

**COMPETITIVE STRATEGIES ADOPTED BY REGISTERED TAXI
FIRMS IN MOMBASA COUNTY, KENYA**

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DECLARATION

This management project is my own original work and has not been presented for a degree in any other university.

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The management research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my dad and mum who instilled in me the importance in education their moral and financial support. To my brothers and friends for their continuous support and inspiration when I felt like giving up May this be an inspiration to you all and to the generation to come to strive for even greater heights.

ABSTRACT

The success and sustainability of any organization in a competitive environment is determined by its choice of strategy. This survey was an attempt to establish the competitive strategies adopted by taxi firms in Mombasa County. Today's dynamic markets and technologies have called into question the sustainability of competitive advantages. There are basically three competitive strategies that companies can adopt .i.e. cost advantage, differentiation and focus. This study was set out to establish the competitive strategies adopted by taxi firm in Mombasa and the challenges of competition that the taxi firms faced in adopting these strategies. The data was collected through well-structured questionnaires targeting marketing managers of the taxi firm. The data was collected and analyzed through use means score, percentage and standard deviation the findings indicated that among all the competitive strategies that were researched the strongly adopted competitive strategy by the taxi firms was cost advantage strategy. The findings of the research showed that majority of the taxi firms adopted this strategy. Differentiation strategy was the second strategy which was adopted but only few taxi firms adopted this strategy. Focus strategy was the least adopted strategy among all the competitive strategies. The findings also indicated that the most faced challenge of completion by the taxi firms was the reduced market while the least faced challenge of competition was struggling for passengers. From the findings the researcher was able to speculate that more taxi firms were to soon join the taxi market. The researcher suggested that of his findings could be extended to do further studies on competitive strategies adopted by all taxi firms in Kenya. Based on the finding of the study various conclusions, recommendation for policy and practice were made.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as, benchmarking and reengineering (Porter, 2005). These have forced the manager in the taxi firms to adopt competitive strategies for them to survive in the market. Thirty years ago the government enjoyed monopoly of taxi business because it had parastatal which offered taxi services to the public. Due to the mismanagement of the firm it lead to customer dissatisfaction. This called for other taxi firm to open up in order satisfy the needs of the customer and to offer taxi services effectively and efficiently. Prospective business men and some individual taxi operators joined forces to form their own taxi firms. Foreign and local investors also saw the opportunity in the taxi industry and ventured into the business to provide a full package of customers' needs.

The taxi industry is now flooded with many taxi operators sourcing for the same customers and this has called for competitive strategy to be adopted by each taxi firm for it to survive in the taxi business. New entrants in the taxi industry, the bargaining power of the buyer and supplier, threat of substitutes and the rivalry among the existing business has made competition to be very stiff. For any firms to survive in this industry it will have to lay down competitive strategies by choosing a unique and valuable position rooted in the systems of activities that are much more difficult to match.

1.1.1 Competitive Strategies

Competitive strategy is the framework that guides competitive positioning decisions. As observed by Porter (2008) competitive strategy is how companies compete in a particular business. It is concern with how a company gains competitive advantage through distinctive way of competing. Organizations need to have strategy in order to deliver quality product or services to new and existing customers. According to Pearce and Robinson (2005) Competitive strategy is a search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aim's to establish a profitable and sustainable position against the forces that determine industry competition. Managers formulate competitive strategy to relate the company to its environment, whereby a firm's environment is the industry in which a firm is competing in.

The goal of competitive strategy for a business unit in an industry is to find a position in the industry where the firm can best defend its self against these competitive forces or can influence them in its favor (Porter, 2004).To cope with the five competitive forces porter developed three potential successful generic strategic approaches which a firm can apply to outperform other firms in the industry. The three generic strategies for achieving above average performance in an industry are, cost leadership, differentiation, and focus (Porter, 1985). Cost leadership, is where a firm sets out to become the low cost producer in its industry. This strategy is associated with large scale business offering 'standard' products which are less differentiated to be acceptable to the majority of customers. Differentiation strategy on the other hand is where firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It where a firm creates

something that is perceived to be unique. The final generic strategy is focus which involves focusing on a particular buyer group, segment of the product line or geographic market. The focus strategy has two variants, cost focus and differentiation focus.

Competitive strategy helps the organization to define its business today and how it will define its business tomorrow. It also help the organization to know in what industries or markets will it compete in and how it will respond to the competitive forces in these industries or markets .Through competitive strategy the firm will be able to know its fundamental approach to attaining competitive advantage either by low price, differentiation or niche. Competitive strategy also enables the firm to know what size or market position it has to plan to achieve and what will be its focus and method for growth. The purpose of its competitive strategy is to build a sustainable competitive advantage over the organization's rivals. Competition is one of the society most powerful forces for making things better in many fields of human endeavor (Porter, 2008).

1.1.2 Competitive Advantage

According to Porter (1985) competitive advantage introduces the concept of value chain, general frame work for thinking strategically about the activities involved in any business and assessing their relative cost and role in differentiation. Value chain proves a rigorous way to understand the source of the buyer source that will command a premium price and why one product or service substitutes other.

Competitive advantage can arise from many sources and show how all advantages can be connected to specific activities and the way that activity relates to each other, to supplier's activities and buyers activities. Competitive advantage help to make strategy

more concrete and actionable because these are activities which a firm do, they are observable tangible and can be managed. A lowest cost strategy involves one set of activities choices, while differentiation involves another set of activity. Activity provides bridge between strategy and implementation. Activities therefore make strategy more operational.

Competitive advantage grows fundamental out of the value a firm is able to create for its buyer. It may take the form of price lower than the competitor equivalent benefit or the provision of unique benefit that calls for a premium price (Porter, 1985). Competitive advantage in one industry can be strongly enhanced by interrelationship with business unit competing in related industries interrelationship among business units are the principle means by which a diversified firm create value and this provide the underpinning for cooperate strategy .The two basic type of competitive advantage combined with the scope of activities for which a firm seeks to achieve them leads to generic strategies. For achieving the above average performance in an industry, a firm may apply any of the following generic strategy, cost leadership, differentiation or focus.

1.1.3 Transport industry in Kenya

The Transportation industry sector comprises a wide range of service providers, covering all modes of transport – air, road, rail, sea – as well as related services such as warehousing, handling, stevedoring, and finally value added services like packaging, labeling, assembling, etc. Because of the diversity of the sector in Kenya the infrastructure group has defined three key market segments that it concentrates on: Roads, Ports and Airports, Rail. According to Pwc (2002) Roads have long been

considered as the prime communication link between all economic sectors and the citizenry in Kenya. Indeed, roads account for over 80% of Kenya's total passenger and freight transportation, as well as value of output.

Public transport in Kenya and especially in urban areas is dominated by public service vehicles. They provided employment to persons and generated vast revenue for the Government in the form of charges for licenses, duty, VAT and other taxes. In addition, the industry plays a leading part in transportation of both persons and goods in both rural and urban areas. Unfortunately, the industry's vast growth has been accompanied by increasing road traffic accidents that have threatened safety of Kenyan travelers (Muyia, 1995). In October 2003, Kenya's Minister for Transport and Communications issued Legal Notice No.161 that sought to regulate the Public Service Vehicle sub-sector. The objectives of the Legal Notice were to: reduce accidents caused by over speeding; enhance safety of commuters; ensure responsibility, accountability and competence of drivers and conductors; eliminate illegal drivers, conductors and criminals that had infiltrated the industry. It indicated that any person who contravenes or fails to comply with these provisions, owns, drives or has charge of the taxicab or Matatu, shall be guilty of an offense and could pay a specified fine or face imprisonment.

New investors are coming into the industry owing to conducive business environment that has been created. Crime rate has reduced owing to the requirement that all Public service vehicles drivers and conductors must get certificates of good conduct from the police. The same requirement has also led to elimination of unqualified drivers who are major causers of accidents. This sector is also facing some challenges because of laxity in law enforcement is still a problem especially in the public service vehicles. Corruption

has also been reported by the media among key government officials in relation to issuance of Public Service Vehicles licenses and inspection certificates.

1.1.4 Taxi Firms in Mombasa.

Mombasa is commonly known as a tourist destination city because of its attractive beaches and hot climate. Mombasa is among the cities in Kenya which experiences a large number of both local and foreign tourists. It also has an international airport and corporate organization, Nongovernmental organization and aid organization which makes the location a strategic area for taxi firms to operate in. All the above has made taxi business to increase tremendously in the region despite the introduction of substitute like tuk tuk and motor bikes which are cheaper. Taxis firms which are fully register and are operating in Mombasa are approximately thirty five firms. Majority of them have their stations at Moi international airport, at the beach hotels at the parking of corporate organizations. The taxi companies which dominate the Mombasa market have originated from Nairobi and more companies from Nairobi and other region are trying to penetrate the market because there is big potential in Mombasa.

An increase in number of taxi firms has lead to stiff competition and only the strong firm in terms of competition will survive the market. Every firm is coming up with its own strategies to win the market and some taxi firms are trying to give the lowest price while others are working on service differentiation. Many taxi firms are trying to embrace organized management, technology and modern fleet for them to survive in the market.

1.2 Research Problem

An organization's strategy consists of the moves and approaches devised by management to produce successful organization performance. A strategy is thus a management game plan for business (Thompson et al, 2007). The essence of formulating competitive strategy is to relate a company to its environment. Following the current opening up of Kenya market by the government, the competitive environment has been experienced by many firms causing the firm to choose its competitive response strategy that is effective and efficient. (Porter 2004) describes Competitive strategy as taking offensive or defensive action to create a defensible position in an industry to cope with the five competitive forces and thereby yield a superior return on investment for the firm.

The taxi sector has become very active and is characterized by fierce competition. Since individuals have started to subcontract their personal vehicles to the taxi firm the competition has increased in the taxi world. Therefore the entry to taxi industry has been made easy, the bargaining power of the buyers and suppliers has increased and the introduction of substitute service in the taxi industry has been seen. All this has increased the degree of rivalry in the market therefore competition has been very stiff in the taxi industry. Past studies that have been carried out on similar topic include: Kanake (2008) who studied competitive strategy employed by tourist firms in Kenya. Ilovi (2008) carried out a survey of competitive strategies adopted by courier firm in Kenya. Karanja (2002) studied competitive strategies in real estates.

There is a gap in the literature as far as competitive strategy is concerned on taxi industry in Kenya. Therefore the proposed study intends to address the following questions, what.

What competitive strategies are adopted by registered taxi firms in Mombasa and what challenges do the taxi firms in Mombasa face from competition.

1.3 Research Objective

This study had the following two objectives

- i. To establish the competitive strategies adopted by the taxi firms in Mombasa to achieve competitive advantage.
- ii. To determine the challenges of competition faced by taxi firms in Mombasa county.

1.4 Value of the Study

The management of taxi firms will benefit from the study as the findings will show what competitive strategies are applied in order to survive in the competitive market. The findings will help taxi management in strategy formulation.

To the researcher and academicians, the study will provide understanding of the nature of competitive strategies adopted by taxi firms in Mombasa. The study will add to the growing body knowledge of strategic management in taxi sector in Kenya. The study will enable others to study further on this subject.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review will seeks to review previous studies that have been studied by others in the field of competitive strategies. This chapter will be reviewing literature on competitive strategies. It will start by reviewing what different authors have studied on strategy and it will also review the way different authors have addressed the issue on competition. Thereafter this chapter review more literature on competitive strategies. Finally literature on generic strategies and industry forces will be reviewed in this chapter.

2.2 Concept of Strategy

Strategies have been defined by different authors in a different ways. The definition suggests that the author gave selective attention to aspect of strategy. According to Drucker (1999) Strategy is a commitment of present resource to future expectations. A strategy is a plan on how the organization can achieve its goals and objectives. It is a commitment of present resources to future expectations.

Schendel and Hofer (1979) argue that strategy is the match between organization resources and skills, the environmental opportunities and risk it faces and the purpose it wishes to accomplish. Having a strategy therefore enables the organization to ensure that the operational decision fit in with its long term strategy, operational decision could have a negative impact on the long term interest of the company.

According to Pearce & Robinson (1997), Strategy can be viewed as a building defense against competitive forces or as finding position in the industry where forces are weakest. A strategy enables manager to deal with potential problem that may face their organization (Aosa, 1998) .For an organization to overcome strategic problem then it has to adjust to the environmental challenges.

Tregoe and Zimmerman (1980) define strategy as the framework which guides those choices that determines the nature and direction of an organization. They urge executive to base decision on a single “driving force” of the business. Although there are nine driving forces only one can serve as basis for strategy for a given business. The nine possibilities are products, referred markets needs, technology, production capabilities, method of sales, method of distribution, nature and resources, size/growth and return/profit. It is observes that Tregoe and Zimmerman (1980) take the position that strategy is essentially a matter of perspective.

Robert (1993) takes a similar view of strategy where he argues that real issues are strategic management. This boils down to decision pertaining to four factors, product service, customer market, segments and geographical area operation. He claims that decision about which products and service to offer, customer to be served, the market segment to operate and the geographical area of operation should be made on basis of a single drawing forces.

2.3 Concept of Competition

According to Pearce & Robinson (1997), Strategy can be viewed as a building defense against competitive forces or as finding position in the industry where forces are weakest.

According to Porter (2002) competition does not necessarily have to be between companies, competition can be within the same company in each division or would be competing with the other divisions. This type of competition occurs in companies that sale different type of brand. Each brand manager is given responsibility for the success or failure of the brand, and compensated accordingly. This is known as intra-brand competition. Kotler (2003) also argue that a company is more likely to be hurried by emerging competitors or new technology; however the range of a company's actual potential competitor is in reality much broader. In the recent years many business have failed to look at the internet to know their most formidable competitor. And this has seen many companies being thrown out the market.

Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns or has the potential to earn a persistently higher rate of profit. According to Porter (1985), a firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it supplies an identical product or service at a lower cost, in which case the firm possesses a cost advantage; or it can supply a product or service that is differentiated in such a way that the customer is being able to pay a price premium that exceeds the additional cost of the differentiation advantage. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a lower price. Emphasizing the importance of innovation, Grant (1997) points out that innovation not only creates competitive advantage, it also provides a basis for overturning the competitive advantage of other firms.

2.4 Challenges of Competition

Industries faces many challenges a few of them being volatile fluctuations in commodity prices, stringent customer demands. Serving clients across the globe in all industries can be challenging. Firms should be well positioned to understand the challenges facing today's companies and offer their insights on the forces working within the marketplace. According to Porter (2008) the firms should also be working closely with their clients to understand them and help propose solutions to the business challenges. Occasionally, a competitor can begin to create significant problems for the company and the market. Typically, these annoying competitors become involved in predatory pricing, copying other companies' product line, or using aggressive marketing techniques or guerrilla warfare strategies.

(Frost, 2011)Whatever the problem, Marketers can help the company to successfully address it. Being "Lost in the Market" is a problem a company maybe facing if the company is completely unaware of what is going on with the competition and customers in the market in which it is competing in. Only a handful of companies are not anxious about their profit margins. Use the Market Engineering System to identify areas in which implementation of a measurement-based strategy will stimulate increased profitability. The demand for growth is endless. Market Engineering can help identify and rank the most promising growth opportunities available.

2.5Competitive strategy

Competitive advantage is at the hearts of a firm's performance in competitive market, (Pearce &Robinson, 1997) Because of vigorous expansion and prosperity however many firms have lost sight of competitive advantage in their scramble for growth and pursuit of

diversification. Firms throughout the world face slow growth as well as domestic and global competitors that are no longer acting as if they are expanding. Failure of many firms strategies stem from inability to translate a broad competitive advantage.

A company is more likely to be threatened by emerging and existing competitors. The differences between a company and its competitor are the basis of its advantage. If a firm is in business and self supporting, then it already has some kind of advantage no matter how small or subtle (Chandler, 1997). There are three potential successful generic strategic approaches that a firm can adopt to outperform other firms in the industry. They include overall cost leadership, differentiation and focus. A firm can choose to pursue one or more than one strategy and all this require total commitment and supporting organizational arrangement. For a firm to cope with the five forces it has to adopt any of the generic strategies (Porter, 1984). The five forces include: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute product or services and rivalry among the existing firms. These are the forces that drive industry competition. The customers, suppliers, substitutes, and potential entrants are all competitors to the firm in the industry.

2.5.1 Cost Leadership Strategy

Cost leadership strategy is where a firm's objective is to become the lowest cost producer in the industry. If the selling price can at least equal the average for the market then the lowest cost production will enjoy the best profits. A low cost position gives a firm a defense against rivalry from competitor; because it's lower cost means that it can still earn return after its competitor have competed away their profits through rivalry (Porter, 1980). The factors that lead to low cost position provide entry barrier in terms of scale

economies or cost advantages. For a firm to achieve a low cost position it requires high market share or access to raw material. Business built on cost leadership requires the business to be able to provide its product or service at a cost below what its competitor can achieve and the cost leadership must be sustainable (Pearce II, 2005)

Skills and resources that foster cost leadership are sustained capital investment and access to capital, process engineering skill, core technical operations and low cost distribution systems. The organization should ensure there is tight cost control, quantitative targets and structured organization and responsibilities, Porter (2004). Occasionally, a low cost leader will also discount its product or service to maximize sales by so doing it can't increase its market share, especially if it has cost advantages over the competition.

2.5.2 Differentiation Strategy

According to Pearce II (2005) differentiation requires that the business have a sustainable advantage that allows it to provide buyers with something uniquely valuable to them. A successful differentiation strategy allows the business to provide a product or service of perceived higher quality to the buyer. Approaches to differentiation may take form of design or brand image, technology, feature, customer service, dealer network or other dimensions. Porter (2004) observed that differentiation provides insulation against competitive rivalry because of brand loyalty by customer and resulting to lower sensitivity to price.

Differentiation yields higher margin with which to deal with suppliers' power and it clearly mitigates buyer's power, since buyers lack comparable alternatives and thereby less price sensitive. The buyer cannot also switch to substitutes because of brand loyalty. As

pointed out by Porter(2004)common required skills and resource for differentiation are, strong marketing ability, product engineering, creativity, strong ability in basic research ,corporate reputation for quality or technological leadership and strong cooperation from channels.

2.5.3 Focus Strategy

Focus is the final generic strategy it involves focusing on a particular buyer group, segment of the product line or geographic market. Focus strategy is built around serving a particular target very well and if an organization is developing functional policy then it should develop them having focus strategy in mind. In focus strategy the organization is able to achieve differentiation better by meeting the needs of a particular target or it is able to meet low cost in serving this target or it can be able to achieve both. As observed by Porter (2004) focus means that the firm either has a low cost position with its strategic target, high differentiation or both. Focus may also be used to select targets least vulnerable to substitutes or where competitors are weakest. The business seeks a lower cost advantage on just one or a few market segment. The product is similar product to the higher priced and featured market leader, but acceptable to sufficient customers.

2.6 Generic Strategies and Industry Forces

As observed by Porter (2004) there are forces outside the industry which affects all firms in the industry. The state of competition in an industry depends on five basic competitive forces which are, threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute product or services and rivalry among existing firms.

The configuration of the five forces differs by industry. The strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation. The most salient force, however, is not always obvious. Porter (1979) found out that understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time. A healthy industry structure should be as much a competitive concern to strategists as their company's own position. Understanding industry structure is also essential to effective strategic positioning. Defending against the competitive forces and shaping them in a company's favor are crucial to strategy.

As stated by Porter, (2004) the risk of pursuing the generic strategies are two; first, failing to attain or sustain the strategy; second for the value of the strategic advantage provided by the firm to erode with the industry evolution. Cost leadership is vulnerable to some risk like technological change that nullifies past investment.

2.7 Concept of Competitive Advantage

According to Pearce II and Robinson (2011) business become successful because they possess some advantage relative to their competitor. The two most prominent sources of competitive advantage can be found in the business cost structure and its ability to differentiate its business from the competitors. When business create competitive advantage from cost leadership advantage or differentiation advantage or both of them ,it usually experience above average profitability study that was done by Pearce II and Robinson (2011) show that businesses that do not have either form of competitive

advantage perform the poorest while business that possess both form of competitive advantage enjoy the highest level of profitability within their industry.

Company pursue a business level strategy to gain a competitive advantage that allow them to outperform above average return (Hill and Jones, 2001).A firm can choose to adopt cost leadership strategy, differentiation strategy or focus strategy or a combination of both. Each generic strategies results from a company making consistence choice on product, market and distinctive competencies. Cost leader strategy choose a low level of product differentiation while differentiation is expensive if the company expends resources to make its product unique, then it cost rises. Cost leader aims for level of differentiation not markedly inferior or that of differentiator, but a level obtainable at a low cost. The ability to increase revenue by charging premium price allows the differentiator to outperform its competitor and gain above average profit

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The following chapter covered methodology that was in the study. The chapter discusses the population of the study, the sample design and the data collection method that was used to collect data from various taxi firms. It also discusses the various ways that were used to analyze the collected data.

3.2 Research Design

This research problem was to be studied through use of a descriptive survey. Descriptive research portrays an accurate profile of persons, events, or situation (Robson 2002). The survey enabled the researcher to collect data from a sizeable proportion of the population.

This enabled the researcher to make comparisons based on demographics of the study units. Mugenda and Mugenda(2003) observed that surveys are useful for research where comparisons are important .Hence a survey was considered most appropriate for this study.

3.2 Population of Study

The target population was taxi firms registered and operating in Mombasa county of Kenya. According to the Kenya association of cabs, there were 35 registered taxi firms in Mombasa County as of June 2012

3.3 Sample Design

A sample size of 17 taxi firms were selected for study. The sample was selected through systematic random sampling. The list obtained from Kenya association of cabs in Mombasa was used as the sampling frame.

Sampling began from the first member in the list and there after every second member was selected. This was to give a sampling interval of two.

3.4 Data Collection

In this study much emphasis was to be given to the primary data. The primary data was collected using a questionnaire which contained both open and closed questions. This helped to facilitate the collection of both qualitative and quantitative data. The questionnaire was structured in three sections namely section A, B, and C. Section A will sought responses on the firms demographics and attribute. Section B was on responses regarding competitive strategies the taxi firms applied. This was mainly be based on 5-point rating scale.

Section C sought to identify the reasons which made the taxi firms to adopt the competitive strategies. The questionnaires targeted marketing managers because the were best placed to provide information on firms' strategies. Each firm was issued with one questionnaire. The researcher was to drop and pick the questionnaire later after they had been filled.

3.5 Data Analysis

The data analysis sought to identify the competitive strategies adopted by the taxi firms. After the questionnaires were filled and received, they were checked and verified to

ensure consistency and completeness of information of the responses. Measures of central tendencies like mean, and standard deviation were used here. For the competitive strategies used by taxi firms mean scores were computed to determine extent of use.

Chi-square test and correlation analysis were used to determine whether the competitive strategies are related to the taxi firms' demographic characteristics.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers data analysis and discussion of the demographic background of taxi firms in Mombasa County which were researched. The chapter analyses the competitive strategies that were adopted by the taxi firms in Mombasa County, the challenges they faced in competition and the reasons for adopting the competitive strategies.

4.2 Demographic Background

Tables 4.1: Duration of Service

Duration of service	Frequency	Percentage
Less than 10 years	5	56%
Between 11-20 years	3	33%
Between 21-30 years	1	11%
Total	9	100%

Findings from Table 4.1 showed that taxi firms which had served the market for shortest duration were the majority in the taxi industry in Mombasa County. This demonstrated that there were new taxi companies which had ventured into the market because within a period of less than 10 year because 5 firms had penetrated the market. the taxi firms which had served the market for the longest period of time i.e between 21-30 years were

the least because only one firm responded in this study. Other firms which served for a period between 11-20 had a 33%. This shows that new firms are coming up in the taxi business.

4.2.2 Size of the Firm

The findings of the study was able to determine the size of the firm by the number of fleet a taxi firm had and also the size of the taxi firm was determined by the number of employees it had.

Table 4.2: Size of the Firm by the Number of Fleets

Number of vehicles	Frequency	Percentage
Less than 15	1	11%
Between 15-30	5	56%
Between 31-45	2	22%
More than 46	1	11%
Total	9	100%

The researcher sought to establish the size of the firm by the number of had in operation. The study found out the largest and the smallest firms were the least in the taxi market both with 11%. The medium sized firms were the majority with a 56%. Many taxi firms had a between 15 to 30 fleets which were actively in operation.

Table 4.3: Size of the Firm by the Number of Employees

Number of Employees	Frequency	Percentage
Between 21-40	2	22%
Between 41-60	6	67%
More than 60	1	11%
Total	9	100%

As illustrated in Table 4.3 the largest firms with the largest number of employees were least in the taxi market with 11%.the researcher sought to find the size of the firms that dominated the market ,he found out the majority of the firms had a capacity of 41 to 60 employees with 67%. Only two firms represented firms which had a capacity of 21to 40 employees. According to the data that was collected none of the respondents had below twenty employees this is because most of the taxi had employed two drivers per taxi.

4.2.3 Ownership of the Firm

Table 4.4:Type of ownership

ownership	Frequency	Percentage
Sole proprietorship	2	22%
Partnership	2	22%
Private company	4	44%
Public company	1	11%
Total	9	100%

As shown in Table 4.4 above it is clear that majority of the taxi firms in Mombasa county were private company with a 44%. Sole proprietorship and partnership ownership came second both with 22%.Public owned taxi firm was only presented by one company with 11%. The reason why private companies dominated the market is because new companies were coming up in the market

4.3 Competitive Strategies Adopted by Taxi firms

The respondents were asked to rate extend to which various strategies were adopted by their firms. Rating was to be done on 5 scalewhere:1=not at all and 5=to a very great extend .The data was scored where ;not at all=score of 1 and very great extend=score of 5. Mean score were computed for the data .The higher the mean score the greater was the extend of adaptation of the strategy and vice-versa. Standard deviation was also computed. The results are shown in the tables below

Table 4.5: Competitive Strategies

Competitive Strategies	Mean	Std Deviation
Low fares	3.89	1.69
Unique service with premium price.	3.33	1.00
Modern fleet	3.44	0.73
Two way radio communication	3.33	1.80
Training and developing drivers	2.89	1.27
Extensively marketing/branding	3.22	1.30

Located near to customer	3.33	0.87
Aggressive Marketing	3.44	1.24
Classy vehicle for V.I.P	2.78	1.09
Car tracking device	3.44	1.88
Opening many branch	2.89	1.54
Market intelligence	2.89	0.93
Grand Mean	3.24	

Findings in Table 4.5 revealed that the strongly adopted competitive strategy by the taxi firms was low fares with a mean score of 3.89. Other competitive strategies that were adopted were aggressive marketing use of modern fleet with a means of 3.44 and 3.44 respectively. Competitive strategies that were least adopted by taxi firms in Mombasa were training and developing driver and opening new branches and practice of doing market intelligence all of them with a mean score of 2.89.

A grand mean of 3.24 it shows competitive strategies were moderately adopted by the taxi firms taxi firms of Mombasa county. This shows that the taxi firms did not concentrate much on adopting competitive strategies.

4.3.2 Competitive Strategies and Duration of Service

Table 4. 6: Competitive Strategies and of Years in service

Competitive Strategies	Below 10 Years	11-20` Years	21-30 Years
Low fares	4.60	5.00	1.00
Unique service with premium price.	3.60	2.50	4.00
Modern fleet	3.20	3.00	4.00
Two way radio communication	3.60	1.00	5.00
Training and developing drivers	2.60	2.00	4.00
Extensively marketing/branding	3.20	2.00	4.00
Located near to customer	3.20	3.00	5.00
Aggressive Marketing	3.80	2.00	4.00
Classy vehicle for V.I.P	3.00	1.50	3.00
Car tracking device	3.60	1.50	5.00
Opening many branch	3.20	1.50	4.00
Market intelligence	3.20	2.00	2.00
Grand Mean	3.40	2.25	3.75

At a quick glance on the grand mean in Table 4.6 taxi firm which had been in operation for between 21 to 30 year and below 10 years moderately adopted the competitive strategies with a grand mean of 3.75 and 3.40 respectively. Only one company was found

in among those firms which served the taxi market between 21- 30 year. Firms which had been in operation between 11 to 20 years adopted competitive strategies at a little extend with a grade mean score of 2.25

Competitive strategy of low fares was strongly adopted by firms which had been in service for less than 20 years. The same strategy was not at all adopted by the taxi firm which had been in service for more than 21 years.

Use of modern fleets was a strategy which was moderately adopted by most of taxi firms which were in service for 20 years and below. The same strategy was adapted to a great extend by the taxi firm which had served the market for more than 21 years. Only one firm was presented in this category.

4.3.3 Competitive Strategies and Ownership of the Firm

Table 4.7: Competitive Strategies and Type of Ownership

Competitive Strategies	Public		Private	Sole
	Ownership	Partnership	Ownership	Proprietorship
Low fares	1.00	5.00	3.00	4.00
Unique service with premium price.	4.00	2.75	3.50	4.00
Modern fleet	4.00	3.00	4.50	3.00
Two way radio communication	5.00	1.75	4.50	4.50
Training and developing drivers	4.00	1.75	4.00	3.50

Extensively marketing/branding	4.00	2.00	5.00	3.50
Located near to customer	5.00	2.75	3.50	3.50
Aggressive Marketing	4.00	2.25	4.50	4.50
Classy vehicle for V.I.P	3.00	2.00	4.00	3.00
Car tracking device	5.00	1.50	5.00	5.00
Opening many branch	4.00	1.50	3.00	5.00
Market intelligence	2.00	2.50	3.00	4.00
Grand Mean	3.75	2.40	3.96	3.96

Findings of the research revealed that sole proprietor firms, private owned firms and public owned firms applied competitive strategies moderately with a grand mean of 3.96, 3.96 and 3.75 respectively. Partnership owned company least adopted competitive strategies with a grand mean of 2.40. This is because the partners had different ways of doing business there was a challenge in adapting the competitive strategies.

Low fares strategy was strongly emphasized by sole proprietorship and partnership owned firms with a mean score of 5 and 4 respectively. This was because the owners believed the only way to survive in the market was through cost leadership.

Public owned firms which were presented by one firm emphasized on installation of car tracking devices and two way radio communication strategies at a very great extend with a mean score of 5 and 5 respectively. This firm did not adopt a low fares strategies. This shows that public owned firm concentrated more on service differentiation than cost

advantage. Aggressive marketing was least emphasized by partnership owned firm with a mean score of 4.

4.3.4 Competitive Strategies and Size of the Firm

Table 4.8: Competitive Strategies and number of employees

Competitive Strategies	Less than 20 Employees	Between 20-40 employees	Between 41-60 Employees	More than 60 Employees
Low fares	5.00	3.60	3.00	1.00
Unique service with premium price.	4.00	3.40	2.50	4.00
Modern fleet	4.00	4.20	3.50	4.00
Two way radio communication	4.00	3.20	2.50	3.00
Training and developing drivers	3.00	3.00	2.00	4.00
Extensively marketing/branding	5.00	3.00	2.50	4.00
Located near to customer	4.00	3.20	2.50	5.00
Aggressive Marketing	5.00	3.00	3.50	4.00
Classy vehicle for V.I.P	4.00	3.20	3.00	1.00
Car tracking device	5.00	3.00	3.00	5.00
Opening many branch	3.00	2.60	3.00	4.00
Market intelligence	2.00	3.00	3.50	2.00
Grand Mean	4.00	3.20	2.88	3.42

Two firms presented both the firms that had the smallest number of employees and this firm strongly adopted competitive strategies with a grade mean of 4.00. The firms that had the largest number of employee and those firms that had between 15-30 employees moderately adopted competitive strategies with a grade mean of 3.42 and 3.20. Looking across the board in Table 8 above the least adopted competitive strategy was market intelligence and the most adopted strategy was car tracking device.

4.4 Challenges of Competition.

Table 4. 9: Challenges faced in competition

Challenges of Competition	Mean	Std Deviation
Reduced Market	4.78	0.44
Low Tariff by Competitors	3.67	1.32
Subcontracting of vehicles	2.67	1.22
Struggling for passengers	2.22	0.83
Quarrelling with the competitors	1.44	0.73
Rules and regulation by the airport, city council and Port.	2.89	0.93
Grand Mean	2.94	

With a grade mean of 2.94 the findings show that challenges in competition was at little extend faced by taxi firms in Mombasa. The most faced challenge by all the taxi firms was reduced market with a mean score of 4.78. This challenge was as a result of new

entrants in the market. A low tariff by competitors was a challenge another challenge which was faced at a moderate extent with a mean score of 3.67. The challenge that was not at all experienced by the taxi firms were quarrelling with the competitor with a mean score of 1.44.

4.4.1 Challenges of Competition and Duration of Service

Table 4.10: Challenge of Competition and Number of years in service

Challenges in Competition	Below 10 Years	11-20 Years	21-30 Years
Reduced Market	4.83	4.50	5.00
Low Tariff by Competitors	3.83	2.50	5.00
Subcontracting of vehicles	2.67	2.00	4.00
Struggling for passengers	1.83	3.00	3.00
Quarrelling with the competitors	1.17	2.00	2.00
Rules and regulation by the airport, city council and Port.	2.83	3.00	3.00
Grand Mean	2.86	2.83	3.67

From the grand mean of Table 4.10 firms which had been in service between 21-30 years experienced challenge at a moderate extent with a grand mean of 3.67. Those firms which had been in service for less than 20 years experienced a challenge of competition at a

little extent with grand mean of less than 3.00 for each. Across the board reduced market was the challenge most experienced at a great extent.

4.4.2 Challenge of Competition and Ownership of the firm

Table 4.11: Type of ownership and Challenge of Competition

Challenges in Competition	Public Ownership	Partnership	Private Ownership	Sole Proprietorship
Reduced Market	5.00	4.75	4.50	5.00
Low Tariff by Competitors	5.00	2.50	4.00	5.00
Subcontracting of vehicles	4.00	2.25	2.50	3.00
Struggling for passengers	3.00	2.75	1.50	1.50
Quarrelling with the competitors	2.00	1.50	1.50	1.00
Rules and regulation by the airport, city council and Port.	3.00	3.50	2.50	2.00
Grand Mean	3.67	2.88	2.75	2.92

Finding of the research show that partnership, private owned firm and sole proprietorship experienced challenges in competition at a little extent with a grand mean of 2.88, 2.75 and 2.92 respectively. Public ownership experienced challenges in competition at a moderate extend with a grade mean of 3.67. By comparing the challenges that were faced

by the public owned firms and sole proprietorship there was a similarity in the in the subcontracting of vehicles. All firms experience the challenge of reduced market at a great extent.

4.4.3 Challenges of Competition and Size of the Firm.

Table 4.12: Challenges of competition and Number of employees

Challenges in Competition	Less than 20 Employees	Between 20-40 employees	Between 41-60 Employees	More than 60 Employees
Reduced Market	4.00	4.80	5.00	5.00
Low Tariff by Competitors	3.00	3.40	4.00	5.00
Subcontracting of vehicles	1.00	3.00	2.00	4.00
Struggling for passengers	2.00	2.00	2.50	3.00
Quarrelling with the competitors	2.00	1.40	1.00	2.00
Rules and regulation by the airport, city council and Port.	3.00	2.60	3.50	3.00
Grand Mean	2.50	2.87	3.00	3.67

The firms which had between 31-45 employees and those which had 46 employees and above experienced challenge in competition moderately with a grand mean score of 3.00 and 3.67. From Table 4.12 firms with less than 15 employees experienced challenges in

competition at little extent with a grand mean score of 2.50 and 2.87. The findings show that the big firm the greater the challenges they are face in competition and vise versa.

4.5 Reason for Adopting Competitive Strategies

The study sought to identify what reasons made the taxi firms in Mombasa County to adopt competitive strategies. The table below shows the reasons for adopting competitive strategies.

Table 4.13: Reasons for adopting competition

Reasons for adopting competitive strategies	Mean	Std Deviation
Changes in the business environment	3.78	0.44
Competition in business environment	4.78	0.44
Active pursuit of strategic benefits	3.44	1.01
Opportunities offered by new technologies	3.22	0.83
Financial condition of the company	3.33	1.58
Grand Mean	3.71	

Finding revealed the greatest reason for adopting competitive strategies among the taxi firms was competition in business environment with a mean score of 4.78. Competition was becoming very high in the taxi business and each firm was forced to adopt competitive strategy to survive in the market. Reasons for adopting competitive strategies was a moderate rate with a grand mean of 3.71 opportunities offered by new technologies

was the least reason for adopting competitive strategies with a mean score of 3.33. As shown in Table 13.

4.6 Discussion and Findings

From the research carried out for the taxi firms in Mombasa county the researcher views on the data analysis was the firms which had served longest in the industry are still existing despite the challenges they are facing in terms of low fares and reduced market. These firms had the largest number of employees and they also had the largest number of vehicles according to the data collected and analyzed. The competitive strategies that they had adapted enabled them to survive in this competitive market. Some of the competitive strategies that they adapted compared to other taxi firms were installation of car tracking device and two way radio communication in their fleet. This way a differentiating strategy which they had adapted and it also shows that they had embraced technology compared to their competitors.

Firms which had served the market between 10-20 years did not at all embrace technology. Other taxi firms that had been in service for less than 20 years they strongly adapted competitive strategy of low fares, these firms knew the only way to penetrate the market which was dominated by the public owned firm was to lower their fares. Firms which had served the market for less than 10 years adopted both cost advantage and differentiation strategy. These firms emphasized more on low fares, unique services, two way radio communication and car tracking device.

From the study carried out it was speculated that the firm that were likely to survive the market those that adopted cost leadership strategy and differentiation strategy. Those that

would emphasize more on differentiated survive and concentrate on low cost would have the largest market share. Porter (2008) argues that firms that perform well in the market adopt both cost leadership strategy and differentiation strategy. Researcher findings are also similar to those of (Chebet, 2011) who stated that firms should emphasis on cost leadership and differentiation strategy to increase their market share.

The researcher also speculated that in near that more firms will soon join the market because the taxi firms which had been in operation for less than 10 years were many. This shows that others are likely to join the market because of the benefits which are found in this industry.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains summary of findings, conclusions of the study, limitation that were experienced in the study, suggestions for further research and recommendations for policy and practices.

5.2 Summary of Findings

The first objective of the study was to identify the competitive strategies adopted by taxi firm in Mombasa County in Kenya. The most emphasized strategies were low fares which majority of taxi firm had adopted. Low fare as far as cost leadership strategy is concern strategy was commonly adopted by taxi firms which were penetrating the market and those that had been in service for less than 20 years. Most of the private companies and partnership business are the firms that mostly emphasized on cost advantage strategy. The study as far as differentiation strategy is concern revealed that obtaining modern fleet and aggressive marketing were mostly adopted strategies

The least adopted competitive strategies that were adopted by taxi firm were marketing intelligence, opening new branches and training and developing drivers. It was revealed that the firms that adopted these strategies were those that had been in service for a longer period of time. The finding showed that training and developing of staffs was the strategy that was adopted to little extent by private taxi firms and sole proprietor taxi firms.

The second objective was to determine the challenges faced by the taxi firms in Mombasa County. The greatest challenge that affected majority of the taxi firm was reduced

market. The competitors were becoming many in the industry and they were all chasing for the same customer. Another challenge that the taxi firm faced was the low fares by the competitors. Those who were joining the market were coming up with lower fares which affected those who were already serving the market.

The finding also revealed that struggling for passengers and quarrelling with competitors was not a common challenge in the industry. This was not common because of the rules and regulation of city council and the airport authority where many taxi firms packed there vehicles.

5.3 Conclusions of the Study

Based on the finding of the research conducted, it was concluded that taxi firms in Mombasa County had adopted cost leadership strategy and moderately adopted differentiation strategy. Cost leadership was considered quite important by all most of taxi firms surveyed. Cost leadership posed a big challenge to the firms which served the market for the longest period. Firm which were coming into the taxi market commonly adopted cost advantage strategy to win as many customers as possible. Some firms industry tried to adopt differentiation strategy which would makes them out stand in the market.

From the finding the researcher also concluded that beside taxi firm providing services at low cost (cost advantage) taxi firm should also emphasis on focus and differentiation strategies like market intelligence, opening new branches and training and developing drivers. The researcher also concluded reduced market is a major challenge in the taxi industry.

5.4 Limitations of the Study

One of the model limitation of the study was that not all respondents responded to the questionnaire that were given to them, out of 17 questionnaires supplied only 9 were answered and returned. Another limitation of the study was lack of seriousness in answering the questionnaires, some respondents did not fill some of the key data that was essential in coming up with findings and conclusions.

Another limitation was that data that was collected was not enough for each category and this made the computation of mean scores a bit challenging.

5.5 Suggestion for Further Research.

The study was conducted on taxi firms in Mombasa country only. Further study can be conducted to find the competitive strategies adopted by all taxi firms in Kenya or competitive strategies adopted by public service vehicles.

The findings can be used while conducting a research for transporting firms in Kenya. The findings used can be to determine the challenges faced by public service vehicles in Kenya.

5.6 Recommendations for Policy and Practices

The taxi firms should maximize on the usage of cost advantage or low fares strategies which is key to attracting new customers and improving sales. They should venture more on strategies which will make the customer more satisfied and also get the value for money.

Taxi firms should emphasize more on customer care and customer security e.g. installation of tax tracking devices, two-way radio communications and also training and developing

drivers. This will enable the customer feel satisfied with the services offered. This will enable them to attract more customers and therefore increase on their market share and increase their revenue and profits.

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APPENDICES

Appendix I: Research Questionnaire

Serial No _____

My name is Ann Mwende Masai, I am a master's student in Business Administration and specializing in Strategic Management at the University of Nairobi. I am kindly asking you to fill this questionnaire to facilitate me collect data for this study. The questionnaire is intended to collect information on the competitive strategies adopted by taxi firms in Mombasa, Kenya. Kindly tick the most appropriate response in the boxes provided. The information provides will be treated as strictly confidential and at no instance will your name be cited in this research. This study is purely intended for an academic purpose only.

SECTION A: Company Demographics

Section A: Firm Demographics

1. Year of formation _____

2. No. of employees _____

3. Ownership:

a) Sole proprietorship ()

b) Partnership ()

c) Private company ()

d) Public company ()

e) Other (specify below)

4. The total number of vehicles you are operating with?

a) Below 15 ()

b) Between 15 – 30 ()

c) Between 31 - 45 ()

d) Above 46 ()

5. To what extent did you encounter each the following challenges from competition?

Rate on a 5Point scale, where

1= Not at all, 2 = little extent, 3 = Moderate extent, 4 = Great extent, and 5 = Very great extent.

Challenges in competition	1	2	3	4	5
Reduced Market					
Low Tariff by Competitors					
Subcontracting of vehicles					
Struggling for passengers					
Quarrelling with the competitors					
Rules and regulation by the airport, city council and Port.					

Section B: Competitive Strategies

6. To what extent do you use each of the following strategies to deal with competition?

Rate on a 5 – point scale, where;

1 = Not at all, 2 = Little extent, 3 = Moderate extent, 4 = Great extent, and 5 =

Very great extent.

COMPETITIVE STRATEGIES	1	2	3	4	5
Low fares					
Unique service with premium price.					
Modern fleet					
Two way radio communication					
Training and developing drivers					
Extensively marketing/branding					
Located near to customer					
Aggressive Marketing					
Classy vehicle for V.I.P					
Car tracking device					
Opening many branch					
Market intelligence					

Other (please specify)
.....
.....
.....

8. What is your target market?

- a) Many market segments or the market as a whole ()
- b) One or a few market segments only ()
- c) All of the above ()

Other (please specify)
.....
.....
.....

SECTION C: Reasons Adopting Competitive Strategies

9. To what extent was each of the following a reason for the competitive strategies you adopted?

Rate on a 5 – point scale, where;

1 = Not at all, 2 = Little extent, 3 = Moderate extent, 4 = Great extent, and 5 = Very great extent.

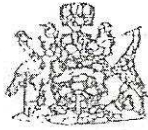
REASONS FOR STRATEGIES	1	2	3	4	5
Changes in the business environment					
Competition in business environment					
Active pursuit of strategic benefits					
Opportunities offered by new technologies					
Financial condition of the company					

f) Other (Please specify)

.....

.....

Appendix II Letter of Introduction



UNIVERSITY OF NAIROBI
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Nairobi, Kenya

DATE: 3rd Sept 2012

TO WHOM IT MAY CONCERN

The bearer of this letter: ANN MWENDE MASAI


Registration No.: B61/62250/2010

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 course-work 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.


f/v IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

Appendix III: Taxi Firms in Mombasa County

Appendix III:

LIST OF TAXI FIRMS IN MOMBASA SELECTED FOR RESEARCH

1. Kenatco taxis
2. Virgin tours
3. Haja taxis
4. Biba safaris
5. Kevmac taxis
6. Tomasi holiday Africa
7. Karibu taxis
8. Golden tours and travel
9. Alitex taxi
10. Summit taxis
11. Price 4 care safaris
12. Universal taxis
13. Destination connection
14. Diani Beach taxis
15. Prime taxis
16. Sacco taxis
17. Karibu taxis