COMPETITIVE STRATEGIES ADOPTED BY EAST AFRICAN BREWERIES LIMITED TO RESPOND TO THE THREAT OF NEW ENTRANTS AND SUBSTITUTE PRODUCTS.

BY

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DECLARATION

This is my own original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

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This research project has been submitted with my approval as the university supervisor.

Signature____________________ Date _______________________

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DEDICATION

This project is dedicated to my family for their unending love, support and care.

ACKNOWLEDGEMENT

Many people have contributed in one way or another towards the success of this work and I would like to convey my appreciation to them. First and foremost I would like to acknowledge the input of my supervisor Professor K'obonyo for his guidance, patient and support throughout the research period. I am also grateful for my family who stood by me during this exercise.

Last but not least, I would like to thank all my classmates for their spirit of unity; teamwork and social warmth that has made us all achieve our goals. Above all, I give glory to Almighty God for His grace that saw me through this course.

ABSTRACT

The objectives of the study were to establish the strategic responses adopted by EABL in response to threats of new entrants and to establish the strategic responses adopted by EABL in response to threats of substitute products. The research was designed as a case study of East African Breweries Limited. The study used an unstructured interview to collect primary data senior management and head of department staff at EABL. The data was analyzed through content analysis. The study established that East African Breweries Limited has competitive strategies to respond to the threat of new entrants in the beer industry. The strategies include effective corporate governance structure, increased its production capacity, supply chain optimization, ensuring environmental safety, human resources management strategies, financial risk management and segmental financial reporting. EABL has responded to the threats of substitute products by adopting strategies aimed at ensuring that the company's products remain the best sold in East Africa and beyond. The strategies to enhance competitive advantage of EABL products include product innovation, development and diversification through support for research and design programmes, advertisements on television, radio, print and billboard, consumer promotion , sponsorship of television and online entertainment programmes, upgrading the bar environment and promoting of cultural festivities through brand labels, popular cultural galas, market day activations and in-bar promotions. The strategies adopted by the company have been effective in enhancing its competitive advantage. The study recommends that regional trade frameworks such as the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) should come up with competition laws which regulate cross-border competition issues; beer industries should adopt various technological platforms for production and marketing of their products; local brewers should maintain consistency as a part of strategy to enhance competitive advantage. The study recommends further research on the effect of cross boarder competition on the performance of local beer industry.

TABLE OF CONTENTS

DECLARATION ii

DEDICATION iii

ACKNOWLEDGEMENT iv

ABSTRACT v

CHAPTER ONE: **INTRODUCTION** 1

1.1 Background of the Study 1

1.1.1 The Environment and Organization Dependence 2

1.1.2 Competitive Strategies 3

1.1.3 The Five Forces of Competition 5

1.1.4 Alcohol Industry in Kenya 5

1.1.5 East African Breweries Limited 7

1.2 Research Problem 8

1.3 Objectives of the Study 11

1.4 Value of the Study 11

CHAPTER TWO: **LITERATURE REVIEW** 12

2.1 Introduction 12

2.2 Theoretical Foundation 12

2.3 Organization and the Environment 14

2.4 Competitive Strategies 16

2.5 Strategic Responses 22

CHAPTER THREE: **RESEARCH METHODOLOGY** 25

3.1 Introduction 25

3.2 Research Design 25

3.3 Data Collection 26

3.4 Data Analysis 27

3.5Validity and Reliability 27

CHAPTER FOUR: **DATA ANALYSIS, RESULTS AND DISCUSSION** 28

4.1 Introduction 28

4.2 Respondents and Organizational Profile 28

4.3 The Potential Problems Posed by New Entrants and New Products 28

4.3.1 Possible Loss of Qualified Staff 29

4.3.2 Reduced Market Share Due to Increased Substitute Products into the Market 30

4.3.3 Superior Technology 30

4.3.4 Superior Human Capital 31

4.4 Competitive Response Strategies 31

4.4.1 Cost Leadership Strategy 32

4.4.2 Supply Chain Optimization 32

4.4.3 Financial Risk Management 33

4.4.4 Credit Risk 34

4.4.5 Liquidity Risk 35

4.4.6 Market Risk 35

4.4.7 Foreign Currency Risk 36

4.4.8 Capital Management 36
4.4.9 Segmental Financial Reporting 36
4.4.10 Differentiation Strategy 37
4.4.11 Focus Strategy 37
4.4.12 Human Resources Management Strategies 42
4.4.13 Mitigating the Threat of Competitors with Advanced Technology 45
4.5 Improving Corporate Image 48
4.5.1 Embracing Best Corporate Governance Practices 48
4.5.2 Community Investment 50
4.5.3 Skills for Life 51
4.5.4 E-Green Team 51
4.5.5 Media Relations 52
4.5.6 Promoting Responsible Drinking 52
4.5.7 Internal Communications 53
4.5.8 Ensuring Environmental Safety 54
4.6 Discussion of the Findings 54

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .. 59
5.1 Introduction 59
5.2 Summary of the Study Findings 59
5.2.1 Competitive Strategies Adopted by EABL in Response to Threats of New Entrants 59

5.2.2 Strategic Responses Adopted by EABL in Response to Threats of Substitute Products 64

5.3 Conclusion 65

5.4 Implications of Results 66

5.5 Recommendations 66

5.5.1 Recommendations for Policy and Practice 66

5.5.2 Recommendation for Further Research 67

5.6 Limitation of the Study 67

REFERENCES 68

APPENDICES i

Appendix I: Letter of Introduction i

Appendix II: Interview Guide ii

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations depend on the environment for survival. They scan the environment in effort to determine the trends and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 1993). The organizations environment is dynamic and to operate effectively within it, organizations must be able to change in response. Responses can be both or either strategic and operational. Strategy is therefore fundamental in the planning process since strategic decisions influence the way organization respond to their environment. Strategy can be said to be that unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization, (Gluek, 1984). Strategy is large scale, future-oriented plan for interacting with the competitive environment to optimize achievement of organizational objectives (Pearce and Robinson, 2002).

Strategy also, selects the business organization it is to be in or is currently in, it determines and reveals the organizational purpose in terms of long term objectives, action programs and resource allocation priorities. Strategy also attempts to achieve a long term sustainable advantage in each of the organization's business by responding appropriately to the opportunities and threats in the organization's environment and strengths and weaknesses of the organization. It is a coherent and integrative pattern of decisions and it engages all the hierarchical levels of the firm; corporate, business and functional. Finally, strategy also defines the nature of the economic contributions it intends to make to its stakeholders (Hax and Majluf, 1991).

1.1.1 The Environment and Organization Dependence

Economic forces can have a profound influence on organizational behavior and performance. Economic growth, interest rates, the availability of credit, inflation rates, foreign exchange rates, and foreign trade balances are among the most critical economic factors. Economic growth can also have a large impact on consumer demand for products and services. According to Hill and Jones, (1998) every organisation exists within its own internal environment and is influenced by its external environment. The business environment is subject to many changes and the complexity of these environmental influences upon an organization will vary significantly from case to case. It is therefore necessary for organizations to understand how the changes in the external environment might differentially affect them. Some organisations pass from decade to decade with little change in their environments whilst others must cope with daily or hourly changes which must be addressed.

Organizations are dependent on the environment which is constantly changing .To adapt to the environment the organization must adopt significant changes and strategies geared towards serving the changing environment. Organizations must cope with and manage uncertainty created by the changing environment to be effective. Uncertainty increases the risk of failure for organizational responses and makes it difficult to compute costs and probabilities associated with decision alternatives (Koberg and Ungson, 1987). Characteristics of the environmental domain that influence uncertainty are the extent to which the external domain is simple or complex and the extent to which events are stable or unstable (Dess and Beard ,1984).

1.1.2 Competitive Strategies

Mintzberg (1978) defines strategy as a sequence of top management decisions that show a consistency or pattern over time. However, he views strategy as a phenomenon with various meanings. Therefore, he proposes five interconnected definitions for strategy that explicitly interpret its multiple meanings to help people negotiate this difficult field (Mintzberg and Quinn, 1991). Mintzberg's five definitions for strategy are plan, ploy, pattern, position, and perspective. Ansoff (1984) on the other hand, regards strategy as a means to an end, seeing it as a set of decision-making rules to guide organizational behavior. In Ansoff's view, the objectives represent the end that the company intends to achieve and strategy is the means to this end. He interprets strategy as a set of guiding rules (e.g., objectives, goals, concepts, rules, and policies) to deal with the micro and macro environments and treats it as a sophisticated phenomenon.

In his books, Competitive Strategy (1980) and Competitive Advantage (1985), Porter has identified and defined three generic strategies. They are cost leadership, differentiation, and focus strategies. According to Porter, cost leader- ship emphasizes producing a standardized product at very low per-unit costs for many buyers who are price-sensitive. Differentiation refers to outputs of an enterprise which are considered unique industry-wide and are addressed to many buyers who are relatively price-insensitive. Focus strategy adverts to products which fulfill the needs of particular buyers who are fewer in number in an industry.

In their 1978 book Organization Strategy, Structure, and Process, Raymond E. Miles and Charles C. Snow argued that different company strategies arise from the way companies decide to address three fundamental problems: entrepreneurial, engineering (or operational), and administrative problems. The entrepreneurial problem is how a company should manage its market share. The engineering problem involves how a company should implement its solution to the entrepreneurial problem. The administrative problem considers how a company should structure itself to manage the implementation of the solutions to the first two problems. Although businesses choose different solutions to these problems, Miles and Snow suggested that many companies develop similar solutions. As a result, they postulated that there are four general strategic types of organizations: prospector, defender, analyzer, and reactor organizations. Prospector organizations face the entrepreneurial problem of locating and exploiting new product and market opportunities. Defender organizations face the entrepreneurial problem of how to maintain a stable share of the market, and hence they function best in stable environments. Analyzer organizations share characteristics with prospector and defender organizations; thus, they face the entrepreneurial problem of how to maintain their shares in existing markets and how to find and exploit new markets and product opportunities. Reactor organizations, as the name suggests, do not have a systematic strategy, design, or structure. Miles and Snow (1978).

1.1.3 The Five Forces of Competition

Porter (1980) identified five forces that influence an industry he postulates that there are five forces typically shape the industry structure. These forces are: threat of new entrants, threat of substitute products, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors, Aosa (1997) argued that these forces work together with other context specific forces (government, logistics and information technology). The five forces reflect the fact that competition goes well beyond the established players, as the strongest competitive force determine the profitability of an industry and its importance in strategy formulation. This concept can provide a useful starting point for strategic analysis even where profit criteria may not apply. It can help set an agenda for actions on the various '*pinch points'* that strategy planners identify (Johnson, Scholes and Whittington, 2008). Porter's essential message is that where these five forces are high, industries are not attracted to compete in. The intensity of competition in an industry is rooted in the underlying economic structure and goes well beyond the behavior of current competitors (Porter, 1980). This study focuses on the threat of new entrants and substitute products.

1.1.4 Alcohol Industry in Kenya

Kenya is ahead of its East African Community neighbors in alcohol production with a production of 2.8 million hectoliters in 2003, compared to Tanzania with 2.1 million hectoliters and Uganda's 1.3 million hectoliters. Traditionally, people in Kenya have made a variety of fermented alcoholic beverages a concept that became so widespread during the 20th century although this kind of production has always been illegal. People who cannot afford the expensive highly taxed bottled alcohol result to these cheap illicit drinks that are sold as grain beer, palm wine and spirits, some of which contain traces of lethal industrial chemicals in pursuit of making them more potent. The trade in this informal sector is probably five times as large as the legal trade in the bottled beer, wine and spirit (www.news.bbc.co.ke 2013).

Over the years the EABL, a world renowned alcohol manufacturing company in Kenya controls approximately 95 % of the Kenyan bottled alcohol market. (www.eabl.com 2013). Other players in the market include; Keroche Breweries Ltd., SABMiller, Heineken, Viva Product line, Panoricard, Sierra and Barcadi. Most recently these came together to form “The Responsible Alcoholic Drinks Companies Association – RADCA” EABL on the other hand, is a major player in the National Alcoholic Beverage Association of Kenya (NABAK), whose members include the government owned Kenya Wine Agencies Ltd (KWAL) and privately owned London distillers. These groups lobby for the interest of industry players and address issues that affect them; illicit brewers, distribution and marketing, underage drinking, taxation and legal regime (Source: www.businessdaily.co.ke 2013).

The Kenyan alcoholic drinks market continues to grow as a result in growth in various sectors of the economy, such as wholesale, retail trade and service industry. The middle class continues to grow every year giving rise to individuals with considerable amounts of disposable income to spend on alcoholic drinks. The Kenyan market is seeing more women independently financing their own drinking sprees and at business meetings alcohol is increasingly being used as an ice breaker at. Alcohol in Kenya can now be bought alongside bread in retail outlets. It is therefore no surprise that Kenya was listed the third largest alcohol market in Africa in 2012 according to data released by Deutsch Bank Market Research. With a market share of 17%, behind Nigeria's 36% and South Africa's 18% (www.euromonitor.com 2013). This trend goes down well for the players in this industry and companies are investing heavily in manufacturing, distribution and marketing to cater for the growing demand for alcoholic drinks. International players are also eyeing the industry and most recently in 2011, Kenya witnessed Heineken: a Dutch brewer set up a local office and take up the advertising and marketing function from its local agent; Maxam Distributors Ltd., in pursuit of increased market share (www.businessdaily.co.ke 2013). This growth is despite stringent alcohol law such as first ever alcohol control act in Kenya; the famous "Mututho Law" introduced in 2010 to encourage responsible drinking.

1.1.5 East African Breweries Limited

East African Breweries Limited (EABL) is a large East African brewing company which owns 80% of Kenya Breweries, 98.2% of Uganda Breweries, 100% of Central Glass - a glass manufacturer, 100% of Kenya Maltings and 46% of United Distillers and Vintners (Kenya) Limited, 100% of Universal Distillers Uganda, 100% EABL International (responsible for exporting), 100% of East African Melting's, 100% EABL Foundation and 51% of Serengeti Breweries limited. (www.eabl.com 2013)

Kenya Breweries was founded in 1922 by two white settlers, George and Charles Hurst. The Company is owned by the Dodd family of Kenya. By 1990, most of the shareholders were Kenyan and the company was very successful. Tanzania Breweries had been started by Kenya Breweries in the 1930s. After being nationalized in 1967, Tanzania Breweries was poorly managed. However, in 1993 the Tanzanian government entered into a joint venture with South African Breweries Limited to run Tanzania Breweries (www.eabl.com 2013)

The company's main operations are in Kenya (80% of revenue), with footprints in Uganda (17%) and Tanzania (2%), as well as imports to Rwanda, Burundi and South Sudan. 50.03% of EABL is owned by global alcohol producer Diageo. well positioned to take advantage of top-down driver EABL have a 90% market share of Kenya's formal alcohol market. Its closest rival is local competitor Keroche, with only 2% of the market. There are significant barriers to opening a brewery: not only is it capital intensive, but there are supply chain, distribution and technical barriers (www.eabl.com 2013).

1.2 Research Problem

Understanding the forces that shape industry competition is the starting point for developing strategy. Every company should already know what the average profitability of its industry is and how that has been changing over time. The five forces reveal the reason why industry profitability is what it is. Only then can a company incorporate industry conditions into strategy (Porter, 1980). In the five forces, threat of new entrants refers to the threat new competitors pose to existing competitors in an industry. A profitable industry will attract more competitors looking to achieve profits. If it is easy for these new entrants to enter the market – if entry barriers are low – this poses a threat to the firms already competing in that market (Porter, 1980).

That old and well established beer industry in Kenya has now been turned on its ear due to factors largely beyond the control of EABL. Distillers and vintners as well as imported and local brews are taking a volume of market share from the EABL and analysts see this trend as continuing in the coming years. This is the reason why in the late 1990s, EABL played the patriotic card to win a marketing war against Castle Breweries which is a subsidiary of SABMiller. In the nasty media campaign that followed, Castle Breweries, which had constructed a multi-million dollar brewery in the industrial town of Thika, was depicted as foreign and uncommitted to Kenya. The prolonged marketing wars came to an end in 2002, when the two brewers reached a settlement in which they carved out the beer market in East Africa among themselves. Castle agreed to exit Kenya, and EABL decided to leave the Tanzanian market to the SABMiller subsidiary. This was followed by a selling and distribution agreement between Tanzania Breweries (SABMiller) and EABL (Diageo). However, this has since been reversed as EABL will now "go it alone' in the Tanzanian market through its investment in Serengeti Breweries limited (SBL). Meanwhile, SABMiller has agreed to sell its 20% in Kenya Breweries Limited for about KES 19.5bn and has made it public that it is keen to "set up shop" in the Kenyan market (www.eabl.com 2013).

Locally similar studies which have been done include: Isaboke (2001), who investigated the strategic responses by oil companies in Kenya to the threat of new entrants. The study found that majority of major companies responded to the threat of new entrants by changing products and services offered, the market segment served and the technology used. In a study of the SACCO in Kenya, Wairegi (2004) studied strategic responses by life insurance companies to changes in the environment. The study established that the industry had responded to changes in the environment through development of new distribution channels such as internet, investment in human resource development and computerization of the core business. Abdullahi (2000) in his study of the strategic responses by Kenyan insurance companies following liberalization found out that although adverse economic reforms in Kenya had made the business environment turbulent, the insurance companies agreed that there was no need to respond to the changes in the environment.

Among the studies reviewed, there is no known study that has sought to investigate the application of competitive strategies in response to threat of new entrants and substitute products in the beer manufacturing industry. This research study is motivated to fill the existing knowledge gap, by conducting a study on the Competitive Strategies used by EABL to address the threat of new entrants and substitute products. The study was guided by the following research question: What Competitive Strategies are adopted by East African Breweries Limited to respond to the threat of new entrants and substitute products in the beer manufacturing industry?

1.3 Objectives of the Study

i) To establish the strategic responses adopted by EABL in response to threats of new entrants.

ii) To establish the strategic responses adopted by EABL in response to threats of substitute products.

1.4 Value of the Study

This study can be of importance to the following: The study will be useful to the management the EABL, as it will assist their management practice by systematically building on the strategies that have already been employed. To the beer manufacturing industry and other manufactures in the fast moving consumer goods industry, this study will be a source of reference material to give insights to management on how to employ competitive strategies in addressing threat of new entrants and substitute products in their respective markets. Policymakers will also find this study important as it will help them provide a framework upon which more efficient and effective competitive strategies can be built on. It will be a source of reference material for future researchers on other related topics and it will provide a basis for further research Scholars wishing to carry out a further study in the sector can find the resource useful since little has been done on competitive strategies adopted by EABL in response to the threat of new entrants and substitute products.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the past study on the theoretical foundation of strategic competitiveness in organizations. The specific areas covered here are concept of competitive strategies, the concept of strategic responses; other types of generic strategies as well as Miles and Snow typology of strategies.

2.2 Theoretical Foundation

Competitiveness can be defined at the corporate, industry and national levels. For a company, competitiveness is directly related to market share and profitability. That is, being able to provide higher quality products at lower prices than competitors. At the industry level, competitiveness is determined by trade balance, aggregate profitability and total foreign direct investment. National competitiveness, however, is much more complex. In his seminal work The Competitive Advantage of Nations published in 1990, Porter introduced the first theory of national competitiveness based on productivity - the ability to maximize economic output per unit of resources. His models shifted focus away from national trade balance or factor endowments towards the micro and macro economic factors affecting productivity as the main driver of competitiveness and long term growth (Porter 1990).

According to Porter (1980, 1985) and Porter and Millar (1985), a firm develops its business strategies in order to obtain competitive advantage (i.e., increase profits) over its competitors. It does this by responding to five primary forces: (1) the threat of new entrants, (2) rivalry among existing firms within an industry, (3) the threat of substitute products/services, (4) the bargaining power of suppliers, and (5) the bargaining power of buyers. A company assesses these five competitive forces in a given industry, then tries to develop the market at those points where the forces are weak (Porter 1979). For example, if the company is a low-cost producer, it may choose powerful buyers and sell them only products not vulnerable to substitutes. The company positions itself so as to be least vulnerable to competitive forces while exploiting its unique advantage (cost leadership).

A company can also achieve competitive advantage by altering the competitive forces. For example, firms (especially those in manufacturing industry) establish barriers to deter new entrants from coming into an industry by cultivating unique or capital-intensive resources that new firms cannot easily duplicate. Firms also increase bargaining power over their customers and suppliers by increasing their customers' switching costs and decreasing their own costs for switching suppliers. The five competitive forces model provides a solid base for developing business strategies that generate strategic opportunities. In his recent study, Porter (2001) reemphasized the importance of analyzing the five competitive forces in developing strategies for competitive advantage: “Although some have argued that today’s rapid pace of technological change makes industry analysis less valuable, the opposite is true. Analyzing the forces illuminates an industry's fundamental attractiveness, exposes the underlying drivers of average industry profitability and provides insight into how profitability will evolve in the future. The five competitive forces still determine profitability even if suppliers, channels, substitutes, or competitors change Porter and Millar (1985)."

2.3 Organization and the Environment

All organizations are situated in an environment, be that, for example, business, government, educational, or voluntary service. In this environment are other organizations and people with whom transactions have to take place. These will include suppliers, clients or customers, and competitors. In addition, more general aspects of the environment will have important effects, such as legal, technological, and ethical developments. Efficient organizations establish mechanisms that complement their market strategy. According Miles and Snow (2005), a business system is the aggregate of the relationships between all those institutions involved in business transactions. These include: providers and users of capital, customers and suppliers, competitors, firms in different sectors, and employers and employees. How all these interact makes up the system.

Strategy is therefore fundamental in the planning process since strategic decisions influence the way organization respond to their environment. Strategy can be said to be that unified comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization, (Gluek, 1984). Strategy is large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives (Pearce and Robinson, 2002). Strategy also, selects the business the organization is to be in or is currently in, determines and reveals the organizational purpose in terms of long term objectives, action programs and resource allocation priorities. Strategy also attempts to achieve a long term sustainable advantage in each of the organization's business, by responding properly to the opportunities and threats in the organization's environment, and strengths and weaknesses of the organization. It is a coherent and integrative pattern of decisions and it engages all the hierarchical levels of the firm corporate, business and functional. Finally, strategy also defines the nature of the economic contributions it intends to make to its stakeholders (Hax and Majluf, 1991).

Organizations depend on the environment for survival. They scan the environment in effort to determine the trends and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 1993). The organizations environment is dynamic and to operate effectively within it, organizations must be able to change in response. Responses can be both strategic and operational. According to Johnson and Scholes (2001) strategic response is concerned with the overall purpose and scope of the business to meet stakeholder expectations. It guides strategic decision-making throughout the business. It focuses on changes in product or market domain or both. On the other hand, operational response is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, and people and is largely concerned with strategy implementation issues.

2.4 Competitive Strategies

A firm's relative position within its industry determines whether a firm's 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 (Porter, 1985).

Differentiation strategy involves selecting one or more criteria used by buyers in a market and then positioning the business uniquely to meet those criteria this is according to Kotler (2002). Differentiating the product or service, requires a firm to create something about its product or service that is perceived as unique throughout the industry. Whether the features are real or just in the mind of the customer, customers must perceive the product as having desirable features not commonly found in competing products. The customers also must be relatively price-insensitive. Adding product features means that the production or distribution costs of a differentiated product may be somewhat higher than the price of a generic, non-differentiated product. Customers must be willing to pay more than the marginal cost of adding the differentiating feature if a differentiation strategy is to succeed.

Acevedo (2012), argues that successful companies strive to distinguish their products from competitors through differentiation strategies. In an often crowded product market, customers crave product distinctions to help them make purchasing decisions. By offering greater values, customization features and convenience options, you can influence a customer to purchase your products. The best product differentiation strategies increase your brand image, cater to customer preferences and increase sales. Overall cost leadership is not without potential problems. Two or more firms competing for cost leadership may engage in price wars that drive profits to very low levels. Ideally, a firm using a cost leader strategy will develop an advantage that is not easily copied by others. Cost leaders also must maintain their investment in state-of-the-art equipment or face the possible entry of more cost-effective competitors.

Thompson and Strickland (1998) agree with Porter's view on cost leadership strategies and state that this strategy calls for low cost producer in an industry for a given level of quality. Major changes in technology may drastically change production processes so that previous investments in production technology are no longer advantageous. Finally, firms may become so concerned with maintaining low costs that needed changes in production or marketing are overlooked. The strategy may be more difficult in a dynamic environment because some of the expenses that firms may seek to minimize are research and development costs or marketing research costs, yet these are expenses the firm may need to incur in order to remain competitive (Porter, 1985).

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. The focus strategy has two variants: differentiation focus and cost focus. In cost focus, 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. The benefits of optimizing the firm's strategy for a particular target segment (focus) cannot be gained if a firm is simultaneously serving a broad range of segments (cost leadership or differentiation) (Porter, 1985: 15, 17). As already pointed out, Porter's assessment that the focus strategy may be a viable single strategy adoption possibility in general is not correct. As a single strategy adoption the focus strategy is only appropriate for the smaller firms.

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants - in other words that there is a valid basis for differentiation - and that existing competitor products are not meeting those needs and wants (Porter, 1985). The differentiation focus strategy may by itself be used successfully in the long run only by the small firm, not the mid-size and the larger businesses. However, the differentiation focus strategy may be adopted by the mid-size and larger business units in conjunction with their differentiation generic strategy. Again, this would be done in order to gain competitive advantage. Before discussing these reasons it should be emphasized here that the differentiation and the differentiation focus strategies encompass more complex dimensions than the cost leadership and the cost focus strategies. Rugman and Verbeke (1987) argued against the use of Porter's (1980) model of competitive strategy in the context of small firms and advocated the adoption of Miles and Snow's one. For them, small firms can only adopt a focus strategy and so, the choice between overall cost leadership, overall differentiation, and focus as proposed by Porter is not an issue in a small enterprise.

In the Cost Focus strategy a business seeks a lower-cost advantage in just on or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. In cost focus 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 segments and other segments in the industry.... Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Such differences imply that the segments are poorly served by broad-targeted competitors who serve them at the same time as they serve others (Porter, 1985).

Davig (1986) studied successful and unsuccessful strategies adopted by small firms in maturing industries. His approach to identifying the strategy was based on paragraph descriptions of the four Miles and Snow's generic strategies which were presented to the CEO of each firm, i.e., a self-typing approach that had been previously adopted by Snow and Hrebiniak (1980). Data were obtained from a sample of 60 firms from the apparel, foundry, and fabricated metal products. Results indicated that firms following the prospector and defender strategies achieved the best performance with respect to growth in profits, while reactors were the lowest performers.

Analyzers' performance results were between those for reactors and the other two types. Differences on sales growth, although in the same direction, were not statistically significant for this sample. Contrary to the conclusions of Smith, Guthrie & Chen (1986), firm size did not appear to have any relation to performance, but the larger companies tended to be either analyzers or prospectors (Davig, 1986). This study showed that the four different strategic types could be found among a sample of small firms, and thus, in a way, dismisses the speculation advanced by Smith, Guthrie and Chen (1986) that Miles and Snow's typology could be seen as sequential stages of strategy development, i.e., defender strategies would be linked to small firms, and prospector strategies to larger firms.

The quest for taxonomy of generic strategies is a characteristic of much of the literature on strategic management (Miller and Dess, 1993). A taxonomy of generic strategies that has attracted attention is that due to Miles and Snow (1978). Miles and Snow have produced a typology of business-level strategies. As opposed to corporate-level strategy, i.e., decisions related to what businesses should the firm be in, business-level strategy is related to how the organization competes in a given business (Hambrick, 1983). Miles and Snow proposed that firms in general develop relatively stable patterns of strategic behavior in order to accomplish a good alignment with the perceived environmental conditions (Miles and Snow, 1978: pp. 29). Miles & Snow have also proposed that the four different types of strategy would differ in three basic dimensions of what they have called the adaptive cycle. Strategy differentiation is based on distinct approaches to: a) entrepreneurial problems: definition of a market-product domain; b) engineering problems: choice of technical systems; c) administrative problems: related to organizational structure and processes.

Central to Miles and Snow's (1978) model is the specific relationship between the four strategic types and environment. Coherent with the environment enactment process, defenders will carve a niche in the market where stability can be found even in more dynamic industries, whereas prospectors will be the source of instability in an industry by constantly producing innovations. Hambrick (1983) found that, as predicted by Miles and Snow's model, prospectors tend to thrive in innovative, dynamic environments, capitalizing on growth opportunities, whereas defender type firms were most prevalent in stable, mature, and non-innovative industries. Miles and Snow argue that three of these strategic types are stable forms of organization, namely, defender analyzer and prospector firms.

2.5 Strategic Responses

According to Johnson and Scholes (2001) strategic response is concerned with the overall purpose and scope of the business to meet stakeholder expectations. It guides strategic decision-making throughout the business. It focuses on changes in product or market domain or both. On the other hand, operational response is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, and people and is largely concerned with strategy implementation issues.

The specter of competition looms large in all product introductions. Introducers try to predict which competitors will respond and when. Some competitors scramble to introduce products of their own. Others refrain from action, perhaps from a fear of retaliation, lack of financial resources, sloth induced by inertia, or a fear of cannibalizing existing products (Kuester, Homburg, and Robertson 1999). Given the central role of competition in the economic system, the study of competitive response is essential for any understanding of business actions. Managers need to incorporate competitive response into their financial projections as they decide how much to invest in new products or their dreams of riches could easily turn into dust.

Ansoff and McDonnell (1990) noted that strategic responses involve changes in a firm's strategic behaviors to ensure success in transforming the future. The choice of the response depends on the speed with which a particular threat or opportunity develops in the environment. According to Johnson and Scholes (2002) strategic response is concerned with the overall purpose and scope of the business to meet stakeholder expectations. It guides strategic decision-making throughout the business. It focuses on changes in product or market domain or both. On the other hand, operational response is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, and people and is largely concerned with strategy implementation issues.

Product-market expansion strategy as a response is a strategy that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. It should be centered on the concept that customer satisfaction is the main goal. Kotler (2003) argues that it is most effective when it is an integral part of corporate strategy. Ansoff (1957) proposed a useful framework for detecting new intensive growth strategies called "product-market expansion grid". The company first considers whether it could gain more market share in its current market. This is known as market penetration strategy. The best way to achieve this is by gaining competitors' customers or attracting non-users of your products and convincing current clients to use more of the company's products or service. The next step is whether it can find or develop new markets for its current product; here an established product can be targeted to a different customer segment as a strategy to earn more revenue. This is known as market development strategy (Ansoff 1957). It then considers new products of potential interest to current markets known as product development stage. Frequently, when a firm creates new products, it can gain new customers for these products. Product development can be a crucial business development strategy for firms to stay competitive. Finally, the business reviews opportunities to develop new products for new markets known as diversification strategy.

Diversification Strategy is a form of growth marketing strategy that seeks to increase profitability through greater sales volume obtained from new products and new markets. This is one of the four marketing strategies defined by Ansoff who pointed out that diversification stands apart from the other three strategies. Diversification growth strategy makes sense when good opportunities can be found outside the present business. Kotler (2003) states that a good opportunity is one in which the industry is highly attractive and the company has a mix of business strengths to be successful. The company could seek concentric diversification for new products that have technological or marketing synergies with existing product lines. This will enable the company to leverage on its technical know-how to gain some advantage. The company can also pursue horizontal diversification where it searches for new products that could appeal to its current customers even though the new products are technologically unrelated to its current product line. Finally, the company might opt for conglomerate diversification where it seeks new businesses that have no relationship to its current technology, products or markets in order to improve the profitability and flexibility of the company (Kotler, 2003). Diversification results in the company entering new markets where it had no presence before. It usually requires new skills, new techniques and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of the research design, the population of interest, the population sample, data collection instruments, and the data analysis technique that were used to establish the competitive strategic adopted by EABL in response to changing and competitive business environment.

3.2 Research Design

The research design that was used in this study is the case study method. Case studies are particularly useful in depicting a holistic portrayal of a client's experiences and results regarding a program. This study therefore carried out a case study of EABL in Kenya in order to establish the Competitive strategies adopted by the company to respond to the threat of new substitutes and products.

A case study design, with a multi-strategy approach of data collection was used to carry out investigation for this study. A case study is defined as an empirical enquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used (Yin 2004). It is a method used to study a social phenomenon through a thorough analysis of an individual real-life events (case), which may be individual life cycles, group, community, neighborhood change, society, or any other unit of social life (Kumar 1996). In a case study enquiry, the researcher gathers in depth data on the research questions relative to a programme or an event (the case), for the purpose of learning more about an unknown or poorly understood situation (Bryman, 2008; Creswell, 1994). Therefore, the case study approach was especially useful in situations where the researcher has no control over the events as they unfold.

3.3 Data Collection

This study employed the use of primary sources of information. The primary data was obtained from interactive personal interviews with senior management and head of department staff at EABL. The study used an unstructured interview for collecting data and obtaining information. Conducting un-structured interview is preferred in this case because of its great flexibility of approach to questioning the respondents and obtaining more detailed information as well as seeking clarification in areas where the information given was unclear. In this method, the respondents are allowed the freedom to talk on whatever seems significant to them.

An interview guide was prepared to assist in collection of qualitative data. The interview guide comprised of a list of various questions the researcher sought to learn from the organization. This was found appropriate for the study for the purpose of getting detailed information about the company under study. A face to face interview was conducted with eight (8) senior management and head of department staff that were responsible for strategic decisions made of the company. Appointments were sought with the senior management and head of department staff at EABL, which ensured the interview sessions were conducted at their convenient time hence adequate and ample time to respond to the questions.

3.4 Data Analysis

Before processing the responses, the data was edited for completeness and consistency. A content analysis was used to analyze the respondents' views on the competitive strategies adopted by the company to respond to the threat of new substitutes and products. Content analysis involves observation of detailed description of objects, items or things that comprise the sample, (Mugenda and Mugenda, 1999). The content analysis is a technique for analyzing and making inferences about data, the data was then coded to enable the responses to be grouped into various categories. After the responses are arranged, the different positions or opinions can be identified. The data was then summarized into the various opinions, the degree of consensus or differences expressed by the groups assessed and finally the themes or patterns that emerge synthesized.

3.5 Validity and Reliability

Validity is the extent to which a test measures what it is supposed to measure. Reliability is the degree to which a test consistently measures whatever it measures. Reliability and validity in this study were based on the skills of the researcher. Questions concerning reliability and validity were associated with how reliable and valid the researcher's data collection and analysis were. Using research methods that ensure that the data recording is accurate and the interpretations of data are empirical and logical is important to increasing reliability and validity in qualitative studies. In this case, the study ensured reliability and validity by taking respondents from senior management and head of department staff responsible for strategic decisions made in the company.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study. The main objective of the study was to establish the competitive strategies adopted by East African Breweries Limited to respond to the threat of new entrants and substitute products.

4.2 Respondents and Organizational Profile

The study collected data through interactive personal interviews with senior managers who comprised of managing director, operations manager, financial manager, and customer relations manager. These are the key decision makers who are involved in implementing various competitive strategies that are adopted by the company. Data was also collected from head of production and sales departments. Majority (84%) had worked in the company for 5 years and more while 16% had worked for less than five years. EABL has employed over 10, 000 employees.

4.3 The Potential Problems Posed by New Entrants and New Products

The respondents were asked to point out the potential problems posed by new entrants and new products to EABL. They cited the problems which include unhealthy price competition, in which competitors lower the prices of their products and flaunting of government regulation leading to strict government condition that restrain business operations. They also indicated that the imported beer from other countries poses the greatest threat to EABL. They also stated that the imported products attract cheaper prices thus forcing EABL to reduce their prices to rates that do not match the cost of production.

4.3.1 Possible Loss of Qualified Staff

The respondents said that the loss of qualified staff has had negative impact on efficiency of production at EABL. Once qualified employees are gone, the company has to spend a lot of money hiring new staff or training current staff. The loss of qualified staff also interferes with efficiency in production thus lowering the amount and quality of products. They also said that with budget cuts forcing dramatic structural change and widespread redundancies, one of the most difficult issues EABL managers are facing is how to mitigate the loss of staff with years of expertise and accrued knowledge.

Further the respondents indicated that EABL had occasions where it was more cost effective to bring in specialist skills to meet a specific business need to address short-term shortages. In such circumstances, EABL used external technical services to provide essential expertise. They pointed out that there are qualified senior employees retiring and only very few young are moving up to take their place. The lack of qualified personnel gives rise to negative effects on investments, innovations, economic growth, and employment. As the employment of experts also creates jobs in other corporate divisions, the employment trend as a whole might be impaired.

4.3.2 Reduced Market Share Due to Increased Substitute Products into the Market

Based on this aspect, the respondents stated that as more substitute products are released in the market, the demand for the EABL product becomes more elastic due to increased consumer price sensitivity. They pointed out that this happens where the price of substitute acts as a ceiling to the price of the subject product. An attractive price of a substitute then inhibits the potential of the company from reaching its profit potential.

Further, they noted that if the quality of a substitute is high, there is increased pressure to increase the quality of the EABL product. The easier and less costly it is to switch to a substitute, the higher threat of that substitute. According to the study, substitute product limit an industry's potential returns by placing a ceiling on the prices that firms within that industry can charge to make a profit. As the price-performance alternative offered by substitutes becomes more attractive, it becomes even more difficult for beer firms to make a profit. Demand for substitutes also reduces the demand for EABL products. Substitutes create intense competition during normal economic times, and reduce potential profit increases during positive economic times.

4.3.3 Superior Technology

From the respondents the study established that EABL faces threat of superior technology from international firms. The international firms are able to increase their production capacity and product quality which poses competition to the EABL products.

4.3.4 Superior Human Capital

The respondents argued that multinational beer firms have the funds to hire and develop superior human capital. When beer firms with superior human capital enter the East African market, they have better competitive advantage than EABL. They as well stated that the global economy becomes increasingly knowledge based, the acquisition and development of superior human capital appear essential to EABL's viability and success. Thus, they recommended that EABL need to acquire and nurture the best and brightest human capital available and keep successful investments in the firm.

4.4 Competitive Response Strategies

The respondents said that EABL has a high degree of concern over threats posed by the problem of new entrants and substitute products. The company has to come up with measures to mitigate the possible challenges posed by new entrants and substitute products. The respondents admitted that there have been structured changes in EABL for the last 10 years to counter the various market threats. The changes are caused by economic factors such as inflation and changes in taxation systems, government regulation on drinking hours, competition from other products and companies, and changes in technology. The findings are based on the fact that there is a thin line between competitive strategies adopted to address threat of new entrants and those adopted to address threats of substitute products by the Company. Therefore, this study analyzed the competitive strategies that EABL adopted to address threat of new entrant as well as the threat substitute products.

4.4.1 Cost Leadership Strategy

From the respondents, EABL has enhanced cost leadership through supply chain optimization which ensures flawless product supply even during the peak seasons. They said that EABL has expanded its warehouse yard to accommodate increased production, in addition to closely monitoring distribution costs. Further, they stated that the Perfect Plant programmes across the Group continue to inject manufacturing excellence techniques that ensure uninterrupted supply for optimal value realizations. In addition, they indicated that the pricing of products continues to be central to EABL's performance. Aligned to this, they argued that cost containment through efficient production, substitution of raw materials and optimizing mix ensures the stability and quality necessary to continue exceeding customers' expectations. The effort to invest in the quality of products is ongoing. The production lines have been equipped with Digital Super-scan machines that detect defects in finished glass. EABL also earned recertification to Quality Management Systems ISO 9001 – 2008. The Cost of Goods Sold (COGS) agenda across the group has realized great results as part of the manufacturing excellence focus. Specific Brand Value Enhancement (BVE) projects within the process have seen production units maintain the highest quality standards while delivering at very competitive world-class costs.

4.4.2 Supply Chain Optimization

The respondents argued that supply chain optimization was another key pillar to ensure flawless product supply even during the peak seasons. EABL has expanded its warehouse yard to accommodate the increased production, in addition to closely monitoring distribution costs. Perfect Plant programmes across the Group continue to inject manufacturing excellence techniques that ensure uninterrupted supply for optimal value realizations.

As a supply strategy, the respondents disclosed that EABL identifies distributors with efficient capacity for marketing its products. The network of distributors involve enthusiastic agents with resources (ware houses, trucks, human resources, capital), who liaise with the area distribution business partner based on a platform for growth illustrated as follows; The reward is based on a calculation involving 33% of the reward value being paid directly, 67% is accrued in a fund available to the distributor to support specific agreed investment. The reward is based on the overall outcome from then year-end diagnostic structured in 4 basic foundational levels.

4.4.3 Financial Risk Management

From the respondents, the Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, liquidity, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

They further indicated that the Board has established a risk management committee made up of senior management which is responsible for developing and monitoring the Group's risk management policies which are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has established an internal audit function, which carries out regular and ad hoc reviews of risk management controls and procedures. The results of this are reported to senior management.

4.4.4 Credit Risk

The respondents indicated that the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. These limits are reviewed quarterly.

In monitoring customer credit risk, customers are classified according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, maturity and existence of previous financial difficulties. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The Group limits its exposure to credit risk by only investing in liquid securities. The Group's main investment is in term deposits with local financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

4.4.5 Liquidity Risk

According to the study, it was established that liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As stated by the respondents, the Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

4.4.6 Market Risk

The respondents explained how EABL mitigates market risks. According to them, market risk is the risk that initiates changes in market prices, such as foreign exchange rates, interest rates and equity prices. According to them, market risk affects the Group's income or the value of its holdings of financial instruments. The respondents elaborated that the objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

4.4.7 Foreign Currency Risk

According to this study, foreign currency risk arises on sales, purchases and borrowings denominated in currencies other than Kenya Shillings. To mitigate foreign currency risk, the group ensures that repayments of foreign currency denominated borrowings are financed by receipts of foreign currency debtors.

4.4.8 Capital Management

This study established that EABL was keen in managing its capital. According to the respondents this is in pursuit of achieving cost advantage. The respondents indicated that the Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Group defines as total shareholders' equity. The respondents revealed that there were no changes in the Group's approach to capital management during the current year. It was worth noting that this study observed that the Group is not subject to externally imposed capital requirements.

4.4.9 Segmental Financial Reporting

From the findings, the respondents indicated that management determines the operating segments based on the reports reviewed by the Group executive committee which are in turn used to make strategic decisions. The committee considers the business from a geographical perspective. According to the study it is mandatory that each business segment should be reported and this is closely monitored by the executive committee as a potential growth region which is expected to materially contribute to the Group revenues in the future.

The reportable operating segments derive their revenue primarily from brewing, marketing and selling of drinks, glass containers, malt and barley. The executive committee assesses the performance of the operating segments based on a measure of profit before income tax.

4.4.10 Differentiation Strategy

Based on this strategy, the respondents indicated that EABL has embraced the product differentiation strategy as a measure to enhance the company's competitive advantage through product innovation, development and diversification. The study established that EABL offers very competitive products. The maintenance of quality products had mitigated the threats posed by new products that have entered the Kenyan market. EABL has the following key brands: Johnnie Walker Smirnoff Vodka, Richot, Tusker, Pilsner, Bell Lager, Bell Lager, Guinness, Senator Lager, and Senator Keg Base.

The findings established that EABL has enhanced product innovation, development and diversification programmes. The company provides variety of strong market brands that appeals to different target market and continues to invest in research and design. The company hires skilled and highly qualified staff to enhance product innovation thus enhancing its competitive advantage.

4.4.11 Focus Strategy

In regard to this strategy, the respondents pointed out that EABL values market focus, penetration and development. The study established that EABL has implemented the following strategies to ensure that it remains the leading brewery in East Africa as well as penetrating and establishing its presence in other markets across Africa: advertising, consumer promotion, sponsorship of television and online programmes, upgrading the bar environment and promoting cultural festivities.

It was indicated by the respondents that Tusker Lager launched a new advertising campaign called “Refresh Your Roots” in November 2009. The advertising campaign ran on television, radio, print and billboard. Tusker Malt Lager: The introduction of the new-look 330 ml green bottle has been supported by an advertising campaign which has led to a tremendously positive change in consumer perception towards the brand. The Tusker Malt Lager Golf Carnival was launched in November 2009. The six-month golf series draws participants from across East Africa.

In addition, according to them, Johnnie Walker Black Label is one of the world’s most iconic brands. The Johnnie Walker Striding Man is a landmark in a number of strategically placed buildings within Nairobi’s Central Business District. Guinness New Thematic & Product Advertising : Guinness has a new thematic campaign simultaneously across East Africa through led by a powerful TV commercial dubbed “Scout” that communicated the Greatness idea.

In order to build Richot brand value and generate growth of the brand among consumers, the study established that the brand developed a successful new advertising communication. Richot brand value was rolled out in October 2009. Television, billboards and radio were the media channels through which the new Richot Campaign was launched. Pilsner "Imara" Thematic Communication: To further reinforce the brand proposition which is hinged on masculinity, the Pilsner "Imara" thematic advertising is broadcasted in key TV stations across the region. The communication really work well for the brand as it resonated with the target consumers who buy into the bold, unpretentious and vivacious spirit embodied by the brand. The new look of the brand strengthens Pilsner's connection and appeal with its contemporary trendy adult male consumer. Pilsner DJ search contest: The Pilsner Lager DJ search contest is a three month-long campaign sought to identify the best DJ in Uganda and Kenya.

The respondents explained that Bell Lager is the number-one mainstream beer in the market and the flagship brand for EABL Uganda. Bell Lager launched a thematic campaign dubbed 'Live Life Confidently' in 2010 to amplify the Bell Lager consumer's confident approach to life, as well as reflecting the zest, energy, courage and passion of its consumers.

Guinness 250 Years Celebration: During the first quarter of the year 2010, Guinness celebrated its 250th anniversary across the globe. The brand held activities aimed at getting consumers to join the world wide celebration. The 250 campaign had the entire business buzzing with excitement as it rolled out the first of a kind EABL staff/consumer engagement campaign through the "G250" Fast Start day where 300 EABL staff took to the city streets for sales and consumer engagements activities. The celebrations reached a climax on Sept 24th when Kenya joined the rest of the world at 17:59 hrs via satellite communication in toasting Arthur Guinness.

At the consumer promotion level, the respondents indicated that Smirnoff Vodka enjoys good performance. The key activity held is the Smirnoff "Win Some" consumer promotion. The concept is grounded in the brand characteristics of originality, savvy and intelligence. Consumers who participate have an opportunity to win exciting prizes such as laptops, Hi-Fi theatre systems and iPods. In addition, Smirnoff held the first ever Snow Party in Nairobi in 2010. An equally electric Smirnoff event was held in Kampala, with participants being entertained by East Africa's finest DJs. During the Christmas season, Smirnoff reinforces its brand association as the ideal spirit for mixed drinks. This is communicated through the Outdoor Festive Spirit Campaign. In November 2009, Smirnoff Vodka and other brands were launched in Tanzania. The response was positive and this is in line with EABL's strategy to build the World's Number 1 Vodka footprint in the East African market.

The Richot brand ran a consumer promotion dubbed 'Richot Get Richa'. The promotion's objective was to reward consumers who purchased Richot. In November 2009, Richot Brandy also increased its footprint within the East Africa region following a successful launch into the Tanzania market. Uganda Waragi: Uganda Waragi launched the "UG mix a million" promotion in 2010 which was well received by consumers. The 100ml sachet was found to be popular and convenient with consumers, and delivered close to 60% of the spirits volumes in EABL Uganda. In response, the 100ml PET was launched in a convenient, trendy and unique pack to deliver the same convenience to consumers. The Tusker 50 Milli Ya Ma-fans National Consumer Promotion was an exciting National Consumer Promotion aimed at rewarding consumers' loyalty.

Based on the sponsorship of television and online programmes, the respondents indicated that the good performance of Tusker brand can be attributed to delivering world-class marketing programmes for brand Tusker duded Tusker Project Fame. The show delivers the highest consumer awareness levels ever and result in a positive impact on Tusker's brand equity and relevance. Guinness Mobile Viewing Unit: Guinness took Football on the road as a continuation of Guinness as the official broadcast sponsor of the English Premier League. Guinness launched a brand new consumer experience through mobile viewing unit. This allowed for a live screening of all football matches.

The respondents further indicated that EABL upgrades the bar environment in various beer belts country wide. Tusker Anchor Beer Belt Programme has the objective of delivering the true Tusker experience to consumers by upgrading the bar environment in various beer belts country wide. In 2009, Senator Keg introduced the quality program dubbed Base Poa to assist 1,000 bars through training staff and bar upgrading and enabling them to present the brand in a way that exceeds consumer expectations. Sales in Base Poa's grew by between 23-30% in the year 2010 as a result of increased consumer interaction with brand. Senator Lager reflects consumer optimism for a brighter future.

On the aspects of promoting cultural festivities, the respondents indicated that in Uganda, the Ugandan Waragi unveiled a new label that showcased visual pictures of cultural festivities. The objective was to ultimately connect consumers to their culture through their favourite brand. The new labels improved brand perception and led to enhanced brand performance. In addition, the brand sponsored the hugely popular cultural galas, market day activations and in-bar promotions by awarding consumers with functional items like bicycles, torches, lamps, blankets and promotional t-shirts.

4.4.12 Human Resources Management Strategies

The study established from the respondents that EABL has improved the quality of its staff following entrant of competitors with more qualified staff. The company has enhanced human management strategies to ensure that it has qualified staff to implement its goals. The study noted the following human resources management strategies that have been adopted by eabl: good corporate governance, organization effectiveness and efficiency, good leadership, enhancing talent, promoting organizational culture, improving staff welfare, improving staff safety and lastly employee monitory benefits.

The Company as was cited by the respondents believes in good corporate governance in order for it to achieve its business objectives. EABL efforts to create a heightened awareness of compliance standards at every level of the business have been visible. EABL staff go through a programme called 'Pathway of Pride' which highlights all the key policies that are specified in EABL's Code of Business Conduct. Through this programme, all employees are provided with an opportunity to fully understand the work ethics and the regulatory expectations.

On organization effectiveness and efficiency aspects, the respondents revealed that following the restructuring of the organization, EABL processes have been streamlined, which has resulted in staff cost efficiencies in many areas of the business. EABL continues to review organization's structure to facilitate delivery of the business objectives. With a regional expansion agenda, these reviews have taken into account commercialization needs in the new expansion strategy. As the environment becomes increasingly competitive, EABL continues to provide strong integrated business teams in each of its territories. EABL has a HR Operating model that allows for more effective HR support to all business units.

Further, the respondents emphasized the values placed on effective leadership at EABL. Effective leadership continues to give the company a competitive edge in driving business to achieve and deliver exceptional results and shareholders' value. Recognizing this, the respondents indicated that EABL invests resources in developing leaders through formal training and on-the-job coaching. EABL's leadership development strategies have assisted with driving employee retention strategies within the business.

As the war for talent remains apparent in the environment around beer industry, the respondents indicated that EABL has continued to attract, develop and retain staff who are equipped with a superior skills base. Staff are provided with opportunities to enhance their skills through various development interventions, and to keep abreast with the latest technological advancements in their areas of expertise. Through Diageo Africa Early Career Programme, supplemented by a mid-career programme, EABL maintains an adequately experienced talent in the pipeline at all levels and functions. Learning and Development continues to be the pinnacle of EABL talent employee advancement through the Diageo Academy.

On the basis of promoting organizational culture, the respondents argued that as a multi-faceted business operating in very different places, EABL continuously focus on operating as a single business entity. In this respect, the company recognizes that there are many synergies derived from this approach. Therefore EABL holds an All Staff Conference that brings together all staff from the different business units across the Group to discuss the driving of a common culture aimed at delivering business objectives and living the Diageo purpose of “celebrating life, every day, everywhere”. The improved interrelationships and increased super-engagement levels, both individually and collectively, assure the success of the business into the future.

From the study, the wellbeing of staff in the company continues to take prominence in EABL’s HR agenda. EABL provides medication to staff in the event of a disease outbreak. The company has streamlined access to medical services at the various service providers around the country by providing biometric medical cards. The company has also enhanced staff recreational facilities and extended satellite television in specific locations across the Group where employees have the opportunity to watch television programmes in these relaxed environments.

From the study, focus on safety awareness across the Group has been heightened as the company strives to achieve a ‘Zero Harm’ environment. This is aimed at ensuring that employees return to their families safely at the end of every working day. EABL suppliers have also benefited from safety training. With dedicated safety managers at all sites, the company continue to ‘raise the bar’ as far as safety standards are concerned and ensure 100% compliance with the required standards.

The respondents further indicated that the Group operates defined contribution retirement benefit schemes for some of its employees. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Funds, which are defined contribution schemes. The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

The 'grant date' fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met. The Group acquired shares from the market and recognized the expense in the profit and loss upfront. Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

4.4.13 Mitigating the Threat of Competitors with Advanced Technology

As indicated by the respondents, the adopting of new technology by competitors has motivated EABL to improve technology used at their plants. The company has acquired lasted technology to improve production. The Tusker Plant in Kenya delivers over 4 million HL of beer and 0.7 million 9lcs of spirits annually. Uganda Breweries in turn produce about 0.8 million HL of beer and 0.4 million 9lcs of spirits. The drive for strategic and operational excellence has been the cornerstone to ensuring success in delivery . To ensure water supply security during the drought, EABL swiftly sunk boreholes, which contribute very positively to reducing water bills.

In the year 2010, EABL opened the new ultra-modern brew house and bottling line at the Tusker Plant, comprising of a production capacity of 80,000 bottles per hour. EABL installed a new 480 barrels per hour keg line as part of growth and delivery strategy. Investment has also been directed towards a new 250ml-packaging stream at the Spirits plant to expand stock keeping unit portfolio.

The East African Malting Ltd (EAML) has realized a turnaround in barley output after years of decline due to drought conditions across the region. Overall barley output in East Africa improved to 49,000 tons as a result of overall improved rainfall and an increasing number of farmers engaging in barley farming. The total acreage under barley is 23,000. To help improve barley farm yield, research work on new varieties is ongoing. EAML also imports barley from the international market to help meet production demand, taking advantage of the government of Kenya’s import duty remission.

As part of the brewing cereals diversification strategy, EAML launched a sorghum growing program in August 2009 and mobilized several stakeholders to popularize sorghum farming across East Africa. In Kenya's Eastern province, over 3,000 small-scale farmers enrolled into sorghum farming with huge economic impact. Similar sorghum farmer activities were started in Northern Uganda's Lira district with over 2,000 farmers being enrolled. With EAML's full involvement in cereals production, the value chain fully develops to sustain the region's business.

The Malting plant on Kampala road Nairobi has been refurbished through the installation of six new turner strippers to improve efficiencies, guarantee good malt quality, and reduce cost of maintenance as well as enhance safety. EAML focuses on improving Malt quality which in the turn will enhance the quality of production of brands. EAML also focuses on safety as a top priority area and strives to achieve a zero harm culture. The business continues to operate under stringent international standards and is certified under ISO 18001 and ISO 22000, ISO 14001 and ISO 9001.

The study established that EABL has carried out structured changes in order to strategically respond to the threats of new entrants in the beer industry. The impetus behind of strategic response at EABL has been increased competition in the beer industry. The EABL adopts various strategies aimed at position itself in the market. EABL for instance introduced Snap in the market targeting specific demographic (ladies). The availability of EABL products at various prices enables presentation of grounds for choice in relation to preference to the consumers in the region. For instance it introduced

Balozi bear targeting low end market as compared to Guinness in the upper market. Researching consumers' opinions about pricing is important as it indicates how they value what they are looking for as well as what they want to pay. An organization's pricing policy will vary according to time and circumstances.

4.5 Improving Corporate Image

According to the study, EABL is committed to ensuring that the business of the Company is conducted in an environment that is transparent and accountable and for the benefit of all the stakeholders. All employees within the Group are required to conduct themselves in the highest standards of integrity, behavior and ethics and to adhere to the Company's Code of Business Conduct, which sets out the values and principles that guide their daily activities, and in compliance with existing laws and regulations. The company has the following strategies to enhance its corporate image.

4.5.1 Embracing Best Corporate Governance Practices

The study revealed the existence of corporate governance structure at East African Breweries Limited which aims at ensuring efficient internal systems of which include policies, processes and people; serve the interests of shareholders, stakeholders and the communities within which the company operates. As the Company seeks to achieve strategic objectives, it is committed towards adhering to the corporate governance principles of integrity, openness, performance orientation, responsibility and accountability, mutual respect, and loyalty to the company.

The study found that EABL has the following standing committees to assist the Board in the discharge of its duties:

Board Corporate Governance Committee: The Committee is responsible for providing guidance to the Board on the corporate governance standards to be implemented across the Group.

Board Audit And Risk Management Committee: The Committee is responsible for assisting the Board on oversight responsibilities relating to the integrity of the Company's financial statements, financial reporting process, and systems of internal accounting and financial controls; the qualifications, independence, and performance of the independent auditor and the performance of the Company's internal audit department; and the Company's legal and regulatory compliance. The Company's Compliance agenda has been enhanced, to ensure that all business is conducted with high ethical standards, and in accordance with existing laws and regulations

Board Remuneration Committee: The Remuneration Committee is responsible for reviewing and approving the staff remuneration structure across the Group. This includes the review of salary packages against market, short and long term incentives and performance related bonus schemes. The Committee reviews recommendations and advises the respective trustees on matters concerning retirement benefit Schemes. The Committee is also responsible for evaluating and making of recommendations to the Board on overall executive remuneration.

Board Nominations Committee: The structure, composition and size of the Board and its committees is the responsibility of the Nominations Committee. The Committee makes recommendations to the Board on the suitability of potential candidates for appointments to the Board, in order to fill board vacancies as necessary. Succession Planning is a key component of the Committee's mandate.

4.5.2 Community Investment

From the study, the EABL Foundation has increasingly made great strides through projects aimed at reaching over 600,000 people annually. The Foundation's efforts to expand its reach in water and sanitation programmes are ongoing through water of life initiative. In a bid to cover more markets and towns, the Foundation, working closely with NGOs such as Ecotact and Maji na Ufanisi has unveiled the second phase of the Water and Sanitation programme. The phase received a boost of 25 million Kenya shillings that will see more towns receive much-needed facilities. Already some of the ablution blocks dubbed Blocks of Hope have been commissioned. The areas include Embu, Kawangware and Wote among others. The programme will also be expanded within the region to countries like Uganda and Tanzania. Other facilities commissioned include the Kangemi Water and Sanitation block that was commissioned by Diageo Chairman Dr. Franz Humer. There are currently 40 facilities in the blocks of hope programme. EABL Foundation plans to sponsor additional projects in the region as it focus on newer markets.

4.5.3 Skills for Life

According to the respondents, the Foundation has continued to sponsor the Scholarship programme in Kenya, Uganda and Tanzania. Twenty students received scholarships to join public and private universities. To date, the programme has provided 140 students with scholarships. Recently, a number of the sponsored students from Strathmore University graduated with first class honours and some of them have already been short listed for jobs by leading firms.

4.5.4 E-Green Team

The study found out that over 230,000 trees seedlings have been planted by The E-Green Team which has continued to care for the environment in Ndakaini, Sasumua, MauNaisoya, Marsabit and Uganda. A major reason for this success is the focus on community relations where participation of communities living around project areas remains key to achieving environmental goals. Working with Ndeka Community in Ndakaini, Kenya, is one of the partnership success stories that has emerged over the past 6 years and efforts have yielded the sustainable growth of a large expanse of trees in the area. EABL, in partnership with other Corporates, has embarked on an ambitious program to rehabilitate the Mau Forest Complex which is the largest water tower in Kenya. The three-year programme has a goal of 1 million tree seedlings planted. To help realize that goal, EABL is working with communities living around the forest. The Trust has adopted Eburru Forest within the complex to carry out this work for a period of 30 months.

The Green Goals strategy continued to be ingrained in the business over the year. Every unit looks into options of managing and disposing of waste with 3 “R”s in mind: “Reduce”, “Reuse”, “Recycle”. Waste generated is either recycled or disposed of in an environmentally friendly manner. Waste labels are turned into usable energy, cans recycled into aluminum cookware and waste paper generated from the offices collected and sold to persons who recycle it into useable products such as toilet paper.

4.5.5 Media Relations

From the respondents, EABL’s media message is to project a strong culture of good corporate citizenship. Throughout the year, this message has been clear and consistent through stakeholder engagement, investor relations and social investment initiatives. EABL media coverage is consistent and often accurate on issues pertinent to the business, helping to further propel the company’s reputation to new heights. EABL view the media fraternity as partners of growth as they act as channels for its messages to shareholders, investors, consumers and the public.

4.5.6 Promoting Responsible Drinking

The study found that in pursuit of promoting responsible drinking; EABL has been running Responsible Drinking (RD) campaigns for eight years with tremendous success. These RD campaigns are underpinned by the company’s responsibility towards the wellbeing of the consumers. EABL took its Responsible Drinking Campaign to new heights under the Space-it-out activation where consumers are given water as spacers. EABL-commissioned scouts storm selected pubs and randomly hand out water. Scouts also provided responsible drinking Tips and provide vouchers for taxis to take consumers home. Most consumers have a positive, responsible attitude toward alcohol but EABL acknowledges that a few do not and as part of being a good corporate citizen, this activation is tailored to educate consumers to be aware of their tolerance levels and ensure they act responsibly when interacting with alcohol.

4.5.7 Internal Communications

Internal Communications take employee engagement to the higher levels; this is according to the respondents. From their perspective, the EABL family of companies exists to achieve one singular purpose –"celebrating life every day, everywhere". By this the company is intent on creating the "best place to be" in its operating units across the Group. One EABL achieve this goal is by ensuring that all the members of the EABL family are inspired every day to love their job and make the most of life. Employee engagement delivers just that; engaging employees on all activities in the business and putting together a platform for them to share their views and queries on a regular basis.

Further to this, EABL has embraced technology for a more efficient system through which it transmits staff communications, particularly exemplified by the staff e-newsletter Lyfestyle. Lyfestyle is a weekly publication that provides for news and updates, and reaches as many as 1,000 EABL staff across the various markets in the region.

4.5.8 Ensuring Environmental Safety

In regards to the environment, the respondents explained that EABL has an effluent treatment plant. The treated water from this plant is pumped back into production, especially for sand and cullet cleaning. This principle of recycle and reuse is important as it assisted in the conservation of the water resources. Along these lines, EABL has been certified to the Environmental Management System ISO 14001.

The study also found that safety is always a matter of concern and EABL continues to embed a zero harm culture to staff and all persons accessing the company's plants through training and active engagement with all stakeholders. EABL is certified to Occupation Health and ISO 18001, and the Food Safety ISO 22000.

4.6 Discussion of the Findings

The study established that as more substitute products are released into the market; the demand for the EABL product becomes more elastic due to increased consumer price sensitivity. Isaboke's (2001) found that majority of major companies respond to the threat of new entrants by changing products and services offered, the market segment served and the technology used. Isaboke's findings are consistent with the findings of this study where Keroche launched Summit which was aimed at competing with Tusker lager for market share; EABL reacted by launching Balozi a sugar free bear to counter Summit's market share and divert competition from Tusker Larger.

From the findings, the strategies adopted by EABL in response to threats of substitute products included product innovation, development and diversification through support for research and design programmes. According to the respondents EABL has variety of brands that appeal to a large market segment. Other than alcoholic drinks, it has non alcoholic drinks- alvaro (with different flavors) and malta Guinness for non alcoholics. Its large portfolio of alcoholic drinks which include Johnnie Walker Smirnoff Vodka, Richot, Tusker, Pilsner, Bell Lager, Bell Lager, Guinness, Senator Lager, Senator Keg Base appeal to the different target alcoholic market. This finding deviates from Abdullahi (2000) whose study of the strategic responses by Kenyan insurance companies following liberalization found out that although adverse economic reforms in Kenya had made the business environment turbulent, the insurance companies agreed that there was no need to respond to the changes in the environment.

EABL runs consistent advertising campaign on television, radio, print and billboard. These findings support Kotler (2002) argument that, differentiation strategy involves selecting one or more criteria used by buyers in a market and then positioning the business uniquely to meet those criteria and it requires a firm to create something about its product or service that is perceived as unique throughout the industry.

From the findings, EABL has enhanced cost leadership through supply chain optimization which ensures flawless product supply even during the peak seasons. EABL has expanded its warehouse yard to accommodate increased production, in addition to closely monitoring distribution costs. The pricing of products continues to be central to

EABL's performance. Cost containment through efficient production, substitution of raw materials and optimizing mix ensures the stability and quality necessary to continue exceeding customers' expectations. The findings are in line with Thompson and Strickland (1998) who indicated that cost leaders must maintain their investment in state-of-the-art equipment or face the possible entry of more cost-effective competitors. This strategy calls for low cost producer in an industry for a given level of quality.

EABL has an effluent treatment plant that ensures safe environmental. The treated water from this plant is pumped back into production, especially for sand and cullet cleaning. This principle of recycle and reuse is important as it assisted in the conservation of the water resources. EABL continue to embed a zero harm culture to staff and all persons accessing company's plants through training and active engagement with all stakeholders. According to Johnson and Scholes (2001) strategic response is concerned with the overall purpose and scope of the business to meet stakeholder expectations. It guides strategic decision-making throughout the business. It focuses on changes in product or market domain or both. On the other hand, operational response is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction.

The company has adopted competitive strategies to enhance its corporate image: community investment (The EABL Foundation expand its reach in water and sanitation programmes), enhancing skills for life through the Scholarship programme in Kenya, Uganda and Tanzania, Green Goals strategy (rehabilitation of natural vegetation, managing and disposing of waste through reduction of waste emission, reuse of materials and recycle of waste), promoting good media Relations (EABL media coverage is consistent and often accurate on issues pertinent to the business, helping to further propel the company's reputation to new heights). The findings are in tandem with Karim (2006) assertion that that "although reputation is an intangible concept, research universally shows that a good reputation demonstrably increases corporate worth and provides sustained competitive advantage. A business can achieve its objectives more easily if it has a good reputation among its stakeholders, especially key stakeholders, such as its largest customers, opinion leaders in the business community, financiers, and suppliers as well as current and potential employees."

Corporate governance structure in EABL consist of the following standing committees which assist the Board of Directors in the discharge of its duties: Board Corporate Governance Committee (responsible for providing guidance to the Board on the corporate governance standards to be implemented across the Group), Board Audit And Risk Management Committee (responsible for assisting the Board on oversight responsibilities relating to the integrity of the Company's financial statements, financial reporting process, and systems of internal accounting and financial controls), board Remuneration Committee (responsible for reviewing and approving the staff remuneration structure across the Group), Board Nominations Committee (makes recommendations to the Board on the suitability of potential candidates for appointments to the Board, in order to fill board vacancies as necessary). Ljubojevic and Ljubojevic (2008) argued that good corporate governance enhances the quality of corporate reputation which in turn enhances the financial performance and market value of the organization involved. In addition, good corporate governance is recognized as essential for maintaining attractive investment climate that is characteristic of highly reputable and competitive companies. It promotes management's commitment to ethical accounting and principled business practices which altogether enhance the reputation of the organization, with the resultant reputation having a knock-on effect on the firm's market value. The study reveled that that EABL has implemented generic strategies as identified by (Porter 1985). These are cost leadership, differentiation, and focus strategies.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, conclusion and recommendations of the study.

5.2 Summary of the Study Findings

The objective of the study was to establish the competitive strategies adopted by East African Breweries Limited to respond to the threat of new entrants and substitute products.

5.2.1 Competitive Strategies Adopted by EABL in Response to Threats of New Entrants

The strategic responses adopted by EABL in response to threats of new entrants include effective Corporate Governance structure, increased its production capacity, Supply Chain Optimization, Ensuring Environmental Safety , Human Resources Management strategies, Financial Risk Management and Segmental Financial Reporting.

The corporate governance structure of East African Breweries Limited ensures efficient internal systems of which include policies, processes and people, to serve the interests of shareholders, stakeholders and the communities within which it operates. The company is committed towards adhering to the corporate governance principles of integrity, openness, performance orientation, responsibility and accountability, mutual respect, and loyalty to the company.

Corporate governance structure consist of the following standing committees which assist the Board of Directors in the discharge of its duties: Board Corporate Governance Committee (responsible for providing guidance to the Board on the corporate governance standards to be implemented across the Group), Board Audit And Risk Management Committee (responsible for assisting the Board on oversight responsibilities relating to the integrity of the Company's financial statements, financial reporting process, and systems of internal accounting and financial controls), board Remuneration Committee (responsible for reviewing and approving the staff remuneration structure across the Group), Board Nominations Committee (makes recommendations to the Board on the suitability of potential candidates for appointments to the Board, in order to fill board vacancies as necessary).

EABL is committed to ensuring that the business of the Company is conducted in an environment that is transparent and accountable and for the benefit of all the stakeholders. All employees within the Group are required to conduct themselves in the highest standards of integrity, behavior and ethics and to adhere to the Company's Code of Business Conduct, which sets out the values and principles that guide their daily activities, and in compliance with existing laws and regulations. The company has the following strategies to enhance its corporate image: community investment (The EABL Foundation expand its reach in water and sanitation programmes), enhancing skills for life through the Scholarship programme in Kenya, Uganda and Tanzania, Green Goals strategy (rehabilitation of natural vegetation, managing and disposing of waste through reduction of waste emission, reuse of materials and recycle of waste), promoting good media Relations (EABL media coverage is consistent and often accurate on issues pertinent to the business, helping to further propel the company's reputation to new heights), promoting responsible drinking (the responsible drinking campaigns are underpinned by the company's responsibility towards the wellbeing of the consumers) enhancing internal communications in the company.

EABL has increased its production capacity and the Tusker Plant in Kenya delivers over 4 million HL of beer and 0.7 million 9lcs of spirits annually. Uganda Breweries in turn produce about 0.8 million HL of beer and 0.4 million 9lcs of spirits. In the year 2010, EABL opened the new ultra-modern brew house and bottling line at the Tusker Plant, comprising of a production capacity of 80,000 bottles per hour. EABL installed a new 480 barrels per hour keg line as part of growth and delivery strategy. Investment has also been directed towards a new 250ml-packaging stream at the Spirits plant to expand stock keeping unit portfolio. The East African Malting Ltd (EAML) has realized a turnaround in barley output after years of decline due to drought conditions across the region.

Supply Chain Optimization was another key pillar to ensure flawless product supply even during the peak seasons. EABL has expanded warehouse yard to accommodate the increased production, in addition to closely monitoring distribution costs. Perfect Plant programmes across the Group continue to inject manufacturing excellence techniques that ensure uninterrupted supply for optimal value realizations. Cost containment through efficient production, substitution of raw materials and optimizing mix ensures the stability and quality necessary to continue exceeding customers' expectations. The Cost of Goods Sold (COGS) agenda across the group has realized great results as part of the manufacturing excellence focus. Specific Brand Value Enhancement (BVE) projects within the process have seen production units maintain the highest quality standards while delivering at very competitive world-class costs.

EABL has an effluent treatment plant that ensures safe environmental. The treated water from this plant is pumped back into production, especially for sand and cullet cleaning. This principle of recycle and reuse is important as it assisted in the conservation of the water resources. EABL continue to embed a zero harm culture to staff and all persons accessing the company's plants through training and active engagement with all stakeholders.

Human Resources Management strategies at EABL include Good Corporate Governance (a programme called 'Pathway of Pride' highlights all the key policies that are specified in EABL's Code of Business Conduct and all employees are provided with an opportunity to fully understand the work ethics and the regulatory expectations), Organization Effectiveness and Efficiency (EABL processes have been streamlined in to staff cost and has a HR Operating model to allow for more effective HR support to all business units), Good Leadership (EABL invests resources in developing leaders through formal training and on-the-job coaching), Enhancing Talent (EABL has attract, develop and retain staff who are equipped with a superior skills base through Diageo Africa Early Career Programme and a mid-career programme), promoting Organizational Culture (EABL holds All Staff Conference that bring together all staff from the different business units across the Group to discuss the driving of a common culture aimed at delivering business objectives), Improving Staff Welfare (EABL's HR agenda provide medication to staff in the event of an disease outbreak and has streamlined access to medical services by providing biometric medical cards), Improving Staff Safety (EABL strive to ensure that employees return to their families safely at the end of every working day. EABL suppliers have also benefited from safety training) Employee Monitory Benefits (retirement benefit schemes, annual leave entitlement, the grant date fair value of options, and termination benefits).

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, liquidity, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Board has established a risk management committee made up of senior management which is responsible for developing and monitoring the Group's risk management policies which are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has established an internal audit function, which carries out regular and ad hoc reviews of risk management controls and procedures. The results of this are reported to senior management.

In regard to the Segmental Financial Reporting, financial statements from each operating business segment should be reported and closely monitored by the executive committee as a potential growth region that is expected to materially contribute to the Group revenues in the future.

5.2.2 Strategic Responses Adopted by EABL in Response to Threats of Substitute Products

The strategies to adopted by EABL in response to threats of substitute products include: product innovation, development and diversification through support for research and design programmes (EABL has variety of brands including Johnnie Walker Smirnoff Vodka, Richot, Tusker, Pilsner , Bell Lager, Bell Lager, Guinness, Senator Lager, Senator Keg Base) advertisements (EABL runs advertising campaign on television, radio, print and billboard), Consumer promotion (examples are the Smirnoff Vodka "Win Some", 'Richot Get Richa', UG mix a million" promotion and the Tusker 50 Milli Ya Ma-fans National Consumer Promotion).

Additional strategic response by EABL to threats of substitute products include: Sponsorship of television and online programmes (Tusker Project Fame and Guinness Mobile Viewing Unit), Upgrading the bar environment (Tusker Anchor Beer Belt Programme has the objective of delivering the true Tusker experience to consumers by upgrading the bar environment in various beer belts country wide and Base Poa the quality program by Senator Keg assist 1,000 bars through training staff and bar upgrading and enabling them to present the brand in a way that exceeds consumer expectations)and

Promoting cultural festivities (the Ugandan Waragi unveiled a new label that showcased visual pictures of cultural festivities and the brand sponsored the hugely popular cultural galas, market day activations and in-bar promotions by awarding consumers with functional items like bicycles, torches, lamps, blankets and promotional t-shirts).

5.3 Conclusion

The study concludes that East African Breweries Limited adopted competitive strategies to respond to the threat of new entrants in the beer industry. The strategies include effective corporate governance structure, increased its production capacity, supply chain optimization, ensuring environmental safety, human resources management strategies, financial risk management and segmental financial reporting. The strategies adopted by the company have been effective in enhancing its competitive advantage.

EABL has responded to the threats of substitute products by adopting strategies aimed at ensuring that the company's products remain the best sold in East Africa and beyond. The strategies to enhance competitive advantage of EABL products include product innovation, development and diversification through support for research and design programmes, advertisements on television, radio, print and billboard, consumer promotion , sponsorship of television and online entertainment programmes, upgrading the bar environment and promoting of cultural festivities through brand labels, popular cultural galas, market day activations and in-bar promotions.

5.4 Implications of Results

The study is helpful to the management the EABL, as it will assist their management practice by systematically building on the strategies that have already been employed. To Policymakers will also find this study important as it will help them provide a framework upon which more efficient and effective competitive strategies can be built on. It will be a source of reference material for future researchers on other related topics and it will provide a basis for further research Scholars wishing to carry out a further study in the sector can find the resource useful since little has been done on competitive strategies adopted by EABL in response to the threat of new entrants and substitute products.

5.5 Recommendations

5.5.1 Recommendations for Policy and Practice

The study recommends that regional trade frameworks such as the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) should come up with competition laws which regulate cross-border competition issues. The new laws should ensure that local beer products are protected from unfair competition by international products.

The study recommends that beer industries should adopt various technological platforms for production and marketing of their products. The primary goal in any brewery is to focus on making high quality beer. Quality beer is critical factor of success. Adoption of new technology can improve the quality of beer and enhance competitive advantages of local breweries.

Local brewers should maintain consistency as a part of strategy to enhance competitive advantage. Maintaining consistency is the key to success in the beer industry. Consistency can be established by ensuring that the company maintains the standards of their products and improve efficiency in business operations.

5.5.2 Recommendation for Further Research

Last but not least, the study recommends further research on the effect of cross boarder competition on the performance of local beer industry. The study will establish the key success factors that enhance cross border trade and recommend measures that can enhance competitive advantages of local breweries in the cross border markets.

5.6 Limitation of the Study

This research was a case study and therefore the research was limited to EABL. Thus the findings on competitive strategies adopted by East African Breweries Limited to respond to the threat of new entrants and substitute products are limited only to EABL and as such they cannot be generalized as remedies to other firms.

The study focused on interviewing some of the very busy executive team members and scheduling appropriate interview timings was a challenge, in some instances we had to keep rescheduling the interviews. However, the study eventually managed to interview obtains information from the key decision makers of the company. It’s also important to note that the data collected from the respondents may have suffered from personal biases and may therefore not fully represent the opinion of EABL in some cases.

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APPENDICES

Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 4/10/2013

TO WHOM IT MAY CONCERN

The bearer of this letter M/s Wandiri W. T. Catherine

Registration No. D61/P/8161/2000

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
07 OCT 2013
MBA OFFICE
P.O. BOX 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Interview Guide

COMPETITIVE STRATEGIES ADOPTED BY EAST AFRICAN BREWERIES TO RESPOND TO THE THREAT OF NEW ENTRANTS AND SUBSTITUTE PRODUCTS

1. What is your position in the EABL?
2. What is the name of your department?
3. How long have you worked in the organization?
4. How many employees does your company have?
5. a) What are the potential problems posed to your company by new entrants into the market?

   b) What are the potential problems posed to your company by new substitute products into the market?
6. Which products from your competitors is a threat to your company.
7. How have the following influenced the competitive threat that you are facing from new entrants and substitute products in the market
   i. Possible loss of qualified staff
   ii. Reduced market share due to increased substitute products into the market
   iii. Offering of competitive products
   iv. Superior technology
   v. Superior human capital
   vi. financial risk

8. How has your organization been affected by changes in the market due to competition (in terms of structural changes)?

9. Explain the changes which your company has initiated in response to changes in the competitive environment

10. How has each of the following strategic options been to your firm in response to substitute products?

i. Product Innovation
ii. Cost leadership
iii. Market focus
iv. Market penetration
v. Market development

11. Explain the extent to which EABL has implemented the following generic strategies to deal with threat of new entrants into the market.

i. Cost leadership
ii. Differentiation
iii. Focus

12. Which strategies has EABL adopted to improve its corporate image and corporate governance?

13. Which human resource management strategies are implemented by EABL to ensure that the company remains competitive?