PRICING STRATEGIES AT BAMBURI CEMENT COMPANY LIMITED, KENYA

BY:

JOHN PAUL ONYANGO

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

OCTOBER 2021

DECLARATION

I hereby declare that this project is my own work and that it has not been submitted anywhere for any award.

Signature: **Date: …29th November 2021**

JOHN PAUL ONYANGO

Registration: No. D61/79499/2012

This research project has been submitted for examination with my approval as the University supervisor.

Signature: … **Date: 29th November 2021…**

PROF. JOHN YABS

DEPARTMENT OF BUSINESS ADMINISTRATION

FACULTY OF BUSINESS AND MANAGEMENT SCIENCES

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

I first acknowledge God the father, who heard my prayers and rewarded my efforts to complete the project successfully. I thank Him for giving me the people around me who encouraged me through this process.

I am also thankful to my family for being supportive of me through this time.

I also take this opportunity to sincerely thank my supervisor Professor John Yabs for guiding me through the process to completion, reviewing the paper at each stage and advising the next steps to take. It is by his support and guidance that I was successfully able to complete the project well, and for this, I am grateful to him.

To my moderator Dr. Winnie Njeru, thank you for your lead in the role and advice on how the project should shape up.

To my former classmates who were there to work with me in order to see me complete the paper, I thank you for the encouragement and insights that you gave me.

To the managers at Bamburi Cement Limited who took their time to fill in the interview guide, many thanks for sparing the time to make my project a success.

Finally, I would like to acknowledge the staff at the School of Business for their assistance to make this a success

DEDICATION

To my late father Dominic Onyango, my mother Domitila Kuta, my wife Lilian and my siblings Agnes, Lucy and Kenneth for their love, support, for believing in me and encouraging me

ABSTRACT

The cement industry in Kenya has grown significantly. At the end of 2014, there were six cement companies in the country. There were, and there are still potential entrants into the field. The consumption of cement has been growing at a double digit over the last ten years. As a result, local and international companies have been on an investment mission in Kenya, in order to have a piece of the pie. This increase in the number of players has seen an increase in the production, and supply of cement to the market. It has also had an effect on the price of the product to the consumer. Each company had its cement price which it offered to the market. In the past, the price used to be relatively stable for the few companies like Bamburi Cement and East African Portland Cement, who had a monopolistic advantage. From what we have seen in the recent times, the price is a factor which all the companies have to consider in their strategies, in order to have an advantage over competitors. This could lead to price wars in the market, and as such, the companies have to come up with pricing strategies in order to have a significant share of the market, and outdo the competition. For this reason, companies have come up with pricing strategies in order to have an advantage over their competitors. The objective of this project was to find out the different pricing strategies that cement companies are using, and how these pricing strategies are working out for the companies. It highlighted how other factors come into play when companies have these pricing strategies, for example, what effect the pricing strategies have on the companies' profits, and are they sustainable in the long run. From the study, Bamburi cement has an effective pricing strategy, alongside other strategies that it employs. The company also has good systems to ensure that the strategies are protected under information protection, which is essential to prevent competitors from having this information which they could use against Bamburi Cement. It is also seen from the study that the company plans to remain the market leader in the several years to come through the strategies' applications, among which is the pricing strategy which is important in the growing cement industry in Kenya. The company also looks at increasing the shareholder value through the employment of the pricing strategy in order to have competitive prices in the market which increases the business value. The pricing strategy also ensures that the company operates within the regulations set by the Competition law of Kenya, amongst other competition related regulations that have been set by other business governing bodies, both with the cement industry, and out of the industry.

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ABBREVIATIONS AND ACRONYMS

ARM – Athi River Mining

KNBS – Kenya National Bureau of Standards

LAPSSET – Lamu Port-South-Sudan-Ethiopia Transport

SCS – Specific Case Study

SGR – Standard Gauge Railway

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This research study seeks to know the cement pricing strategies used by cement firms in the industry in Kenya. The study is aimed at understanding these strategies, how they are applied by the firms, to what extent these strategies are applied by the firms in the market and how they affect the cement consumer behaviors as well as the performance of the companies. The cement industry is one of the oldest industries in the world. It dates far back to the Egyptian and Roman empires times when the cement-making process was quite rudimentary. Over the years, the process improved, and more modernized plants were set up all over the world. Large infrastructural projects such as the roads' construction and upgrades, SGR construction and the LAPSET projects, as well as the general growth in the real estate sector, have increased the demand for cement in Kenya. This has seen the number of factories that have been set up in the country rise. In Kenya, East African Portland was the first cement plant set up in 1933 (East African Portland Cement Co Ltd, 2020).

At the end of 2014, there were six cement companies in Kenya. According to the Oxford business group, 2016, the consumption of cement has been growing at a double-digit over the last ten years. This has seen an increase in the number of cement companies leading to an increase in the production and supply of cement to the market, making them to have to come up with strategies to excel and have a strong base in the market.

1.1.1 The Concept of Strategy

The term strategy has often been used incorrectly by businessmen and scholars alike that has created misperceptions in its conceptualization and implementation (Song, 2017). Strategy refers to the complex web of opinions, notions, intuitions, experiences, aims, skill, recollections, insights, and expectations which provide overall guidance on the actions to employ in order to achieve specific ends. It has an aspect of perception, outlook, design, and model. In order for strategies to be effective, the end-view needs to be clear. When companies and organizations fail to have clear end-views, this often results in missed chances and internal conflicts (Nickols, 2016).

There are three levels of strategy: enterprise, business and functional levels (Nickols, 2016). At the enterprise level, decisions are made in relation to the niche in which the enterprise competes, while the business level focusses on making the organization vision a reality. The functional level aims at achieving the goals using the organization's strengths (Amin, 2016). The decisions made at these levels will drive the organization in the marketplace (Seifzadeh & Rowe, 2019).

1.1.2 Price and Competitive pricing

The concept of price can be looked at using two theories. These are the Keynesian cost-push inflation and the storage theory. The Keynesian cost-push inflation theory states that inflation is caused by an increase in the prices of inputs, that is, labor and raw materials, profit required by the business and other factors such as taxation and exchange rates changes. This leads to the rise in the prices of products for the customers as the cost is passed on to them. The demand does not have any effect on the price as this originates from the supply side. The storage theory states that the range between spot and futures prices is controlled by the supply/demand settings. Where the supply of a product is high, the future prices will exceed spot prices as well as their price volatilities.

Competitive pricing is pricing that is based on competitor prices. This may be higher than that of the competitor (premium pricing), lower than the competitors or the same as that of the competitor (price-matching). In order for a company to achieve success using this strategy and benefit from it, it is important that the company maintains a data collection system that enables it to acquire up to date data from the competition. This will enable the company to be able to immediately and effectively respond to competition. Therefore, market analysis ought to be detailed enough (Gençler, 2018).

1.1.3 Importance of Pricing

Pricing is the process of determining the value of an item sold in exchange for the products. It is the price the customer will pay in order to obtain benefits. Price is one of the four major elements of marketing, that is, Price, Product, Promotion and Place. Price is the only revenue-generating element of the four P's, the rest being cost centres (Oguya, 2012). Pricing strategy is a powerful tool that firms can use in order to secure business success. Products could be having a high price indicating their premium quality or a low price in order to attract more customers. There is price differentiation where different prices are set for a product depending on the market area, that is, higher prices for markets that are considered high end and lower prices for the low-end markets.

Price can be looked at from the buyer, seller and the society's standpoints. Price plays an important informational role in decision processes. From the societal point of view, price provides a convenient way to purchase goods and accumulate wealth. Price is the value that a firm sets its products at to cover the cost of production, as well as handle other factors such as competition, from other companies, new products and the changing market conditions in terms of technology. When setting strategies, many companies do not take into to account the pricing strategy fully according to Jesnoewski, et al. (2002). Companies primarily price their commodities depending on the input that goes into the production and value addition of the commodity or service. Companies should look at the costing of commodities and the other factors in determining their pricing strategies. There is also the element of price differentiation based on the market in perspective and item being sold. Pricing can also be set in order to break even or with a profit margin. Companies also set prices to venture into a market, retain their market base or ward off competition coming into their market territory.

The Keynesian cost-push inflation theory says that inflation is caused by an increase in the prices of inputs, that is, labor and raw materials, profit required by the business and other factors such as taxation and exchange rates changes. This leads to the rise in the prices of final products for the customers as the cost is passed on to them. The demand does not have any effect on the price as this push originates from the supply side. Inventory, on the other hand, influences the price and price volatility of a commodity. During scarcity, when inventory is low, spot prices increase sharply. In contrast, when inventory is high, the spot prices are low.

The pricing strategy has become a fundamental element for businesses today. Studies have been done on it. The cement industry too has grown in Kenya and become a competitive field. Due to the rise in the demand for cement, there has been an increase in the number of firms entering the industry. What is likely to happen is a scramble for a share in the market by each firm, through attracting customers and one of the factors that will be of interest will be the price of cement. Pricing is increasingly becoming important in business, more especially when an industry is experiencing growth. It is therefore important to understand it and analyse the pricing strategies that cement companies can use in the growing cement industry in order to prosper in business, thus the study. Proper competitive advantage is thus a basis for robust pricing strategies by creating products of value and of greater value than that of competitors.

1.1.4 Cement Industry in Kenya

Kenya's building and construction are among the most rapidly growing sectors of the Kenyan economy, at an average rate of 14.2% from 2006 to 2011. This has been as a result of high rates of population growth and urban sprawling, prevailing gaps in infrastructure, and improved incomes among the citizens (Ruriga & Koech, 2017). The cement industry in Kenya is mainly driven by the construction sector. This sector has increased throughout the past 5 years at 10% CAGR while the entire economy has only grown 4%. However, despite this growth, local cement companies still seem to be struggling. These companies have been recording declines in operating profits in 2016 and 2017 (Ruriga & Koech, 2017)as a result of: Slowdown of revenues from homebuilders' market who constitute 60% of the cement industry revenue, rise in the price of coal, decrease in retail prices, high electricity bills, delays in infrastructural projects, and price wars as a result of the increasing number of imports into the country

Additionally, the decrease in cement production in Kenya from approximately 487,000 tons in May to 470,000 tons in June of 2019 (KNBS, 2019) may also have been triggered by the factors mentioned above. Over the years, there has been entrance of new cement companies that has seen the number of cement manufacturing companies rise from two in the 1950s to the current six namely, Bamburi Cement (affiliated to LafargeHolcim Group), East African Portland Cement, ARM Cement, National Cement (affiliated to Devki Group), Mombasa Cement and Savannah Cement. This has created more competition in the industry whereby there is more supply than demand that has led to reduced prices of cement. The standard value of a 50-kg bag, for instance, dropped from KSh750 in 2008 to about KSh600 in 2018 (Oxford Business Group, 2018). Moreover, the entrance of new foreign cement manufacturing companies into the market such as the Nigerian giant Dangote Cement and India's Cemtech (affiliated to India's Sanghi Group) has further increased competition in the sector (Oxford Business Group, 2016).

1.1.5 Bamburi Cement Company Limited

Bamburi Cement Company Limited is a subsidiary of LafargeHolcim that has its headquarters in Nairobi. It was founded in 1951 and opened its Mombasa factory in 1956. Bamburi was the second cement manufacturing company to be established in Kenya after East African Portland Cement in 1933 (Ounga, 2017). Bamburi Cement was founded by Dr. Felix Mandl who was the director of Cementia holdings A.G Zurich. The choice of Mombasa as the first location was due to the presence of wide source of coral stone, which is the main raw material for cement production. A major stake of Bamburi cement limited (58.6%) was acquired by Lafarge SA (Societe Anonyme) (Ndegwa, 2014). The second plant was later opened in Athi river. The Mombasa plant is the largest cement company in the Coastal region, and the second largest cement company in Sub-saharan Africa. Bamburi Cement limited was established in order to offer a reliable supply of cement for the increasing cement needs as a result of a growing market.

The company has risen to become the leading cement manufacturer in the country and East Africa as well (Ruriga & Koech, 2017). At the moment, Bamburi cement limited is currently a fully owned subsidiary of Lafarge-Holcim, and it is the largest cement plant in East African region. It is a market leader in the cement manufacturing industry and has been able to maintain its strong market presence for over 6 decades (Ounga, 2017). Additionally, this company is a large manufacturing export earner for Kenya, and it exports approximately 28% of its total production. It also has a subsidiary known as Bamburi Special products which makes concrete paving blocks for both small and large scale builders. Another subsidiary is called Lafarge Ecosystems which specializes on rehabilitation of quarries, from which mining activities have occurred in the past. Bamburi Cement is popular for its profit returns on investments. This has enabled the company to export some of its products to regional countries (Ramalho, 2016). Additionally, Bamburi cement limited can produce more than two million tons of cement annually and has elaborate strategies to create value for its products, hence beating its competitors by meeting the needs of the ever changing customer demands.

1.2 Research Problem

In the past, cement companies did not focus on pricing as a strategy due to the few players in the industry (Wanjira, 2010). The main players were the two giants, Bamburi Cement and East African Portland Cement. These two companies had a relative monopolistic advantage over other small players like Athi River Mining. As more investments in new plants were made by the smaller companies and new companies came into the country, supply increase and the push for a larger share of the market started taking shape. In the process, the price has become a factor which all the companies have to consider, in having an advantage over competitors in order to attract and retain its customer base.

In such situations, price wars in the market become eminent, and as such, the companies have to create pricing strategies in order to have a significant share of the market and outdo the competition. For this reason, companies have to create pricing strategies to have an advantage over their competitors. These pricing strategies should be well formulated to yield the desired results for the companies. Studies have been done on the cement industry in Kenya. These strategies have been applied in the companies. However, with the current developments going on in Kenya, it is important to look at the pricing strategy in order to understand how cement companies can apply it more effectively in their decision-making process. It is also important to note that with the increase in the number of cement companies in the country, price should be studied as a key strategic point for them.

The study, therefore, seeks to answer the main research question, "how can pricing strategies be effectively applied in Bamburi Cement Company?"

1.3 Research Objectives

The research objective of this study was to determine competitive pricing strategies at Bamburi Cement Company Limited, Kenya

1.4 Value of the Study

The study aims to be useful in theory building in pricing strategy as a key ingredient to a firm's business success and market excellence and attempt to expound on the study of pricing for the cement industry. Companies will need the study their marketers to understand the effective strategies to be used in the market, as well as those that might be employed by their competitors. The government needs to understand the pricing strategies employed in the industry in the formation of pricing policies, protection of the local industry from imports, as well as other policies for other sectors which partner with the cement industry to create a conducive business environment. Investors will need to know how stable a company is, and this will be achieved by looking at the competitive advantage that companies have, which has the pricing strategy element. The research will contribute to the existing knowledge. Marketers and scholars may use the study to enrich their comprehension of pricing strategies for the industry which will further aid in the understanding of how these strategies can be employed in other industries and how critical they will be in those industries.

The study is meant to help the management in the industry in improving their pricing structure and decisions while having and sustaining competitive advantage in the future. It is also meant to shed light for potential investors on how the Kenyan market responds to pricing strategies and how their investments would fair in the market. The study also aims to improve the policymaking process for government agencies who have a stake in the industry. Marketing apprentices and researchers may also use the study in their understanding of the pricing strategies and give more insight into areas that need to be ventured into more in relation to the study.

Scholars will also benefit from the study through additional information on competitive pricing strategies, specifically in the cement industry. They will also be able to identify research gaps through the study for further studies, further contributing to the literature. The study is therefore very informative and will help in contributing to the improvement of the industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this section, various literature has been reviewed. Different competitive strategies have been discussed as well as their effectiveness. This section also discusses the factors that are important when deciding on a pricing strategy and those that hinder this decision. The theoretical foundation that forms the basis of the study as well as the conceptual framework has also been discussed. The review ends with the empirical literature and identifies research gaps.

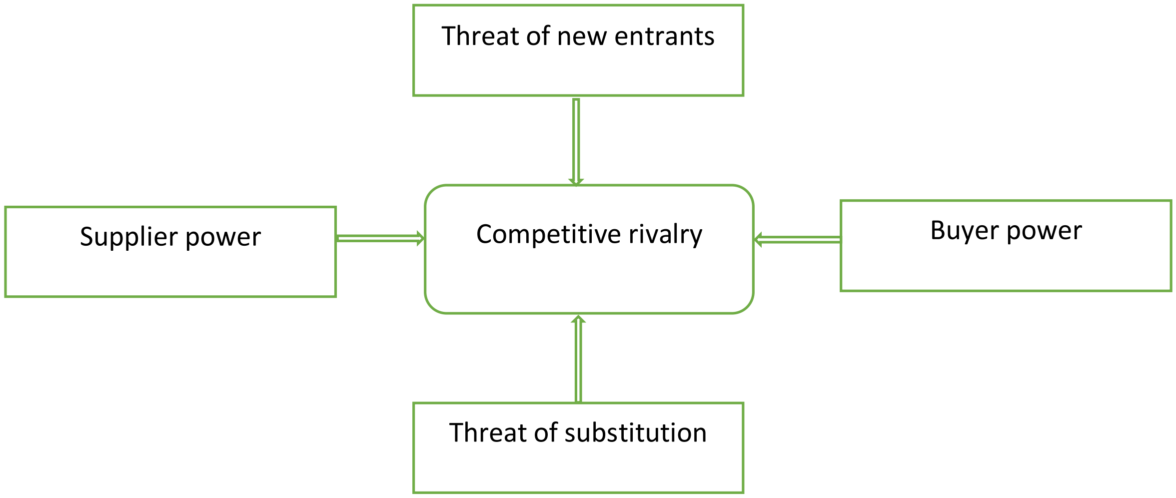
2.2 Theoretical Foundation

There are many theories in that form a basis for pricing strategy decisions. In this study, Porter's Five Forces and Game theory will be discussed as theories upon which the study is based.

2.2.1 Porter's Five Industry Forces

A number of studies and research work have used Porter's five industry forces in analyzing the level of competition (Mathooko & Ogutu, 2015; Dälken, 2014; Ural, 2014). Porter's five industry forces were created by a man called Michael E. Porter. In this theory, five factors or forces are used to ascertain the intensity of competition in the market namely: the threat of new entrants, substitution, competitive rivalry, supplier power and buyer power.

Figure 1: Porter's five forces



i. The threat of new entrants – determined by the ease with which new competitors are able to enter the marketplace. Where it is very easy, the existing company's market share is likely to be affected.

ii. Competitive rivalry – determined by the number of competitors and their capabilities. When rivalry is high, there is likely to be price wars.

iii. The threat of substitution – this focuses on the ease with which consumers are able to switch to a substitute product.

iv. Supplier power – this focuses on the number of suppliers. Fewer suppliers will mean that suppliers have more power and control over price.

v. Buyer power – this is determined by the product and company choices from which the buyer can buy. When buyers have many product and company choices, their buyer power is high that in turn affects the company.

2.2.2 Game Theory

The game theory has been used in various past literature in analyzing competition (Hu & Tang, 2014; Bravo, Figueroa, & Weber, 2010; Kopalle & Shumsky, 2010). Game theory enables companies to determine the strategies that competitors are expected to implement in order to maximize their profits as well as how the company's choices impact those strategies. This theory, therefore, enables companies to monitor the actions and reactions of competitors in order for the companies to decide on the strategy that they see fit to apply so as to win in the market. The strategies that all the players in the market are employing should be known to each one of them. There is a need for a clear picture of the resources available to the competitors as well as their decision making objectives in order for the Game Theory to be effective (Wells, 2016).

2.3 Competitive pricing strategies

Pricing is an important element that gives companies a competitive advantage over other companies (Wawaka & Muchelule, 2018). There are different forms of pricing such as penetration, premium, economic, demand, dynamic, discount and competitive pricing. Competitive pricing occurs when companies price their products in relation to the competition. Small price deviations may cause fluctuations in profit by up to 25% (Bhasin, 2017). Strategic pricing is important and needs to incorporate the companies' internal capacities, customer expectations, needs and wants as well as an understanding of the economic state of affair and competition (De Toni, Milan, Saciloto, & Larentis, 2017).

In competitive pricing, three strategies can be used, namely:

i. Pricing the product above the price of the competition – this requires that the product have certain features or enhancements that justify the raised prices. This could be the packaging of the product or the addition of some elements to the product that make it to be a premium product to justify the raised price.

ii. Pricing the product below the price of the competition – this should only be adopted where volumes of the product being manufactured are able to be sustained or/and increased without raising costs so as not to have a negative impact on the profits of the company.

iii. Pricing the product, the same price as the competitor – this strategy is used by companies to reduce differentiating aspects between its product and that of the competitors. In this strategy, the company offers the same price as the competitor but for more features. This creates a head to head market share scramble between the competing companies.

2.4 Effectiveness of competitive pricing strategies

The effectiveness of the competitive pricing strategy used will be determined by whether market research was done prior to adopting the strategy. This will enable the company adopting a particular strategy to determine what is appropriate for its operations. There are five factors to consider when choosing a pricing strategy in order for the competitive pricing strategy to be effective:

i. Costs

Cost is an important factor to consider when deciding whether to adopt a competitive pricing strategy as it influences the flow of revenue. The prices set must, therefore, be able to properly over the production and overhead costs as well as generate profits. If a company chooses to lower its process than that of the competition, for example, it should ensure that its profit margins and cash flow, including operation costs, are maintained (Lovering, 2019).

ii. Customers

Being informed about customer needs is important when deciding on the pricing strategy to use. Therefore, when deciding on a competitive pricing strategy, the company needs to establish whether the purchasing patterns of the targeted customers are guided by price or worth (Jesnoewski, 2018).

iii. Market position

It will also be useful to consider the company's market position, that is what the consumer is likely to perceive the product in relation to that of the competitors. Therefore, in comparison to competitors, the company will want to consider whether it would like to be known as the cheapest brand or expensive and high-end brand (Jesnoewski, 2018).

iv. Competitors

It is also important to take note of who the competitors in the marketplace are. When choosing a pricing company, the company should research on prices charged by competitors, services being offered and the type of consumers they attract. The company should also consider the market positioning of the competitors that would help it to establish a benchmark for pricing and the pricing strategy to best use in order to attract customers (Jesnoewski, 2018)

v. Profit

Considering that the company is interested in doing business, then profits are also an important factor to consider when choosing a pricing strategy. It is essential that the company consider what profit is required in order to add value to all working within it (Jesnoewski, 2018).

2.5 Factors that hinder the effective application of the competitive pricing strategies

Competitive pricing strategy may, however, be a risky strategy. This is especially because of the fact that in most cases, the company may not be aware of the competition's strategy such as production processes used to ensure that profit margins are maintained. Additionally, some companies may counter such a strategy with a different pricing strategy to ensure that they do not lose their market share and position (De Toni *et al.*, 2017). Some of the factors that may hinder the effective application of competitive strategies include:

i. Negative political climate –The laws and regulations passed by politicians will influence the pricing of products. These regulations may either facilitate or hinder the effective application of competitive strategies depending on the political environment or goodwill. Therefore, where there are threats of wars, it may be nearly impossible to effectively apply competitive strategies

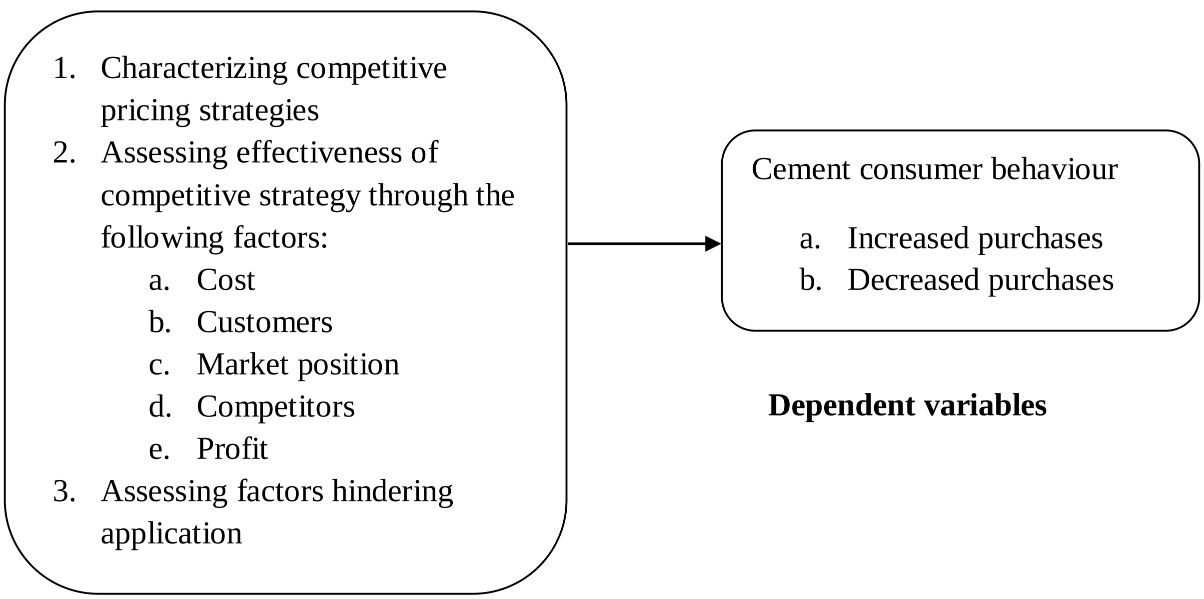
ii. Poor state of the economy– GDP level of a country and its economic prosperity will facilitate or hinder the effective application of competitive strategies. This is because a rise in GDP will increase the demand for goods and services. Therefore, a decline in GDP and inflation will mean that less people are able to demand goods and services and thereby hindering the effective application of competitive strategies

iii. Technological capabilities – The availability of the latest technologies in a particular area as well as the capacity of an organization to take advantage of that technology affects the application of competitive strategies. Where these technologies do not exist or where they are too expensive, the organization may not be able to effectively apply competitive strategies.

2.6 Conceptual framework

A conceptual framework was formulated to show the interaction between independent variables and the dependent variable, which is the cement consumer behavior. The independent variables include the different competitive strategies in use and how their application affects cement consumer behavior. The effectiveness of the competitive strategy in use in terms of cost, customers, market positioning, competitors and profit is also an independent variable. These factors will be weighed against the dependent variable to find out their impact on the consumer behaviours. Additionally, factors hindering the extensive application of the competitive strategy will also be weighed against the dependent variable to find out their impact on the consumer behaviours. The study will assess whether these independent variables cause a decrease or increa

Figure 2: Conceptual Framework



Independent variables

2.7 Empirical Studies and Research Gaps

A study was done on factors influencing pricing strategies adopted by large alcohol manufacturers in Kenya (Oguya, 2012). On the international front, research and studies on pricing have also been carried out. The study on pricing strategies and customer retention (A case of Airtel (T) Ltd), which was primarily on pricing strategies used in the communication sector will help in understanding some of the pricing strategies which can be applied in the cement industry (Ndyamukama & Machibya, 2015). A study was carried out by Miller & Osborne, 2014 on spatial differentiation and price discrimination in the Cement Industry which focused on the US Southwest area. It was concluded that prohibiting spatial price bias in the cement industry would increase consumer surplus. Spatial price discrimination represents the ability of a firm to charge different prices to consumers at different locations in space. This can be looked at in the Kenyan cement industry context.

CHAPTER THREE

RESEARCH METHODOLOGY

This section included the procedures that were to be used in carrying out research to achieve the objectives of the proposed study. It included the research design, data collection and analysis.

3.1 Research design

The research was based on a case study. As advanced by Yin (2009), both descriptive and explanatory case study approaches were the preferred methods because they provided a holistic, detailed and in-depth insight of the applied SCS at Bamburi, and the relationship between the applied systems and company performance.

Farquhar (2012) suggests that the objective of case study is to search extensively for explanations that will explain a phenomenon and thereby use the new knowledge to extend or test a theory. Most scholars and researchers adopted the case study design successfully (Musyoka, 2011; Chelimo, 2010; Mwanzia, 2009 and Siro, 2009).

3.2 Data Collection

Data was collected using a structured interview guide. This meant that the interview was interactive to allow the respondents give further elaborations on the questions, creating in-depth responses, and a positive relationship between the interviewer and the interviewee such that feelings and emotions can be observed. Since the obtained data was not static, the respondent was also to help in steering the conversations such that important aspects that are not covered by the interview guide questions could also be addressed. The guide was to be sent electronically on email. Depending on the responses from the emails, phone calls could also be adopted to reach out to as many people as possible and obtain better representative results. To ensure that the meaning by the interviewees remained clear and not by any chance misunderstood, a number of methods were to be used in setting up the questions. For instance, there was basic probing where the interviewer would ask the question twice to prevent too much wondering by the interviewee. Next there would be an explanatory probe where the interviewer would ask for explanations in various answers to get more information. Finally, mirroring was to be used whereby the interviewer would repeat a summary of the given answers back to the interviewee to check if everything was well understood well, and allow the interviewee think about what they had just said. The interviewees were the sales manager, price manager, finance manager and the marketing manager. These are the responsible people with greater control and experience in matters of pricing, strategy and the consumer market.

3.3 Data Analysis

The data obtained from the interviews was analyzed by use of Content analysis of the interview guide questions. As compared to other analysis methods, Content analysis is objective, quantitative, and systematic. Objectivity requires all categories of the data classification such that any other person who is familiar with this method can use same data and get similar results, just as the original investigator. Being systematic means that the content that is critical to the research problem is analyzed, and that the analysis is designed in such a way that it tests some scientific hypothesis. In order for this method to be quantitative, the data was to be treated as numerical frequencies. Since content analysis is descriptive in nature, it would allow the identification of frequencies and any patterns of various occurrences, in answering the research question. In this case, having formulated the research question, the units of analysis were to be decided, a sampling plan developed-in this case was the interviews. The coding to be established was to be coded into various categories to order to ensure the accuracy of the results. Then a coding and interceding checking would be done, followed by data collection and analysis. In this research the research question was the effect of pricing strategies on the competitiveness of cement industries; a case of Bamburi cement. Possible unit of measurements would be words, sentences, phrases, documents, paragraphs, and word senses. Either of the above could be applicable since in content analysis, units of analysis vary by a great deal. Content analysis method was used to analyze data with a view of giving descriptive phenomenon related to the research question. Descriptive statistics such as frequencies, modes, means, averages, medians and percentages were to be used to show the distribution and variation of data obtained from the study, in accordance with content analysis method. Moreover, inferential statistics, on the other hand, would include tests such as the chi-square test, which will be used in determining whether the relationship between two variables is significant or not.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter outlines the analysis of data obtained and the findings of the study. The data collected through interviews were summarized and analyzed using the content analysis method. The interviewer sent out the interview guides to the respondents in Bamburi Cement Limited. The respondents have all worked in the company for not less than four years each, hence they are experienced in the company, and their feedback reflected a position which shows the company's position in regards to the pricing strategy that is in place. The content of the data collected was examined, and the conclusions drawn from this. In line with the objective of the study which was to understand the pricing strategy used by Bamburi Cement Limited, these conclusions gave a generalized understanding of the study that was being carried out on Bamburi Cement Limited.

4.2 Market position

From the interviews that were carried out, Bamburi Cement Limited has its position as the market leader in the cement industry in Kenya. This is the position according to all the managers that were interviewed. The managers gave the feedback that strong brand equity, innovative product offering and a team of dedicated staff was part of the reason behind them being a market leader. These reasons, together with continued provision of construction solutions to the market at an affordable rate, led the interviewees to be of the view that the company will still continue being a market leader and maintain its strong brand footprint in the Kenyan market at the present and in the future coming years. Finally, the company has strategies in place which help it to maintain the market leader position, and one of these strategies is the pricing strategy.

4.3 Compliance

For any company to function successfully without having legal issues or audit complications, then the level of compliance must be satisfactory. This includes having company policies and procedures in place. Compliance also helps in the follow up to the company's strategies being followed as laid out by management. It also helps the company to be in line with external rules like government regulations and other industry bodies' policies set up. Pricing strategy is no exception. If it is to be successful, then the company's level of compliance with the policies and procedures, as well as the government regulations on practices like fair competition has to be good. Compliance also ensures that employees are conversant with the expectation and conduct which reflects on the company. Bamburi Cement has a high level of compliance, with regular updates to the employees on the compliant practices expected. This creates an environment where the pricing strategy can be effectively applied, and expected results obtained from it.

4.4 Pricing strategy and strategy implementation

Strategy is a key aspect in the business in Bamburi Cement Limited. In the discussion with the interviewees, the discussion was to find out if a pricing strategy exists in the company. The interviewees' feedback was that the pricing strategy does exist. This pricing strategy is evident because the company has a manager in charge of pricing of their products. This role is to ensure that the company's products are priced right in the market, adding value to the customers and the company, as well as being competitive against other cement companies that are present in the Kenyan cement industry. From the interviews also, the feedback was that there is a pricing policy that the company has. This is to ensure that the practices and strategy relating to price are carried out in accordance with the expected external regulations set by the government as well as the different cement industry and trade organizations. An example is the Competition law of Kenya that protects consumers from restrictive trade practices. This law has an effect on the pricing strategy that Bamburi Cement applies. From the interviews, the existence of the pricing strategy also leads to Bamburi Cement having competitive prices which create shareholder value through the positive growth of the business.

4.5 Price Information Management

Information management is a key aspect of all organizations. Information is a powerful tool for the success of any company in the current business world. Many companies have organized their information departments and invested a lot in information management. Information management includes information protection policies which protect the company from unhealthy competition and potential harm to the company. This is also very important when handling the pricing strategy of a company. Bamburi Cement also has information management systems in place. For the interview guide questions to be answered, the managers had to have clarity on the information on pricing strategy to be shared, and how to share the information. This came out as very important since pricing strategy can be very useful information in the hands of other parties like competitors.

4.6 Communication of strategy

The communication channel that is set in Bamburi Cement came out during my interview. The information that different managers had was to their departments. This is important for organized information flow from different departments, and between different departments' managers. The pricing strategy information pieces that are put together from the different departments' managers are their responsibility, and as such, there is no overlapping in terms of the information that one manager presents. Hence, communication is essential for proper strategy implementation.

4.7 Customer Focus

Setting strategies for a business is more effective when the customer focus is in place. In pricing strategy, this is very key as the company has to have the customers' view in consideration. Bamburi

Cement considers this as key in terms of the pricing strategy as the customer is important for their business existence and continuity. From the interviews done, the feedback was that the company looks at offering solutions to the customers, who are all those in the construction market, and it considers having a pricing strategy as important for them to satisfy the customers as well as maintain their market share.

4.8 Company future Vision

From the interview guide, the company has a vision to remain the market leader in the future. This is through creating value for the shareholders, maintaining the customer satisfaction levels and exploring new solutions and products to customers, and also, providing a source of livelihood to its employees which then creates loyalty in them to continue giving the company quality service in their jobs and areas of expertise.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, we look at the summary of the findings of the study, the conclusions to be drawn from it and the recommendations that can be made from it.

5.2 Summary

From the interviews, it was clear that Bamburi are a market leader in the cement industry in Kenya. Bamburi cement also have a pricing strategy in place. It was also clear that this strategy is one of the strategies that they employ to their business. Bamburi cement also employs their strategies to provide customer satisfaction in the market, and consider the effect of competition on their market share.

5.3 Conclusion

From the study, Bamburi cement has an effective pricing strategy, alongside other strategies that it employs. The company also has good systems to ensure that the strategies are protected under information protection, which is essential to prevent competitors from having this information which they could use against Bamburi Cement. It is also seen from the study that the company plans to remain the market leader in the several years to come through the strategies' applications, among which is the pricing strategy which is important in the growing cement industry in Kenya. The company also looks at increasing the shareholder value through the employment of the pricing strategy in order to have competitive prices in the market which increases the business value. The pricing strategy also ensures that the company operates within the regulations set by the Competition law of Kenya, amongst other competition related regulations that have been set by other business governing bodies, both with the cement industry, and out of the industry.

5.4 Recommendation

The recommendation from this study is that Bamburi should add more consideration to the strategies being applied by competitors in order to maintain its market leadership. This is important for it to maintain its market leadership position. These could also be other strategies apart from the pricing strategy, for example, market positioning and promotion.

5.5 Limitations of the Study

The study on pricing strategy is a sensitive study. From the interviewees' point of view, the question they kept asking was what the information was going to be used for because its nature was sensitive to the company. It was after a lot of persuasion that the interview finally took place to a satisfactory level. However, not all questions were answered fully as would have been expected by the interviewer. Another point is that even after having the interview, the interviewees gave the caution that this information should not be used for any other purpose other than the case study as it would be harmful to them if it got to the hands of some parties.

5.6 Area for further research

From the study findings of this research, there are other strategies that are also used by Bamburi Cement in order to ensure its success in the market. These need to be studied to have an overall view of the strategies that the company uses in its business, and the most effective strategy that it employs. It is also important to study the other cement companies' strategies. This is so as to have an understanding of the strategies used in the cement industry in Kenya, and which strategies are key for the current cement companies present, as well as any new entrants who might be planning to come into this market.

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APPENDICES

APPENDIX 1: INTERVIEW GUIDE

INTERVIEW QUESTIONS FOR MANAGERS

1. What makes this company a market leader in the cement industry?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

   …………………………………………………………………………………………

2. Does this company have a pricing policy?

   …………………………………………………………………………………………

3. Explain how the government policies may affect the pricing strategies.

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   …………………………………………………………………………………………

   …………………………………………………………………………………………

4. What factors motivate a company to remain competitive and meet customer demands?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

5. How does it benefit your company to adopt competitive prices among other cement production players in the region?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

6. Explain the factors which influence the adoption of pricing strategies at Bamburi Cement Limited?

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   …………………………………………………………………………………………

   …………………………………………………………………………………………

7. Does Bamburi Cement Limited use any pricing strategies?

   …………………………………………………………………………………………

8. What pricing strategy is currently in use in Bamburi Cement?

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9. Does the pricing strategy described in Q.8 affect consumer behaviour (i.e. do they result in increased purchases)?

…………………………………………………………………………………………………

10. In your opinion, how do the competitive pricing strategies, an effective strategy to attract/maintain customers (i.e. based on level of purchases)?

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…………………………………………………………………………………………………

11. How are the customer needs affected by the pricing strategy in use?

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12. What is the market position of Bamburi Cement Limited in comparison with other competitors in the industry?

…………………………………………………………………………………………………

13. Is there any market sharing between Bamburi Cement Limited and other competitors? (Explain).

…………………………………………………………………………………………………

…………………………………………………………………………………………………

14. What is the relationship between Bamburi Cement Limited's profits and pricing strategy use?

…………………………………………………………………………………………………

15. What is the possible employees benefit as a result of the profits gained (e.g. bonuses, awards)?

…………………………………………………………………………………………………

16. How do the costs incurred as a result of implementing the competitive pricing strategy adequately cover production and overhead costs as well as generate profits for the company?

…………………………………………………………………………………………………

17. Is the strategy effective in ensuring company performance and consumer purchases?

…………………………………………………………………………………………………

18. What challenges are faced in implementing pricing strategies?

A. How was the operating profit before using a competitive pricing strategy was in: (Surplus, Balance, Deficit)………………………
B. Compared to when using other strategies, the operating profit as a result of using a competitive pricing strategy is expected to: (Improve, Show no change, Worsen) ……………………

19. What do you feel about possible factors that hinders Bamburi Cement from effectively applying the pricing strategies/presents a challenge?
…………………………………………………………………………………………………
20. In terms of market share, where do you see Bamburi Cement Limited in the next 10 years?
…………………………………………………………………………………………………

Thank you for your cooperation and assistance.