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Competitive Positioning Strategies in Response to Changing Rice Demand Patterns in Kenya

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A Research Project Submitted To The School Of Economics And Commerce In The College Of Human Resource Development In Partial Fulfillment Of The Requirement For The Award Of The Masters Of Business Administration Of Jomo Kenyatta University Of Agriculture And Technology.

Abstract- The general objective of the study was to establish competitive positioning strategies in response to changing rice demand patterns in Kenya. This study was guided by three specific objective which were; the effect of product differentiation in response to changes in rice demand patterns in Kenya, to establish the effects of cost leadership in response to changes in rice demand patterns in Kenya and finally to determine the effects of market segmentation strategies in response t changes in demand patterns in Kenya. The target population was the employee from MRM. The sample size drawn from this population was 50 was identified through stratified random sampling. Primary data was collected from the respondents using questionnaires. The data was then coded and edited for completeness and accuracy before being analyzed using Statistical Package for Social Scientists (SPSS). The data was represented in the form of tables. The study revealed that product differentiation using innovation, quality, packaging collectively contributed to 65% of the organizations performance in MRM. It was however noted that MRM used more of packing in the differentiation strategy but had not changed the packaging style in the last five years. The study also revealed that leadership strategies where not employed significantly in MRM. It was established using four variables which were use of economies of scale, reduction in the cost of production, utilization of the machines to capacity and use of new production technology contributed to 13.9% of MRM market share. Finally, it was established that MRM did not use of the market segmentation strategies. This was established when the researcher used four variables; identifying specific groups and their needs, specialization of service to suit the specific groups, using of specialized group adverts and specialization of goods and services, to test segmentation and they correlated insignificantly to market performance based on segmentation. The researcher recommended that product differentiation was important for MRM and therefore should be applied wholly since MRM had partially concentrated on packaging. It was also recommended that MRM would concentrate on cost leadership which would be made possible through fully utilizing the available capacity, innovation and reduction in the cost of production.

Index Terms- Product Differentiation, Cost Leadership, Market segmentation, Competitive Positioning

I. Introduction

1.1 Background of the study

Organizations were faced with the challenge of strategically positioning themselves in the changing business environment, however despite the experience it possible to strategically position, more so to deal with changing demands. It was therefore important to consider how, and what affects strategic positioning in organizations. Porter (2001) viewed strategic positioning as the source of competitive advantage; however Keller (2008) suggested that strategic positioning was based on the difference and similarities between the unique selling propositions and sustainable competitive advantage. It was generally observed that companies position themselves based on their strength and the advantages they have compared to the competitors, therefore it can be agreed that strategic competitive advantage plays a major role in the superior positioning of the organization in the market. The major question at this point was how an organization would achieve and maintains superior competitive positioning? According to Cockburn *et al* (2000), superior competitive positioning meant higher profits, which is the willingness of customers to pay and can be referred to as economic value of the organization. Through a sustainable economic value the organization is considered to have achieved sustainable competitive positioning. Porter (2001) argued that sustainable profitability was the only measure of economic value and hence sustainable competitive advantage. In his argument porter brought about two factors that determined sustainable profitability which is the sustainable competitive positioning; industrial structure and sustainable competitive advantage. As proposed by Cockburn *et al.* (2000) competitive position is a equal to high level profits in for the firm in the industry, Grant (2008) in agreement argues that firms that earn higher profit levels than others in the same industry seem to be at a better competitive advantage than its counter parts in the same industry. According to Mintzberg (1994), positioning strategies are driven by market or industry structure that the firm operates in.

A firm that was able to competitively position itself is one that was able to supply goods and services at the right price, right quality and right packaging. The main benefit of dominating in the market was to gain and maintain high profit margins as compared to the competitors (Bech-Larsen, Esbjerg, Grunert, Juhl, and Brunso, 2007). High profit margin difference give the competitor the power and the ability to push other players from the market. In his argument Barney (1995) stated that strategic positioning required more complex business operations, to manage this complex business costs would increase due to the requirement of better management techniques, tools and information. For a firm to be able to strategically position itself and deal with the cost that comes with strategic positioning the farm may consider targeting specific segments of the market (Davidson, 2008). By selecting a specific segment the farm is able to adopt a narrow competitive scope within the industry. At the same time the firm may consider product differentiation.

With this strategy of product differentiation a company will achieve cost effectiveness in positioning through concentrating in providing unique products or services (Bauer and Colgan, 2001). Through the provision of unique goods and service the firm is able to win customer loyalty and therefore cut its niche. (Reilly, 2002) argued that through product differentiation a firm can add their cost to the final cost therefore attracting sophisticated customers. Finally, competitive strategic positioning in an industry can be achieved through cost leadership this is aimed at gain competitive advantage by having the lowest cost in the industry (Hyatt, 2001). According to (Malburg, 2007), to achieve this, the firm must have a low cost strategy that begins with low cost manufacturing for their products Malburg (2007) continues to argue that the firm must discontinue any production process or activity in the firm that is not cost effective and by doing so the firm is able to reduce on the overall cost of production.

1.1.1 Rice Industry

According to world Trade organization (WTO, 2009) statistics, China was the largest producer of rice and Thailand is the largest exporter of rice while Philippines was the largest importer of rice. According to West African Rice Development Agency (WARDA, 2009) African rice is grown in 75% of the African countries. Despite the high potential of the continent having such a high potential to produce rice for its population and even for export, African has been importing more than 60% of its rice requirements from Thailand, China and Pakistan (WARDA,2009). Kenya being an African country has not been left behind in the worrying trend. In Kenya there have been unresolved issues of competitiveness in its rice production and sales systems compared to those of those of the competitors. This has led to the constant import of rice. The National Irrigation Board (NIB) statistics indicate that consumption of rice has increased by 12%. According to the Economic Review of Agriculture (2010) Kenya imports half of its rice requirements from Pakistan.

Statistical Abstract (2010) showed that expenditure on imported rice in Kenya has risen by 100% between the year 2003 and 2008. The increase in expenditure on the imported rice was due to the widening gap between demand, production and supply. It is evident that most of the rice produced by the farmers went to waste in the production process. Rice in Kenya is produced by small scale farmers through irrigation schemes. This includes the Mwea Irrigation Scheme, Bunyala Irrigation scheme, Ahero and finally West Kano Irrigation scheme. Rice is traded by both the large scale and small scale traders. The large scale traders include the National Cereals and production Board (NCPB). National Irrigation Board (NIB) and Lake Basin Development Authority (LBDA). There are major mills based at the Schemes and are government owned, however there are a small scale mills that were a major threat to the main mills. Among the challenges faced by the rice industry in Kenya is the production cost. According to Mwea Irrigation Agricultural Development (MIAD) the cost of production was more than half the revenue they get for a bag of rice produced. Secondly is that the production process was labor intensive. All this costs contribute to the final product. On the competitiveness of the local rice compared to imported rice, due to the high cost of producing rice locally imported rice from Pakistan tend to be cheaper to the buyer. The cost of rice was also determined by the scale of production. Most of the rice producers in Kenya are small scale producers; this means they do not enjoy the reduction in cost that comes with large scale production. These in turn translate to the selling price of rice. It has also be realized that rice produced locally is not readily available in local outlets such as super markets hence being unknown to the buyer.

In Mwea Rice Mills (MRM) the challenge was the presence of other competitors who have been present form 1993 when the price controls in the rice industry was raised. The small scale millers have growth over the time and it was estimated that by 2001 around 200 small scale millers were operating around MRM (FAO, 2004). The small scale mills had posed a threat by reducing the supply to MRM and producing low quality rice due to their cheaper ways of producing and hence sold it to the buyers at a cheaper price than MRM. The second major challenge being faced by MRM was the readily available imported Pakistan rice which is cheaper than the local Rice. It was estimated that an imported bag of rice would cost 2500 Kenya shillings in Nairobi while a locally produced bag of rice would cost 3500 Kenya shillings (FAO 2004). MRM has its ownership shared between National Irrigation Board (NIB) and the rice farmers. The farmers control 45% of the shares while NIB controls the remaining 55%. MRM had been faced by the challenges of product differentiation, it had also been unable to be cost leader making other suppliers to be the lead and finally MRM had not segmented its market and therefore posing a challenge on its competitive position in the rice industry. From this background the researcher was able to find ways in which MRM could position itself strategically and competitively in the industry by improving the three areas that MRM was most challenged, namely; product differentiation, cost leadership and market segmentation.

1.2 Statement of the problem

Studies carried out by Paulraj & Chen (2007) showed that through supply chain management an organization is able to competitively position itself in the industry. A study carried in Thailand by Thongrattana, (2012) showed that the major setbacks to achieving a competitive position in the rice industry was fluctuating demand, poor planning and control in the mills, external competition and government policy contributed significantly to decline in performance of the mills in Thailand. These studies however had not been carried out in Kenya and therefore they would not be relevant to the Kenyan rice industry that may have be faced by different challenges. In Africa one of the most significant challenges that local rice mills suffered is the significant price discount that is given to the imported rice, this making the imported rice more affordable to the locals than the locally produced rice (Lancon and Benz, 2007). In their study Campbell, Schiff, Snodgrass, Neven, Downing & Sturza (2009) showed that another challenge that faces the African rice industry is the lack of consistency in production whereby the supply chain is cut short at a point as rice production goes off season. These research studies however concentrated on the production and the consumption of rice however, none of the study explored the competitive posture of the rice Mills that play a co-role in the manufacturing and marketing of the rice. This study therefore sought to establish possible ways of Mwea Rice Mills establishing its niche and competitively maintaining the niche in the rice industry. The study also sought to cover the knowledge gap that existed on government owned organizations. The findings and conclusions of the study would be used by the government in policy formulation and implementation. The study will also provide references and sources that can be used by other researchers who are willing to carry out further studies.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to establish competitive positioning strategies in response to changing rice demand pattern in Kenya.

1.3.2 Specific Objectives

1. To examine the effects of product differentiation in response to changes in rice demand pattern in Kenya.
2. To establish the effects of cost leadership in response to changes in rice demand pattern in Kenya.
3. To determine the effects of market segmentation strategy in response to changes in rice demand pattern in Kenya.

1.4 Research Questions

1. How does product differentiation in response to changes in rice demand pattern in Kenya?
2. How does of cost leadership in response to changes in rice demand pattern in Kenya?
3. How does market segmentation in response to changes in rice demand pattern in Kenya?

1.5 Justification

Most studies that had been carried out on rice had concentrated more on the production. An example off (WARDA 2009) concentrated more on the research of how African would produce more rice so as to increase on food security hence alleviate poverty. Other studies carried out by the United Nations concentrated on increasing food security through the production of more stable food in developing world an example of FAO (2004). Within Kenya studies carried out in the rice producing and manufacturing industry concentrated more on the growth of rice and the causes of poor production of rice in Kenya an example of Statistical Abstract (2010). A study carried out in on market of rice by Mwai (2010) concentrated on the marketing of rice by small scale producers of rice and therefore none of the studies that have been carried out has concentrated on the strategic position of Mwea Rice Mills which is not a small producer of rice.

This study therefore focused on the area that has not been identified by other researchers. The study aimed at finding the challenges faced by MRM and their possible solutions. The information gathered in this study aims at benefiting the government who can legislate with aim of promoting growth in MRM. The study will also benefit the management in MRM in the decision making process especially for strategic reason. Finally, scholars who intended to study more with on competitive positioning in government parastatals had a basis for reference.

1.6 Scope

The study was carried out in Mwea Rice Mills that is located in Kirinyaga County in Kenya. Mwea Rice Mills was the largest NIB managed mill in Kenya and therefore most appropriate to provide the required competitive positioning strategies employed and the challenges faced by NIB managed mills in positioning themselves in the market with changing demand patterns. The target population for the study was 57 permanent employees and the study was carried out over a period of 2 months.

1.7 Limitation

The researcher encountered a number of challenges during the study. One of the challenges was the respondents being reluctant to answer the questionnaires due to the fear of the information licking to the authorities. This challenge was dealt with by ensuring that no name or individual personal information appeared in the questionnaire, the respondent was also assured of only the analyzed results would be shared with the organization. The second challenge was on timing of answering questionnaire. This was however dealt with by ensuring that the questionnaires were pretested and therefore just took a few minutes of the respondents' time.

II. LITERATURE REVIEW

2.1 Introduction

This chapter covered the literature review beginning with the conceptual frame work of the study. The literature review was based on Product differentiation, cost leadership, market segmentation. A critique review was then provided followed by a summary. Finally a research gap was established.

2.2 Theoretical Review

2.2.1 Porter's Five Forces

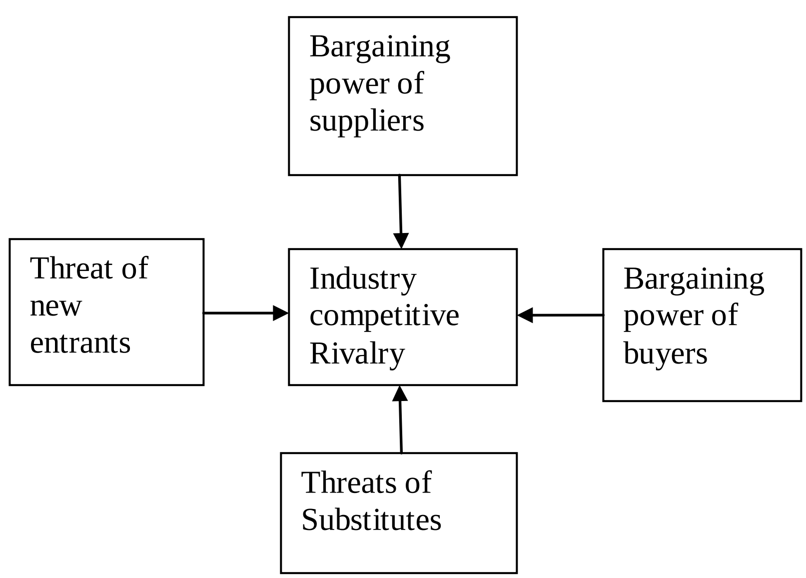

Figure 2.1: Porter, (Revised 2004)

New entratnts was the first force in the porters five forces. This happens when an industry is profitable and therefore attracting new firms. By entering an profitable industry, the new entrants reduce the profitability of the industry. This can however can be delt with through blocking the entry of new firms in the industry, which is mostly done by the largest player in the industry, leading to monopoly. Threats of substitutes was the second force, the existence of other products other than the common one that are supplied by a specific player in the industry increases the chance of customers switching to other products, hence reducing the profitability of the firm.

The third force was the bargaining power of the customers, which is the ability of the customers to put the firm under pressure. The buyers power is higher when they have more otions of similar products. The buyer on the other hand is considered to have lesser power when there are few options to choose from. The bargainging power of the customers can be reduced through the organization coming up with a loyalty program through which they get loyal customers. Besides the bargaining power of the customers the suppliers also have a bargainig power. This is possible through the supplier having the ability to supply certain raw materials, labour and services that are not readily available from other suppliers. Finally the intensity of competitive rivary determines the profitability of the industry and the number of player that will be found in the industry.

2.2.2 Porter’s Diamond Framework

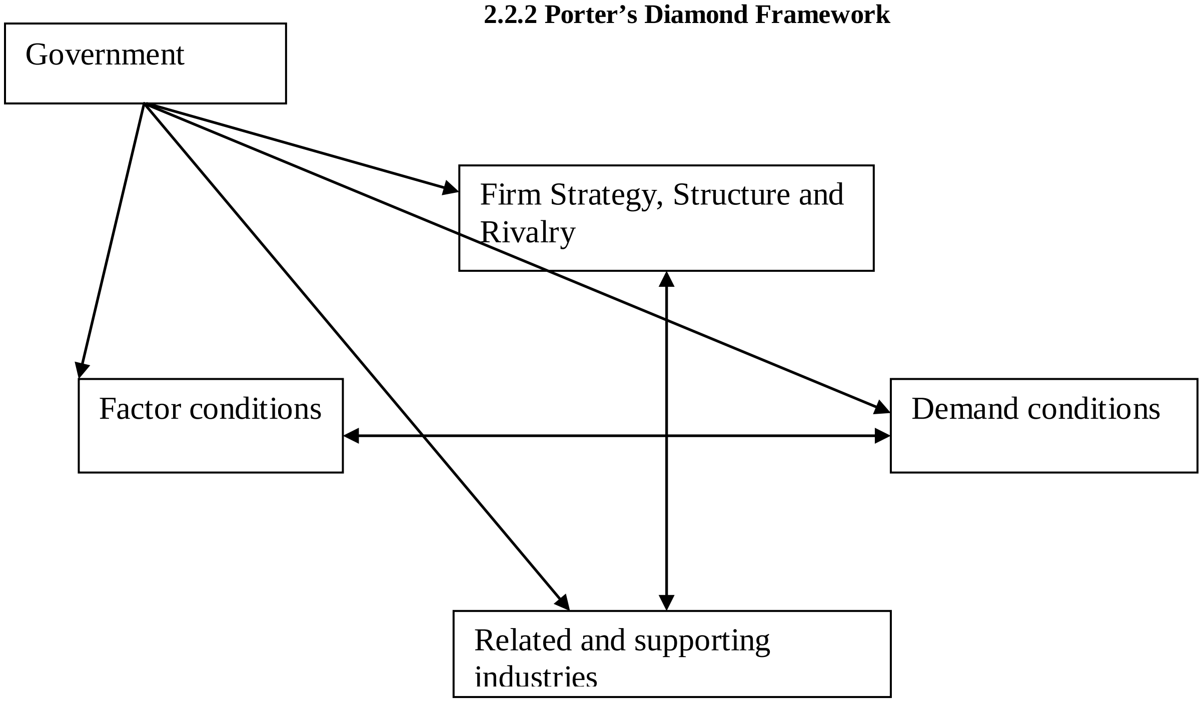

Figure 2.2: Porter, (Revised 1998)

The diamond framework consists of five factors. The first factor is the firm strategy, structure and rivalry. The firms strategy, structure and rivalry is dictated by the changing conditions of doing business and direct competition that forces the firm to be more innovative and to increase on productivity. Demand conditions is the second and this are the demands of the customers that put pressure on the organization to becoming more innovative so as to remain competitive in the industry hence attracting more customers. Third pillar of the diamond model is the factor conditions, this are the specific factors that enable the firm to produce goods and services. When a firm uses high quality products the higher the quality of its goods and services and therefore making the firm to be more competitive. Related and supporting industries deals with those industries that enable the organization to produce goods and services either through exchange of information and exchange of ideas for innovation. The government is the final pillar and it acts as a catalyst that encourages and pushes the organization towards achieving its competitiveness.

2.3 Conceptual Framework

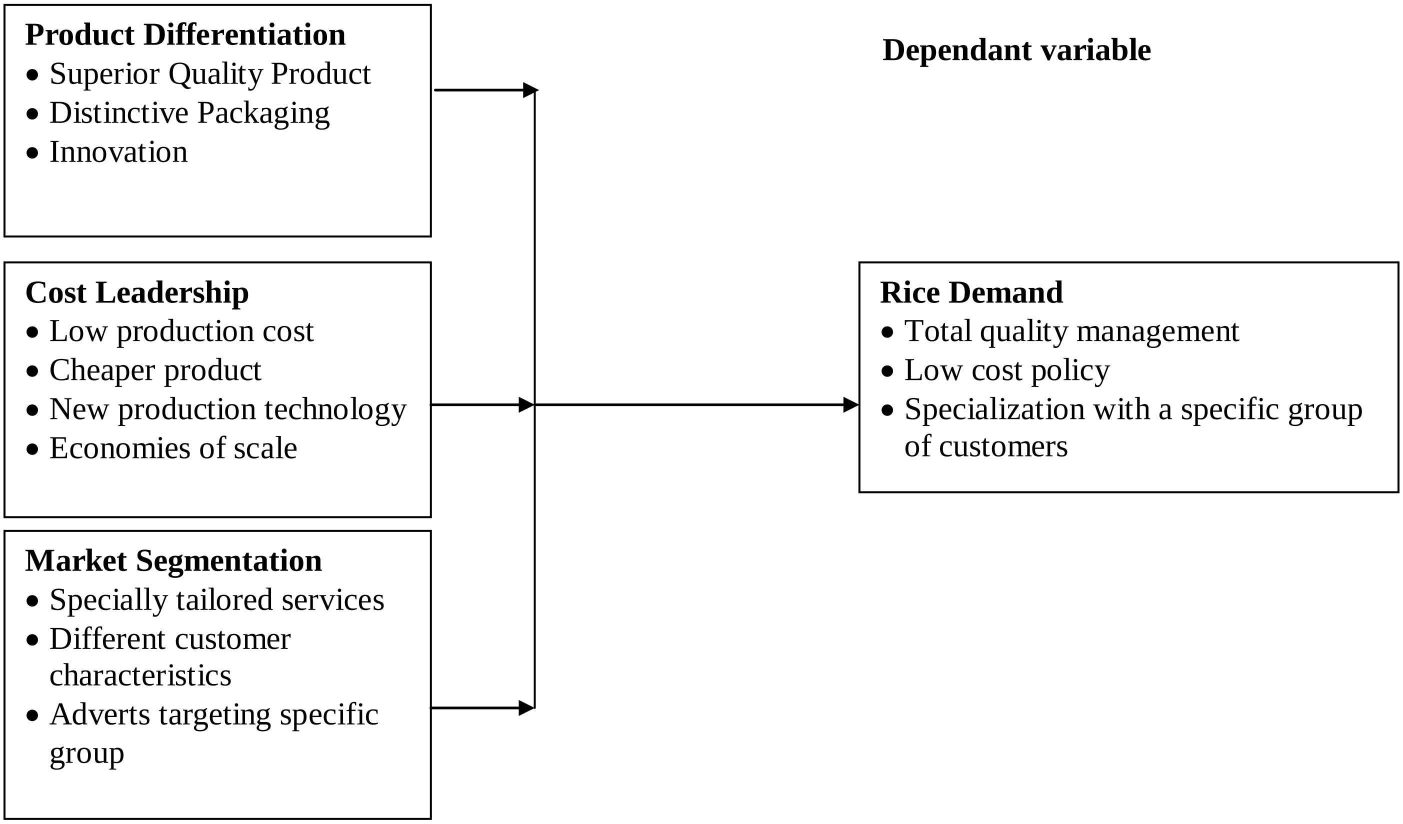

Figure 2.3 Competitive Positioning Model

2.2.1 To Examine the Effects of Product Differentiation on Changes in Rice Demand Patterns

Sharp & Dawes (2001) defined differentiation as when a firm outperforms its competitor by adding features on its products and services in such a way that the competitors products looses face sensitivity to the customers. On his part Garbelli (2005) defined differentiation as the activity that is undertaken by a firm to have its products look unique through addition of unique elements and features that can be perceived by the customer. Differentiation is done by the firm in order to achieve competitive advantage positioning and therefore enhance their organization performance as compared to the competitors (Raduan, Jegak, Haslinda and Alimin, 2009). According to Morgan, Kaleka & Katsikeas (2004) product differentiation can be measured using high product quality, packaging design and style. On his side Abu-Aliqah (2012) in his study used high product quality, fast delivery, design and new products and unique product features as variables for the study.

Product differentiation has been considered over time as a tool for achieving competitive advantage. According to Shammot (2011), achieving individual customer satisfaction and product quality, are among the major factors of differentiation. Aydin (2010) argued that the major feature of industrial economy was the internal quality execution and not price, and therefore quality is viewed as a market differentiator and therefore the need of the organization improving on their processes and adopting total quality management (TQM) (Sumutka, 2011). According to Masta (2009) lowest price may not be the main motivation for customers to buy a certain product but product quality was the determining factor.

On product design, according to Koter and Keller (2011) a well designed product offers both aesthetic benefits and functional benefits to the customer. Therefore, constant innovation is important to ensure introduction of new or similar things in the organization. Baregheh, Rowley & Sambrool (2009) defined innovation as a multi stage process in which organization changes ideas to improved products and services. Dirisu. Iyiola & Ibidunni (2013) argued position that attaining a competitive against the competitors was the main objective of every organization, and to achieve this industrial performance is key other than just marching up to the industrial rivalry. It has been established by researchers that there is a significant relationship between competitive advantage positioning and sales performance (Dirisu *et al* 2013). When Wang & Lo (2003) measured performance using level of sales revenue, profitability, return on investment, added value of products, market share, productivity and product growth they concluded that competitive advantage and sales based performance had a significant positive correlation. Strandholm & Kumar (2003) on the other hand argue that there is a positive relationship between external environment and organizations performance ability to gain competitive advantage.

Total quality management has been found to have positive significant relations with differentiation strategy Prajogo & Sohal's (2006) indicating that TQM plays an important role in differentiation and hence competitive positioning of the organization. Prajogo (2007) goes ahead to state that product quality is predicted by differentiation and through an improved product quality the organization is able to gain competitive positioning. It can therefore be agreed that there is a relationship between manufacturing strategy and firm performance which is competitive positioning of the firm in its industry (Amoako-Gyampah & Acquaah 2008). This argument is also in agreement with Allen & Helms (2002) who in their research found that product differentiation strategy had a significant positive relationship with organization performance. It can therefore be concluded that product differentiation contribute significantly to the organizations performance (Garbelli, 2005). According to Spencer, Joiner & Salmon (2009) an organization that is facing domestic and international competition and with changing customer demands should employ product differentiation instead of trying strategies that are based on efficiency and prices. This is agreement with Yasai-Ardekani (2008) who in his study found out that by implementing a competitive strategy the firm is able to gain performance benefits over the time.

2.2.2 To Establish the Effects of Cost Leadership on Changes in Rice Demand Patterns

According to grant (2005) cost leadership is the ability of the firm to maintain significantly lower prices as compared to those of the competitors in the same industry. However Ireland, Hokisson & Hitt (2011) defined cost leadership as a set of actions taken by a firm to produce products either goods or services that have features that are appealing to the customer at the lowest cost in the industry. Therefore cost leadership strategy seeks to supply a high volume of goods and services at the lowest price in the market to attract the most number of customers (Li & Li, 2008). It can therefore be concluded that cost leadership focuses more on the customer as opposed to the customer (Frambach, Ruud, Prabhu, & Verhallen, 2003). To achieve low cost strategy the whole organization has to adapt low cost policy in which case the whole organization including the staff are committed to the strategy (Malburg, 2000). In his argument Malburg (2000) states that to achieve this, the organization has to cut on activities that does not cut on cost and hence not creating a cost advantage on the part of the company. In their research on an airline in US, Peteraf & Reed (2008) found that technology was a one of the most important factors that reduce on production costs of an organization.

Low cost can also be achieved through adapting new innovations, new designs and reengineering activities based on economies of scale (Richard & Marilyn, 2004). An argument by Helms *et al* (1997) states that high income is achieved by having a large market share, in order to achieve a large market share the firm can lower its prices and attract a higher percentage of buyers and therefore higher income. However this strategy has been known to reduce on customer loyalty and it may lead to loss of revenue if the company lowers its cost more (Cross, 1999).To avoid loss of customer loyalty the organization can use cost leadership strategy by being more efficient than their competitors in their production process for both goods and services (Richard *et al* 2004).

In his research, Enz (2011) argued that there were different ways of creating low cost leadership; this were High capacity utilization, economies of scale, benefits from learning curve effects, technological advances and outsourcing. High capacity utilization is important since fixed cost represent a high percentage of total cost. Goes ahead to argue that high capacity utilization is be able to maintain a lower cost structure as opposed to the competitors. On economies of scale, Enz (2011) argues that through scale leadership in an industry an organization is able to position itself effectively. Economies of scale can be achieved through lowering the cost operating cost through the purchasing economies. The principle of economies of scale operates on the ability of the company expanding its scale of operation both at the chain level and at the property level (Enz, 2011). In the learning curve effect Enz (2011) argued that by creating a simple system did not require as much repletion in the learning process and hence the organization is able to cut on costs. Technological advancement is also a key player in low cost leadership. According to Enz (2011) cost saving technologies is a tradeoff between increasing fixed costs and reduction of variable costs. Through improving of technology the organization is able to lower the production cost per (Enz, 2011). Unit Examples of the hotel industry major lodging companies have invested on technology to reduce on the total unit cost per lodging. Outsourcing is also key cost reduction activity. By purchasing activities such as labour and security increases the organizations flexibility and at the same time reduce the risks and costs that are associated with producing and buying the activity from within the organization (Enz, 2011). Finally the organization should consider taking the cost leadership strategy to another level such as e-business, (Kim & Kim, 2000). According to Kim *et al* (2000) first time shoppers price is the important factor that and therefore a customer appealing price would be important. According to Porter (2001) internet technology is important to reduce variable cost and therefore just remaining with the fixed cost. Porter (2001) also goes on to argue that through internet technologies the organization is able to access outside vendors and therefore the company is able to outsource expensive activities that are not the core business of the organization.

2.2.3 To Determine the Effects of Market Segmentation Strategy on Changes in Rice Demand Patterns

Ulrich & Michaela (2006) defined market segmentation as offering products and services tailored to specific customers based on their needs. Dolnicar (2008) argued that in segmenting a market group of individuals with similar personal characteristics are developed. Dolnicar (2008) goes ahead to state that advantages of segmentation include the ability to specialize with a certain group, an organization can put more efforts to improve a product to fit a certain group instead of a whole population, marketing efforts can be focused to a specific group only and finally and most important segmentation aid in strategic positioning of the organization. The process of market segmentation involves steps. According to Charles, Lamb &McDaniel (2003) the first step towards market segmentation include the selection of a product or service for study. McDaniel *et al.* (2003) continue to state that the second step of market segmentation is making a choice on the basis of segmenting the market. The organization should then select a market descriptor and then analyze the segments identified (Sun, 2009). According to Sun (2009), the steps mentioned above create a basis for segmentation which can be done demographically, geographically, psychologically and behavioral wise.

Segmentation done on the basis of demography includes demographic values such as age, income, occupation, religion, race, family, nationality and social class (Armstrong & Kotler, 2005). According to Sun (2009) individual members in each group have the same experiences to the organizations products and therefore advertisement is done using images and icons that appeal to the specific target group (Fair, 2003). Ferrell & Hartline (2008) also argued that demographic segmentation makes it easy to measure and vary between closely related customer needs and usage rates. Although demographic segmentation enables the organization to achieve strategic position stages in life defined an individual's major concerns and therefore changes in this stages may change the needs and focus of an individual (Kotler,2003). Cahill (2006) also goes ahead to argue that as a much as demographic segmentation is important for the organization to meet individual group needs there some members of the group that may not fit in the sub-set an example of elders who behave like youngsters. The second basis of segmentation is geographical segmentation, the organization divides the market based on their geographical locations such as countries, regions or counties (Sun, 2009). The organization can then choose to operate in one or more segments and pay special attention to each segment (Chandrasekar, 2010). This kind of strategy is mostly used by multinational companies and high capital businesses that are able to alter their product mix based on the consumers in each segment (Kotler, 2003). This strategy can be profitable to an organization however people in one region may differ in their tastes and preference based on other factors that are mostly demographic (Boone, Louis, Mackenzie, David & Kurtz, 2009).

Segmentation based on the behavior concentrates on how the customers behave in the market and the times when the behavior seems to change and this gives the organization a better understanding of the market (Reid & Bojanic, 2009). This is possible when customers develop a need and purchase a product which happens in different occasions (Kotler, 2003). This argument is based on the argument that the company provides exactly what the customers want and not based on their production line (Hamka, 2012). He goes on to argue that the company may segment the market based on how often the customers purchase a specific product. Kotler (2003) on his side argues that customers' attitudes can be used to determine the behavior of the market. He went ahead to determine the behaviors' as enthusiastic, positive, indifferent, negative and hostile (Kotler, 2003). According to Hamka, (2012) also noted that behavioral segmentation is possible using a combination of both the geographical and demographic segmentation. Finally, it's the psychographic segmentation whose main purpose is to understand as a person by measuring the psychological dimensions of the customer (Hamka, 2012). According to Larsen (2010) psychological segmentation is derived from customer personality and lifestyle. This can be concluded that psychological segmentation is divided based on the customer's attitudes, values, lifestyle opinions and interest (Pickton & Broderick, 2005).

2.4 Critique Review

The generic strategy may when properly implemented can be able to ensure strategic competitive positioning of the organization, however it has it shortfalls. One of the major shortfalls is on the cost leadership technique in which Porter (1998) suggests that the organization should invest on machinery as a way of cost cutting. As much as this suggestion can appealing to the management, investing heavily on equipments does not for sure lead to profitability of the organization (Datta, 2009). Differentiation on its part has the advantage of enabling the organization to concentrate on one or more products and therefore producing high quality products. This however poses the danger of an organization over differentiating itself hence losing its legitimacy (Porac, Thomas & Baden-Fuller, 1989). It has also been established that if a firm differentiates itself too much to the point of losing its legitimacy it consequently loses its ability to make rational decisions (Porac et al., 1989).

Finally, market segmentation enables the organization to meet individual need of customers by being able to design a specific product for a particular market segment. However, it has proven to be difficult to design products that satisfy each customer's individual needs and therefore organizations have found themselves spending money on constant innovation (Kotler & Armstrong 2001).

2.5 Summary

From the literature it has been established that generic strategies are important for an organization that seeks strategic positioning. The generic strategies enable the organization to manage its supply chain. By achieving the supply chain management the organization is able to competitively position itself Paulraj (2007). The review of literature has also been able to establish that by achieving a high profit margin between the organization and the competitors the organization is able to achieve and maintain its competitive position (Bech-larsen, *et al* 2007).

Further the review has also been established that the organization should capitalize on low cost production process (Davidson, 2008). Offering differentiated products to the market has also been found to create a unique niche for the organization in the market. Finally the review has been able to by concentrating on a group of customers and having products tailored to their needs, tastes and preferences has an effect of competitively positioning the organization in the market as compared to the competitors.

2.6 Research Gap

From the review it has been established that there is a scarcity of studies that investigate on the timing for application of the generic strategies and the organization structures that ought to be in place to ensure a successful implementation of the strategies. Majority of the existing studies have concentrated on explaining the individual generic strategies, their advantages and disadvantages. This study will seek to cover the gap by establishing the time that is best to apply the strategies and the structures needed to ensure that there is a successful implementation.

III. RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered research methodology that was adopted to carry to carry out the study. The methodology included research design; it will show the target population, sample size, sample design and techniques, data collection instruments, research instruments, data collection procedure and finally data analysis and processing tools.

3.2 Research Design

Research design was defined as a blue print of carrying out a study, in which case the researcher has maximum control over the factors that may influence or otherwise interfere with the validity of the study finding. The study sought to establish the causes of the positioning problem in MRM and therefore adopted descriptive research design. Descriptive research design was used since it seeks to answer the questions concerning the causes of the problem (Coopers and Schindler, 2011). The study also sought the opinion of the people by use of questionnaires. The study employed qualitative approach to gather information as to why the organization is experiencing difficulties in strategic positioning while quantitative approach was used to investigate the ideas and opinions of people in regard to strategic positioning of the organization.

3.3 Target Population

The study targeted 57 permanent employees of Mwea Rice mills. The population was comprised of the senior management employees, supervisors and General staff. Mwea Rice Mills was made up of 50 general workers, 2 supervisors and 5 managers.

Table 3.1: Target Population

GROUP	NUMBER	PERCENTAGE
MANAGERS	5	9%
SUPERVISORS	2	3%
GENERAL WORKERS	50	88%
TOTAL	**57**	**100%**

3.4 Sample Size

Mugenda & Mugenda (2003) considered a sample size of not less than 30% of the population sufficient enough for a study, however to collect a sufficient sample for the study, the study will adapt a formula by (Coopers and Schindler, 2000).

$$n = \frac{N}{1+N(e)^2} \qquad n = \frac{57}{1+57(0.05)2}$$

$$= \mathbf{50}$$

Where **n** is the sample size, **N** is the population of the size, and **e** is the error. The study assumed a confidence interval of 95% making the allowed error to be 5%.

Table 3.2: Sample

GROUP	NUMBER	PERCENTAGE	SAMPLE SIZE
MANAGERS	5	8.77%	4
SUPERVISORS	2	3.51%	1
GENERAL WORKERS	50	87.72%	45
TOTAL	**57**	**100%**	**50**

3.5 Sample Design and Technique

A stratified sampling design was employed to ensure that there were representatives from each department. Stratification is the process of diving members of a population into subgroups that are homogeneous and mutually exclusive (Hunt and Tyrrell, 2001). The study adapted a stratified research design since it allowed the researcher to apply different research methods in the different strata (Cooper and Schindler, 2003). The study employed stratification to ensure that there is representation of individuals from the different groups in the company.

3.6 Data Collection Instruments

The study collected both primary and secondary data in order to achieve the objectives of the study. The secondary data contributed to the formation of the background information necessary to guide the collection of primary data. Primary data was collected using questionnaires to identify the opinions and ideas of people in the organization, observation was also applied to identify the structure in place in Mwea Rice Mills that aid to achieve strategic positioning of the company.

3.7 Data Collection Procedure

Two instruments were used in the data collection process; Questionnaires and observation. The questionnaires were used to collect specific information from the respondent while observation was used to identify certain structures in place.

3.7.1 Questionnaires

In order to get the answers from the answers from different employees, the research used both open ended and closed ended questionnaires to collect relevant data. The closed ended questions were used to collect specific information from the respondent while the closed ended questions were used to get the respondent to give more information through personal opinion.

3.7.2 Observation

The researcher used observation in order to assess the different structures in place at Mwea Rice Mills that would aid to the company achieving the strategic competitive positioning over its competitors.

3.8 Data Analysis and Processing

After the questionnaires have been collected from the field they were adequately checked for reliability, completeness and verification. The data was then be coded and keyed to the Statistical Package of Social Sciences. Content analysis was used to analyze the qualitative data while descriptive statistics was used to analyze quantitative data. Measures of dependency which are correlation and covariance were also used.

The study will also adopt regression technique in the form of $\mathbf{Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon}$.

Where;

Y = Changes in Rice Demand

α = Constant,

β_1, β_2, β_3, β_4 = Partial regression coefficients,
X_1 = product differentiation
X_2 = cost leadership,
X_3 = market segmentation,
ε = Error term
The data will then be presented inform of tables and figures.

IV. RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The general objective of the study was to establish competitive positioning strategies in response to changing rice demand pattern in Kenya. The chapter is divided into various sections. The initial section covers the background information with respect to the respondents; the second section covers effects of product differentiation in response to changes in rice demand pattern in Kenya. The third section will deal with cost leadership in response to changes in rice demand patterns in Kenya, finally the section will deal with market segmentation strategy in response to changes in rice demand patterns in Kenya.

The target population of this study was the employees of Mwea Rice Mills. A total sample size of (50) respondents were drawn from the population; sample was made up of the (4) members of the management, (1) supervisor and (45) members of the genera general staff. The study employed random sampling.

4.2 General Information

4.2.1 Response Rate

A total of 50 questionnaires were issued to the respondents and out of the 50 all were received back translating to 100% response rate.

Table 4.1: Response Rate based on Department

Positions Held	Frequency	Percent
GENERAL STAFF	45	90.0
MANAGEMENT	4	8.0
SUPERVISOR	1	2.0
Total	50	100.0

4.2.2 Gender of the Respondent

Table 4.2 shows the category of the respondents based on the gender. Majority of the respondents in MRM were men 63% and the minority of the respondents were female at 37%.

Table 4.2 Classification of the respondents on Gender

	Gender	Frequency	Percent
	MALE	32	62.7
	FEMALE	18	35.3
Total		50	100.0

4.2.3 Age category of the respondents

The majority of the respondents as shown in table 4.3 are between the age of 31-40years at 50% of the total respondents, those who are between the age of 41-50 years follow closely at 26%, while those who are between the age of 20-30 years formed 16% of the population. The minority of the respondents based on age where those who were above the age of 51years who 8% of the respondents.

Table 4.3: Age Categories

Age	Frequency	Valid Percent
20-30 years	8	16.0
31-40years	25	50.0
41-50years	13	26.0
Above 51years	4	8.0
Total	50	100.0

4.2.4 Respondents Level of Education

As showed in table 4.4, majority of the respondents 30% are certificate holders and the diploma holders and the secondary school certificate holders followed closely at 26%. Those who studied to the primary school level were the minority at 8% while the degree holders formed 10% of the population. It was however established that none of the respondents had post graduate qualifications.

Table 4.4: Education Level

Education Level	Frequency	Valid Percent
PRIMARY	4	8.0
SECONDARY	13	26.0
CERTIFICATE	15	30.0
DIPLOMA	13	26.0
DEGREE	5	10.0
Total	50	100.0

4.2.5 Classification Based on the Years of Service

According to the results shown in figure 4.5 majority of the employees have worked in MRM over a period of 1-5 years at 46% while the minorities have worked in MRM for a period of above 10 years.

Table 4.5: Years of Service

Experience	Frequency	Valid Percent
BETWEEN 1-5	23	46.0
BETWEEN 6-10	17	34.0
ABOVE 10	10	20.0
Total	50	100.0

4.3 Competitive Positioning Strategies in response to changing demand

The researcher used a scale of 1 to 5. According to the study 5 which was value the highest represented the opinion that the respondents strongly agreed and 1 which was the least represented the opinion that the respondents strongly disagreed. The other value were 4 which indicate agree, 3 indicated that the respondent was neutral and 2 showed that the respondent strongly disagreed.

4.3.1 Product Differentiation

The first objective sought to find how product differentiation affected changes in demand for rice in MRM. The respondents were required to give their opinion on the quality of rice which showed that respondents agreed to the statement that the quality of rice from MRM was of higher quality than of the competitors. This was due to the mean of 3.84 which showed that more people more people agreed to the statement and a coefficient of variation of 28%. On the uniqueness of packaging the coefficient of variation was at 36.7% which indicated that the packaging method used was not unique. It was also evident that MRM had not changed it packaging method in the last five year due to the high dispersion rate of 49.5%, this led to MRM not being above the competitors with a dispersion of 44.8% finally product innovative ideas were important to maintain a competitive edge this was due to the dispersion of 45.1% which showed that MRM was not product innovative.

Table 4.6 Elements of Product differentiation that Affect changes in Demand

	Statements	Mean	Standard Deviation	Coefficient of Variation
D1	Rice from MRM is of higher quality than that of the competitors	**3.84**	**1.075**	**0.280**
D2	MRM is able to package its products in a unique way as compared to the competitors	**3.22**	**1.182**	**0.367**
D3	There has been a change in the packaging design in the last five years	**3.42**	**1.692**	**0.495**
D4	MRM's performance has been above the competitors due to the unique product and packaging design	**3.94**	**1.765**	**0.448**
D5	MRM encourages constant innovation and new ideas towards improving their products	**3.64**	**1.642**	**0.451**

4.3.2 Cost Leadership

In the second objective the respondents were required to give their opinion on whether MRM was able to gain competitiveness on the area of cost leadership. Majority of the respondents disagreed to the statement that MRM had priced its rice lower than the competitors. This was evidenced by the mean of 2.92 and a coefficient of variation of 42%. It was however noted that MRM had reduced the cost of production due to the mean of 3.4 and the coefficient of 33.6%, this might have been because of the new technology that had been adapted which showed a mean of 3.98 and a dispersion of 19.9%. However the technology was not utilized to capacity due to the coefficient of variation of 39.4% and a mean of 3.2 on the statement of capacity utilization. Finally the respondents indicated that MRM has been able to make use of economies of scale with a mean of 3.46 and a coefficient of variation of 32.1%.

Table 4.7 Elements of Cost Leadership that Affect changes in Demand

	Statements	Mean	Standard Deviation	Coefficient of Variation
CL1	Rice price in MRM are lower than those of the competitors	**2.92**	**1.226**	**0.42**
CL2	MRM has been able to reduce on the cost of production in the last five years	**3.40**	**1.143**	**0.336**
CL3	M RM has adopted new production technology	**3.98**	**0.795**	**0.199**
CL4	There is proper utilization of capacity in MRM	**3.20**	**1.262**	**0.394**
CL5	MRM is able to make use of economies of scale	**3.46**	**1.110**	**0.321**

4.3.3 Market Segmentation

The last objective was on market segmentation, the researcher sought to establish whether MRM had segmented its market. The results of the study showed that MRM had not segmented its market this was due to the low mean below 3 that agreed to the statement that MRM had divided it market according to the characteristics of different customers, the dispersion was also high at 37.9%. On the area of specialty which was tested using three statements; MRM has been able to identify specific groups and their needs, MRM and specialized its services on certain group of customers and finally products suit its customers, it was established that MRM did not have a specific group and this was all the variable having a mean of 3.26 and a coefficient of variation of 30.9%. Finally on the area of specific form of advertisement it was established that MRM did not advertise this was due to the mean of 1.88 and a coefficient of variation of 49.3%.

Table 4.8 Elements of Market Segmentation that Affect changes in Demand

	Statements	Mean	Standard Deviation	Coefficient of Variation
S1	MRM has been able to divide its market according to different characteristics of the customers	**2.78**	**1.055**	**0.379**
S2	MRM has been able to identify specific groups and what they need	**3.26**	**1.006**	**0.309**
S3	MRM has specialized its services to a certain group of customers	**3.26**	**1.006**	**0.309**
S4	Products from MRM suit its customers	**3.26**	**1.006**	**0.309**
S5	MRM adverts are targeted towards a specific group	**1.88**	**0.927**	**0.493**

4.4 Analysis

4.4.1 Summary of Mean and Standard Deviation

The table 4.9 shows the average mean and standard deviations of the 50 variables as compared to the effect of each on the response to changes in demand. The study showed a collective mean of 3.003 which shows that the respondents were in agreement with some of the variables in use for the study while they disagreed with others.

Table 4.9 Report Summary

	Mean	Standard Deviation	N
Response Strategies to changing demand	**3.003**	**1.084**	**50**
Product Differentiation	3.03	1.162	50
Cost Leadership	3.092	1.107	50
Market Segmentation	2.888	1.000	50

4.4.1 Correlation

Table 4.10 shows that have a significant positive correlation of 31.5% with response to changing demand. Cost leadership had a lower correlation of 27.1 to response to changing demand while market segmentation had the lowest correlation of 23.4% to response to changing demand.

Table 4.10: Correlation between Elements that Influence Change and Response to Change.

	Response to changing demand	**Product Differentiation**	**Cost Leadership**	**Market Segmentation**
Response to Changing Demand	**1**	**0.315**	**0.271**	**0.234**
Product Differentiation	**0.315**	**1**	**0.086**	**0.196**
Cost Leadership	**0.271**	**0.086**	**1**	**0.065**
Market Segmentation	**0.234**	**0.196**	**0.065**	**1**

4.4.2 Regression Analysis

Table 4.11 shows the regression summary of four independent variables which are; innovation, quality of rice, uniqueness of packaging and changes in the packaging design. From the table the R squared value is 0.65 which means that 65% of the changes in demand are affected by innovation, quality of rice, uniqueness in packaging and changes in the packaging design. The remaining, 35% is determined by other factors in the environment. Therefore MRM has not fully utilized factors of product differentiation.

Table 4.11: Regression analysis Model Summary for Product Differentiation

			Change Statistics			
Model	R	R Square				
			Adjusted R Square	df1	df2	Sig. F Change
1	.806[a]	.650	.619	4	45	.000

a. Predictors: (Constant), INNOVATION, QUALITY of RICE, UNIQUENESS OF PACKAGING, CHANGES IN THE PACKAGING DESIGN

From table 4.12 the R square value is 0.139 which means that only 13.9% of the changes in demand in MRM are affected by use of economies of scale, reduction in cost of production, utilization of capacity and use of new technology while remaining 86.1% is determined by other factors in place at MRM.

Table 4.12: Regression Analysis Model Summary for Cost Leadership

			Change Statistics			
Model	R	R Square				
			Adjusted R Square	df1	df2	Sig. F Change
1	.373[a]	.139	.062	4	45	.000

A. Predictors: (Constant), Use of Economies of Scale, Reduction of Cost of Production in MRM, Utilization of Capacity, New Production Technology

From table 4.13 the R-squared value of 1 which means that market segmentation agreed with the line of best fit. It therefore means in regard to segmentation the environment determined 100% of the rice demand and MRM had no influence.

Table 4.13: Regression Analysis Model Summary for Market Segmentation

Model	R	R Square	Adjusted R Square	Change Statistics df1	df2	Sig. F Change
1	1.000[a]	1.000	1.000	3	45	.

a. Predictors: (Constant), MRM ADVERS TARGETS SPECIFIC GROUPS, DIVISION IS THROUGH THE CHARACTERISTICS OF CUSTOMERS, SPECIALIZATION OF SERVICES TO GROUPS

4.4.3 Relationship between Elements that Influence Changes in Demand

Finally the study compares the different elements that influence changes in demand. Product differentiation showed a significant positive relationship with strategic response to changes in demand in MRM with a beta value of 0.083 and a t-value value of 1.549 while cost leadership showed a positive relationship with a beta value of 0.49 and a t-value of 1.326 and finally market segmentation had the least relationship with a beta value of 0.20 and a t-value of 0.380.

Table 4.14: Comparison of How Different Elements Influence Changes in Demand

Coefficients[a]

Model		Un-standardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.705	.922		1.850	.000
	Product Differentiation	.101	.184	.083	1.549	.000
	Cost Leadership	.053	.162	.049	1.326	.000
	Market Segmentation	-.249	.181	.020	0.380	.000

a. Dependent Variable: Strategic Response to changing demand

Final Regression Equation

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon.$

$Y=1.705+0.101\ X_1 +0.053X_2 - 0.249X_3$

4.5 Chapter Summary

The finds of the study were presented in this chapter. Descriptive statistics were used to provide further insight. Using the questionnaire that had both closed ended and open ended questions data was collected from 50 respondents and using SPSS it was collated and analyzed using the research questions. Tables were widely used in the chapter to present the data. The next chapter will critically discuss the analysis of the result as presented in this chapter with the view of coming up with recommendations and conclusions.

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter was chapter four that dealt with the analysis and the presentation of data. This chapter will deal with summary of data in the first section, conclusions will then be drawn from the data, and recommendations will then be made to MRM and finally more recommendations for further studies will be made.

5.2 Summary

From the background of this study it shows that there was a 100% response rate from the respondents. The response rate was gotten from the different departments that participated in the study. It was also established that the number of male employees were more than the female employees who worked with MRM. This was gotten from the difference of the male and female respondents which stood at 62.7% and 35.3% respectively. MRM was also found to take advantage of the middle aged personnel who were between the age of 31-40 years and they were the majority of the respondents who formed 50% of the respondents. However those between the age of 20-30 years formed 16% of the respondents and those above the age of 41 years formed 34% of the respondents. On the levels of education it was found that the majority of the respondents were certificate holders who formed 30% of the respondents followed by those who studied up to the secondary level and diploma at 26% each. However those who achieved the professional level of education formed a low percentage of 10% in the organization. Majority 46% of the respondents had worked with MRM over a period of 1-5 years, 34% of the respondents had worked with MRM for over a period between 6 years and 10 years. Those who had worked for over 10 years formed 20% of the respondents.

The second part was on competitive strategies in response to changing demand. In this part the quantitative analysis were carried using the mean, standard deviation and coefficient of variation. Study showed that the average mean for product differentiation to be 3.03. This meant that more than half of the respondents agreed that product differentiation was important for strategic response to changing demand. The cost leadership had a mean of 3.092 while market segmentation had a mean of 2.888. On correlation the researcher established that product differentiation correlated positively with strategic response to changing demand of 31.5% while cost leadership correlated with strategic response to changes in demand at 27.1% finally market segmentation showed a positive correlation of 23.4%. On linear regression the study showed an R-square of 65% which showed that product differentiation contributed to 65% of the changes in demand in favor of MRM, the remaining 35% was controlled by other factors in the business environment. The study also revealed that cost leadership contributed to only 13.9% of the changed in demand that were in favor of MRM while 86.1% was determined by other factors in place in the environment. It was clear that market segmentation had an insignificant contribution to changes in demand. Finally it was clear that Product differentiation was the most applied strategy that affected change in demand in favor to MRM with a coefficient of beta of 0.083, followed by cost leadership of with a beta of 0.049 and the last being market segmentation of 0.02.

5.3 Conclusion

From the study a conclusion was drawn that factors that affected strategic response of MRM to changes in rice demand patterns in Kenya included product differentiation, cost leadership and market segmentation. Of the three it was also found product differentiation strategy contributed to 65% of the strategies that MRM had employed in the market due to the changing patterns of demand. This was followed closely by cost leadership strategy which contributed 13.9% while segmentation contributed to 2% of the strategies that MRM had applied to deal with the changing rice demand.

5.4 Recommendations

The study established that MRM was unable to achieve a competitive edge against the competitors because it applied one of the strategies more than other strategies and that was product differentiation. While it used more of product differentiation the organization did not apply it wholly and concentrated more on packaging that has not been changed regularly over the last five years. The study therefore recommended that MRM should use more of product differentiation. This was in agreement with Kotler et al (2011) who argued that well differentiated product offered both aesthetic benefit and functional benefits to the customer and therefore constant innovation is important to ensure introduction of new or similar things in the organization. Secondly it was recommended that total quality management was important for the MRM to achieve competitiveness based on differentiation. Prajogo eta al (2006) in their study found that there was a significant relationship between differentiation strategy and performance.

Cost leadership was found to be key for MRM to remain competitive. It is recommended that MRM would reduce costs that the organization experienced during production and this was possible through innovation and utilization of the production technology to capacity. Through this the organization is able to cut on unnecessary costs during the production process and therefore this would be translated to the final cost to the customer (Malburg 2000). Finally the study recommended that MRM should concentrate more on segmentation. It was found that MRM did not have any form of segmentation in place. MRM needed to study its market and divide it according to the tastes and abilities of different customers. By segmenting the market MRM would be able to attract a bigger pull of customers. The organization should then choose the segments in which to operate in comfortably. According to Dolnicar (2008) segmentation had the advantage of allowing the company to concentrate on the segment that they had the ability to offer specialized services as opposed to concentrating on the whole group.

5.5 Areas for Further Research

The researcher highlights the following areas that would require further study;

1. Affordable ways of production with little or no wastage in government managed organizations in Kenya today.
2. Ways of remaining competitive in turbulent business environment.

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