.2 | 0.678 |
| I continuously improve process efficiencies in order to win customer confidence and loyalty | 42.5 | 46.6 | 2.7 | 2.7 | 1.4 | 3.5 | 0.597 |
| The organization has a clear and harmonized organization growth plan development | 32.9 | 53.4 | 8.2 | 6.1 | 0.0 | 3.1 | 0.663 |
| I source for lower cost materials in order to attract more customers through fair pricing | 37.0 | 39.7 | 5.5 | 6.1 | 0.0 | 2.6 | 0.712 |
| Provide high quality products and service to my customers | 30.1 | 38.4 | 13.7 | 11.0 | 2.7 | 3.7 | 0.542 |

***Key:*** **SA** – Strongly Agree; **A**-Agree, **N** – Neutral; **D** – Disagree; **SD** – Strongly Disagree, **M**- Mean; ***SD***-Standard Deviation

**Source: Research Data (2016)**

Table 4.4 shows that majority (50.7%) of the respondents agreed on the statement that they target broad market share by ensuring that costs are kept at the minimum possible level, 35.6% strongly agreed, 4.1% were neutral and 2.7% disagreed and strongly disagreed with a mean of 3.2 and a standard deviation of 0.678. Majority (46.6%) agreed on the statement that they continuously improve process efficiencies in order to win customer confidence and loyalty, 42.5% strongly agreed, 2.7% were neutral and disagreed respectively and 1.4% strongly disagreed with a mean of 3.5 and a standard deviation.

Majority (53.4%) agreed on the statement that the organization has a clear and harmonized organization growth plan development, 32.9% strongly agreed, 8.2% neutral and 6.1% disagreed with a mean of 3.1 and a standard deviation of 0.663. Majority (39.7%) of the respondents agreed that they source for lower cost materials in order to attract more customers through fair pricing, 37.0% strongly agreed, 6.1% disagreed, 5.5% remained neutral with a mean of 2.6 and a standard deviation of 0.712. Majority (38.4%) of the respondents agreed that they provide high quality products and service to their customers, 30.1% strongly agreed, 13.7% were neutral, 11.0% disagreed and 2.7 strongly disagreed with a mean of 3.7 and a standard deviation of 0.542.

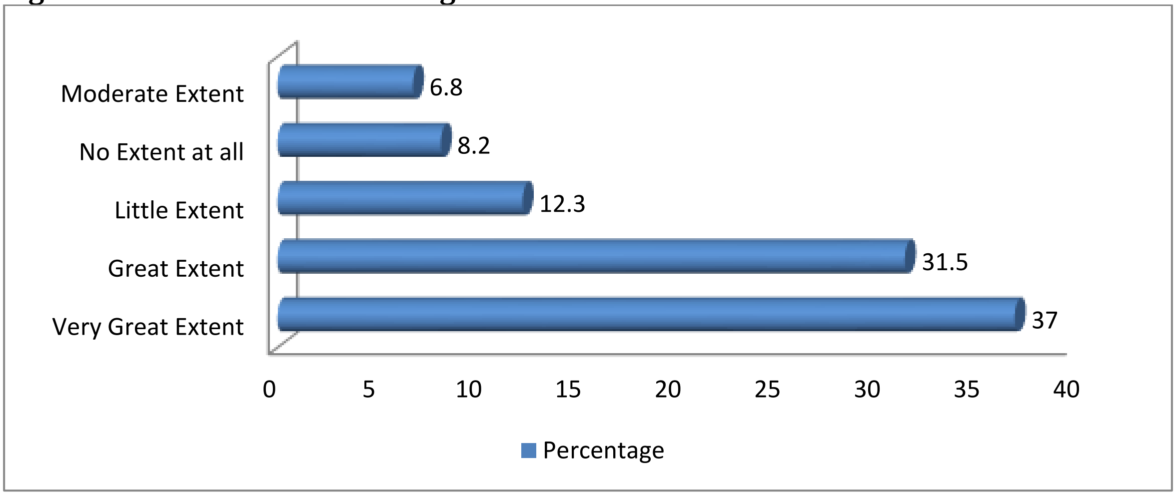
These findings are in line with the findings of Cost leadership strategy is an integrated set of action taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors (Ireland et al., 2011). The cost leadership strategy represents attempts by firms to generate competitive advantage by achieving the lowest cost in the industry. The focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation (Porter, 2012).

A company that decides to follow a cost leadership strategy has the objective of being able to realize its offer at lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter, 2008). Cost-leadership strategy strives to supply a standard, no-frills, high-volume product at the most competitive price to customers (Li & Li, 2008). Cost Leadership tends to be more competitors oriented rather than customer oriented (Frambach, et al., 2003). Cost leadership requires a strong focus on the supply side as opposed to the demand side of the market, as this requires a high level of competitor orientation (Day & Wendley, 1988).

### 4.4.2 Market Focus Strategies

The second research objective sought to establish the effects of market Focus Strategies on customer loyalty in retail business in Garissa town. Majority (48.0%) agreed that market focus strategy affect customer loyalty in your retail business and 34.2% disagreed. 37.0% indicated that market focus strategy affects customer loyalty in your retail business to a very great extent, 31.5% great extent, 12.3% little extent, 8.2% No extent at all and 6.8% moderate extent. This is shown in Figure 4.3.

**Figure 4.3: Market Focus Strategies**




**Source: Research Data (2016)**

The respondents were given a list of statements on a five-point likert scale to indicate their extent to which they concur regarding the influence of market focus strategies on customer loyalty. Their responses are shown in table 4.5.

**Table 4.5: Market Focus Strategies**

| Statement | SA % | A % | N % | D % | SD % | M | *SD* |
|---|---|---|---|---|---|---|---|
| I target a narrow segment of customers which ensures that I attract specific customers | 65.0 | 15.0 | 2.0 | 13.0 | 5.0 | 4.3 | 0.646 |
| I ensure that the business employees efficient approaches in order to control cost and hence attract customers | 34.0 | 51.0 | 11.0 | 4.0 | 0.0 | 3.8 | 0.765 |
| The business focuses on a specific category of customers hence increasing customer loyalty | 60.0 | 21.0 | 0.0 | 12.0 | 7.0 | 3.9 | 0.699 |
| The business ensures that products are made to meet customer needs hence increasing customer loyalty | 66.0 | 19.0 | 0.0 | 4.0 | 11.0 | 3.3 | 0.777 |
| The business employees marketing mix techniques hence wining customer loyalty | 67.0 | 18.0 | 0.0 | 4.0 | 11.0 | 3.0 | 0.703 |

***Key:*** **SA** – Strongly Agree; **A**-Agree, **N** – Neutral; **D** – Disagree; **SD** – Strongly Disagree; **M**-Mean; **SD**-Standard Deviation
**Source: Research Data (2016)**

Table 4.5 shows that majority (65.0%) of the respondents strongly agreed on the statement that they target a narrow segment of customers which ensures that attract specific customers, 15.0% agreed, 13.0% disagreed, 5.0% strongly disagreed and 2.0% were neutral with a mean of 4.3 and a standard deviation 0.646. Majority 51.0% agreed that they ensure that the business employees efficient approaches in order to control cost and hence attract customers, 34.0% strongly agreed, 11.0% remained neutral and 4.0% disagreed with a mean of 3.8 and a standard of 0.765.

Majority (66.0%) strongly agreed that the business focuses on a specific category of customers hence increasing customer loyalty, 21.0% agreed, 12.0% disagreed and 7.0% strongly disagreed with a mean of 3.9 and a standard deviation of 0.699. Majority (66.0%) of the respondents strongly agreed that the business ensures that products are made to meet customer needs hence increasing customer loyalty, 19.0% agreed, 11.0% strongly disagreed and 4.0% disagreed with a mean of 3.3 and standard deviation of 0.777 and majority (67.0%) of the respondents strongly agreed that the business employees marketing mix techniques hence wining customer loyalty, 18.0% agreed, 11.0% strongly disagreed and 4.0% disagreed with a mean of 3.0 and a standard deviation of 0.703.

These findings concur with the findings of Porter (1998) ho observed that companies that use focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors. As with broad market strategies, it is still essential to decide whether company will pursue cost leadership or differentiation once company has selected a focus strategy as its main approach: Focus is not normally enough on its own. It's simply not enough to focus on only one market segment because company is too small to serve a broader market (Porter, 1998).

The study by Karanja (2002) found that the strategies pursued by Real Estates conform to Porters Generic Strategy types and since Real Estates serve customers from different income groups, all the three generic strategies were found to be significantly related to performance. The more these strategies were pursued, the more the performance of real estates improved leading to superior performance. Also, Murage (2001) found generic strategies to have positive effects on the superior performance of Petroleum companies and recommended increased pursuit of these strategies by all Petroleum Dealers in Kenya.

### 4.4.3 Differentiation Strategies

The third research objective sought to establish the effects of differentiation strategies on customer loyalty in retail business in Garissa town. Majority (60.0%) of the respondents agreed that differentiation strategies affect customer loyalty in your retail business and 40.0% disagreed. On the extent which differentiation strategies affect customer loyalty in your retail business, majority (69.0%) indicated to a very great extent, 21.0% great extent, 8.0% moderate extent and 1.0% to little extent and no extent at all.

The respondents were given a list of statements on a five-point likert scale to indicate their extent to which they concur regarding the influence of differentiation strategies on customer loyalty. Their responses are shown in table 4.6.

**Table 4.6: Differentiation Strategies**

| Statement | SA % | A % | N % | D % | SD % | M | *SD* |
|---|---|---|---|---|---|---|---|
| I ensure that the business purchases technologically featured good in order to attract customers | 62.0 | 23.0 | 0.0 | 4.0 | 11.0 | 4.6 | 0.465 |
| My business sells attractive and unique brands which appeals to our customers. | 23.0 | 59.0 | 0.0 | 14.0 | 4.0 | 4.2 | 0.498 |
| I incorporate buyer desired attributes into our products that is unique from our competitors hence attracting customers | 35.0 | 56.0 | 0.0 | 7.0 | 2.0 | 4.5 | 0.512 |
| We create products or services that are perceived as unique by our customers hence ensuring customer loyalty | 68.0 | 22.0 | 0.0 | 3.0 | 7.0 | 4.0 | 0.462 |

***Key:*** **SA** – Strongly Agree; **A**-Agree, **N** – Neutral; **D** – Disagree; **SD** – Strongly Disagree; **M**-Mean; ***SD***-Standard Deviation
**Source: Research Data (2016)**

Table 4.6 shows that majority (62.0%) of the respondents strongly agreed that they ensure that the business purchases technologically featured good in order to attract customers, 23.0% agreed, 11.0% strongly disagreed and 4.0% disagreed. Majority (59.0%) of the respondents agreed that their business sells attractive and unique brands which appeals to their customers, 23.0% agreed, 11.0% strongly disagreed and 4.0% disagreed with a mean of 4.6 and a standard deviation of 0.465.

Majority (59.0%) agreed that their business sells attractive and unique brands which appeals to their customers, 23.0% strongly agreed, 14.0% disagreed and 4.0% strongly disagreed with a mean of 4.2 and a standard deviation of 0.498. Majority (56.0%) agreed that they incorporate buyer desired attributes into our products that is unique from their competitors hence attracting customers, 35.0% strongly agreed, 7.0% disagreed and 2.0% strongly disagreed with a mean of 4.5 and a standard deviation of 0.512. Majority (68.0%) strongly agreed that they create products or services that are perceived as unique by their customers hence ensuring customer loyalty, 22.0% agreed, 7.0% strongly disagreed and 3.0% disagreed with a mean of 4.0 and a standard deviation of 0.462.

These findings are in line with the findings of Frambach et al (2003) who noted that generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter, 2000). Such differentiation can be based upon design or brand image, distribution, and so forth. In particular, differentiator firms create customer value by offering high-quality products supported by good service at premium prices (Walker & Ruekerts, 2011).

The effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer, relative to competitive offerings (Slater & Olson, 2001). Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett et al., 2006).

## 4.5 Customer Loyalty

**Table 4.7: Customer Loyalty**

| Statement | SA % | A % | N % | D % | SD % | M | *SD* |
|---|---|---|---|---|---|---|---|
| The customers express that they trust the firms products | 51.0 | 36.0 | 0.0 | 5.0 | 8.0 | 3.4 | 0.589 |
| The business has repeat purchases from the same customers | 24.0 | 56.0 | 0.0 | 14.0 | 6.0 | 3.7 | 0.603 |
| Customers prefer our products as compared to what our competitors offer | 70.0 | 24.0 | 3.0 | 2.0 | 1.0 | 3.2 | 0.633 |
| The customers openly express confidence in the products of the firm | 76.0 | 24.0 | 0.0 | 0.0 | 0.0 | 3.6 | 0.531 |

***Key:*** **SA** – Strongly Agree; **A**-Agree, **N** – Neutral; **D** – Disagree; **SD** – Strongly Disagree
**Source: Research Data (2016)**

Table 4.7 shows that majority (51.0%) of the respondents strongly agreed that the customers express that they trust the firms products, 36.0% agreed, 8.0% strongly disagreed and 5.0% disagreed with a mean of 3.4 and a standard deviation of 0.589. Majority (56.0%) agreed that the business has repeat purchases from the same customers, 24.0% strongly agreed, 14.0% disagreed and 6.0% strongly disagreed with a mean of 3.7 and a standard deviation of 0.6303. Majority (70.0%) strongly agreed that customers prefer our products as compared to what our competitors offer, 24.0% agreed, 3.0% were neutral, 2.0% disagreed and 1.0% strongly disagreed with a mean of 3.2 and a standard deviation of 0.633. Majority (70.0%) strongly agreed that the customers openly express confidence in the products of the firm, 24.0% agreed with a mean of 3.6 and a standard deviation of 0.531.

Much attention has been paid to customer loyalty by practitioners and through literature in recent decades (Nawaz & Usman, 2010). People in the field have used both attitudinal and behavioral measures to define and assess customer loyalty (Zeithaml, 2000). Loyalty, from an attitudinal stand point, implies a specific desire to continue a relationship with supplier and provider (Reza & Rehman, 2012). This means that a customer is loyal to a brand or firm if they have a positive and preferential attitude towards it. Whereas behavioral loyalty is when a customer repeatedly buys from the same company, (Reza & Rehman, 2012) thus the customer is faithful to the company.

## 4.6 Regression Analysis

A linear multiple regression analysis was used test the relationship between the three independent variables (cost leadership strategies, focus strategies and differentiation strategies) and the dependent variable (customer loyalty). Statistical Package for Social Sciences (SPSS) was applied to code, enter and compute the measurements of the multiple regressions for the study.

### 4.6.1 Model Summary

**Table 4.8: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | |
|---|---|---|---|---|---|---|
| | | | | | F Change | Sig. F Change |
| 1 | .623[a] | .742 | .801 | .4978 | 5.632 | .001 |

**Source: Research Data (2016)**

According to the findings in the table 4.8, the value of adjusted $R^2$ is 0.801. This indicates that a variation of 80.1 % of customer loyalty in retail business in Garissa town and the three independent variables at a confidence level of 95%. In addition other factors that were not studied in this research contribute to 19.9% of the customer loyalty in retail business in Garissa town. Therefore, further research should be conducted to investigate the other factors which contribute to that 19.9% of the customer loyalty in retail business in Garissa town.

### 4.6.2 Analysis of Variance (ANOVA)

**Table 4.9: ANOVA results of the Regression Analysis**

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| **Model** | | **Sum of Squares** | **Df** | **Mean Square** | **F** | **Sig.** |
| 1 | Regression | 50.120 | 3 | 2.802 | 5.632 | 0.001[b] |
| | Residual | 3.048 | 67 | 0.0437 | | |
| | **Total** | **53.168** | **70** | | | |

**Source: Research Data (2016)**

The significance value is 0.001 which is less than 0.05 thus the model is statistically significant in predicting the effects of independent variables on the dependent variable. The F critical at 5% level of significance was 2.84. The F calculated (value =5.632) was greater than the critical value (5.632>2.56) an indication that the cost leadership strategies, focus strategies and differentiation strategies affect the customer loyalty in retail business in Garissa town.

### 4.6.3 Multiple Regression

**Table 4.10: Multiple Regressions**

| **Model** | **Unstandardized Coefficients** | | **Standardized Coefficients** | **T** | **Sig.** |
|---|---|---|---|---|---|
| | **B** | **Std. Error** | **Beta** | | |
| (Constant) | 0.499 | 0.472 | | 0.141 | 0.03 |
| Cost leadership strategy | 0.594 | 0.183 | 0.241 | 4.567 | 0.02 |
| Focus strategy | 0.612 | 0.341 | 0.493 | 3 .374 | 0.01 |
| Differentiation strategies | 0.697 | 0.137 | 0.106 | 2.643 | 0.02 |

**Source: Research Data (2016)**

From table 4.10 it can be concluded that at 5% level of significance and 95% level of confidence; cost leadership strategy showed a beta value of 0.594 and 0.02 level of significant; focus strategy showed a beta value of 0.612 and 0.01 level of significant and differentiation strategy showed a beta value of 0.697 and 0.02 level of significant. Differentiation strategy was found to be the most significant among the three variables studied. The possible value of Y when all independent variables are equal to zero is 0.499.

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard & Calantone, 2000). To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage cited by (Rijamampianina, 2003).

Behavioral loyalty consumer perceptions play a significant role in determining the emotional attachments with a particular brand and ultimately the behavioral brand loyalty (Mothersbaugh & Beatty, 2002). Perceptions towards a brand are not because of direct experience with the product use, they are a determined by the way a brand is communicated or advertised by the company. Similarly study by Kumar and Shah from the University of Connecticut's School of Business (2004) points out that a majority of existing loyalty programs follows these measures to reward behavioral loyalty.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The chapter provides the discussion of findings, gives the conclusions, recommendations of the study and suggestions for further studies based on the objectives of the study.

## 5.2 Summary of the Findings

### 5.2.1 Cost Leadership Strategy

This study established that majority (42.5%) of the respondents strongly agreed that they continuously improve process efficiencies in order to win customer confidence and loyalty and also they source for lower cost materials in order to attract more customers through fair pricing (37.0%). The respondents also agreed that the organization has a clear and harmonized organization growth plan development and they target broad market share by ensuring that costs are kept at the minimum possible level.

### 5.2.2 Focus Strategy

The study revealed that market focus strategy affects customer loyalty in their retail business to a very great extent (37.0%). Majority (67.0%) of the respondents strongly agreed that the business employees marketing mix techniques hence wining customer loyalty and the business ensures that products are made to meet customer needs hence increasing customer loyalty (66.0%). Also, majority (51.0%) of the respondents agreed that they ensure that the business employees efficient approaches in order to control cost and hence attract customers and the business focuses on a specific category of customers hence increasing customer loyalty.

### 5.2.3 Differentiation Strategy

The study found that differentiation strategies affect customer loyalty in their retail business to a very great extent (69.0%). Majority (62.0%) of the respondents strongly agreed that they create products or services that are perceived as unique by our customers hence ensuring customer loyalty and that they ensure that the business purchases technologically superior good in order to attract customers. Also, majority (69.0%) of the respondents agreed that their business sells attractive and unique brands which appeals to our customers and they incorporate buyer desired attributes into their products that are unique from our competitors hence attracting customers.

## 5.3 Conclusions

This study concluded that maintaining cost leadership strategy, requires a continuous search for cost reductions in all aspects of the business. Cost leadership strategy defends the firm against powerful buyers because buyers can drive price down only to the level of the next most efficient producer and also defends against powerful suppliers because it provides flexibility to absorb an increase in input costs, whereas competitors may not have this flexibility.

This study concluded that differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Differentiation creates a better entry barrier. Differentiation strategy insulates a firm from competitive rivalry by creating brand loyalty; it lowers the price elasticity of demand by making customers less sensitive to price changes in your product. Differentiation strategy also mitigates buyer power since buyers now have fewer alternatives.

This study concluded that retail business in Garissa town use focus strategy on a particular buyer group, product segment, or geographical market. Focus strategy means achieving either a low cost advantage or differentiation in a narrow part of the market. This has creates a defendable position within that part of the market of retail business in Garissa town.

## 5.4 Recommendations

On cost leadership strategy, this study recommended that retail business in Garissa town should ensure continued capital investment to maintain cost advantage through economies of scale and market share. Develop cheaper ways to produce existing products. Increase capital investment in new technology, which can lead to large market share in the long-run.

On differentiation strategy, this study recommended that achieving a successful strategy of differentiation usually requires strong marketing skills, Product innovation as opposed to process innovation, research and development, customer support, less emphasis on incentive based pay structure etc. Retail business in Garissa town can also do differentiation of their products through different design, brand image, number of features, new technology etc.

On focus strategy, this study recommended that Retail business in Garissa town should embrace a focus strategy in order to gain a competitive advantage by aiming at attending to specific small niches that require special features or prices. The retail business in Garissa town should use a focus strategy by selecting a segment or a group of segments within the industry for which a strategy is tailored and also have different segments in which it can focus on or represent the impossibility to go to the broader perspective, because these are facts creating tradeoffs and so barriers to imitation.

## 5.5 Suggestion for Further Study

This study suggests that further study should be carried out on the effects of market development strategies on the growth of retail business in Garissa town.

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# APPENDICES

## APPENDIX I: Introduction Letter

Dear Respondent,

**RE: A STUDY ON ASSESSEMENT OF THE COMPETITIVE STRATEGIES AND CUSTOMER LOYALTY AMONG THE RETAILBUSINESS IN GARISSA TOWN**.

I am a postgraduate student at Kenyatta University pursuing masters of business administration in strategic management. I am currently conducting a research on assessing the competitive strategies and customer loyalty among retail business in Garissa town.

Your participation in this research is completely voluntary. Your response will remain confidential and anonymous. No one other researcher will know your individual answers to this questionnaire. If you agree to participate in this project please answer the question on the questionnaires to the best you can.

Thank you for your assistance in this important endeavor.

Yours faithfully,

Abdi Farah Abdikadir

**APPENDIX II: Research Questionnaire**

**Section A: Background Information**

**(Please tick/indicate where appropriate)**

1. Gender of the respondent?

Male ( ) Female ( )

2. Age of the respondent?

Below 20 years ( ) 20-25 years ( ) 26 to 30 years ( )

31 to 35 years ( ) 36 to 40 years ( ) 41 to 45 years ( )

46 to 50 years ( ) above 50 years ( )

3. What is your highest level of education?

Postgraduate ( ) Bachelors ( )

Diploma ( ) Secondary Education ( )

Primary Education ( ) No formal Education ( )

4. For how long have you served in this enterprise?

Less than 3 years ( )

3 to 7 years ( )

8 to 10 years ( )

More than 10 years ( )

**Section B: Cost Leadership Strategies**

5. In your opinion do cost leadership strategies affect customer loyalty in your retail business?

Yes ( ) No ( )

6. To what extent do you think the cost leadership strategies affect customer loyalty in your retail business?

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Little Extent ( )

No Extent at all ( )

Using a scale of 1-5, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (D) and 5= Strongly Agree (SA) .Please indicate the extent to which you agree with the statements on cost leadership strategies.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| The enterprise always ensures that costs are kept at the minimum possible level | | | | | |
| The enterprise offers superior and affordable prices to win customer confidence and loyalty | | | | | |
| The enterprise has a continuous search for cost reductions in all aspects of the business | | | | | |
| Cost leadership strategy emphasizes efficiency and with high volumes of standardized products, the firm hopes to take advantage of economies of scale | | | | | |
| To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labor, or some other important input | | | | | |

**Section C: Focus Strategy**

1. In your opinion does market focus strategy affect customer loyalty in your retail business?

   Yes ( ) No ( )

2. In your assessment, to what extent do you think the market focus strategy affects customer loyalty in your retail business?

   Very Great Extent ( )

   Great Extent ( )

   Moderate Extent ( )

   Little Extent ( )

   No Extent at all ( )

   Using a scale of 1-5, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (D) and 5= Strongly Agree (SA) .Please indicate the extent to which you agree with the statements on market focus strategy.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| The focus strategy enables the enterprise to enjoy a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly | | | | | |
| The focus strategy enables the firm to target a specific segment of the market | | | | | |
| The target segment or niche can be defined by a geographic uniqueness or special product attributes | | | | | |
| Focused differentiation strategy aims at securing competitive advantages with products offering carefully designed to an appeal to the unique preferences and needs of a narrow well defined group of buyers | | | | | |
| The success or failures of an enterprise is concerned with how well they understand customer needs and are able to meet those needs | | | | | |

**Section D: Positioning Affect**

1. In your opinion does your positioning affect customer loyalty in your retail business?

   Yes ( ) No ( )

2. To what extent do you think the positioning affect customer loyalty in your retail business?

   Very Great Extent ( )

   Great Extent ( )

   Moderate Extent ( )

   Little Extent ( )

   No Extent at all ( )

   Using a scale of 1-5, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral(N), 4= Agree (D) and 5= Strongly Agree(SA) .Please indicate the extent to which you agree with the statements on positioning.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| The enterprises is competitive so as establish a profitable and sustainable position in the market | | | | | |
| Once a brand is positioned it is very difficult to reposition it without destroying its credibility. | | | | | |
| The enterprise has applied the positioning strategy by creating a sustainable image in the market | | | | | |
| Positioning helps to differentiate products or services from that of the competitors and then determine the market gap to fill | | | | | |
| Our customers are loyal due to our positioning strategies | | | | | |

**Section E: Differentiation Strategies**

1. In your opinion do differentiation strategies affect customer loyalty in your retail business?

   Yes ( )  No ( )

2. To what extent do you think the differentiation strategies affect customer loyalty in your retail business?

   Very Great Extent ( )

   Great Extent ( )

   Moderate Extent ( )

   Little Extent ( )

   No Extent at all ( )

Using a scale of 1-5, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (D) and 5= Strongly Agree (SA) .Please indicate the extent to which you agree with the statements on differentiation strategies.

| **Statement** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|
| Successful differentiation is based on the study of buyers need and behavior in order to learn what they consider important and valuable | | | | | |
| The enterprise’s differentiation earns the enterprise above average returns because it resulting brand loyalty lowers customers' sensitivity to price | | | | | |
| Differentiation strategies are attractive whenever buyers needs and preferences are too diverse to be fully satisfied by a standardized product | | | | | |
| The enterprise incorporates buyer desired attributes into its products and service offering that clearly set it apart from rivals | | | | | |
| Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived as unique in the market | | | | | |

**Section F: Customer loyalty**

Using a scale of 1-5, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (D) and 5= Strongly Agree (SA) .Please indicate the extent to which you agree with the statements on customer loyalty.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Repeated purchases is a venue of retaining high number of customers for any retail business | | | | | |
| Consistent Quality goods and attractive services earns the enterprise above average returns and result business growth | | | | | |
| advertisements are attractive whenever buyers needs and preferences are too diverse to be fully satisfied by a standardized product | | | | | |
| The employees in the business offer customers personal attention | | | | | |
| After sale services is aimed at the broad market that involves winning customer loyalty all times | | | | | |
| The management and the staff inspire confidence in customers during service delivery | | | | | |
| Holding customer feedback helps to improve retail performances | | | | | |
| The business is conveniently located in a clean and safe environment | | | | | |

## APPENDIX III: Focus Group Discussions

**Probes for Discussion:**

i. Competitive strategies adopted by the retail businesses in Garissa town
ii. Customer loyalty
iii. Effects competitive strategies and customer loyalty among retail business in Garissa town
iv. Effects of Cost Leadership Strategies on customer loyalty in retail business in Garissa town
v. Effects of market Focus Strategies on customer loyalty in retail business in Garissa town
vi. Effects of Differentiation Strategies on customer loyalty in retail business in Garissa town