

# Factors Influencing Competitive Advantage among Supermarkets in Kenya: A Case of Nakumatt Holdings Limited

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**Abstract:** The purpose of the study was to determine factors influencing a firm's competitive advantage among supermarkets in Kenya. Specifically the study sought; to determine the influence of product innovation, information technology, managerial capacity and relationship with suppliers on supermarkets' competitive advantage. The study adopted a descriptive survey research design. The target population of the study was 89 staff at Nakumatt holdings limited divided into 9 senior managers, 13 line managers, 19 supervisors and 32 non-management staff. Stratified random sampling was used to a sample of 73 respondents. The strata representation was selected using the proportional allocation method. Tool for data collection was a standardized questionnaire. The study showed that product innovation, information technology, managerial capacity and relationships with suppliers have a direct positive influence on competitive advantage at Nakumatt Holdings Limited.

**Keywords:** Competitive Advantage, Market Share, Product Innovation, Information Technology, Managerial capacity, Relationship with Suppliers, Company.

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## 1. INTRODUCTION

In the retail industry, differentiation between retail chains continue to decrease as the need for convenience and value-added services increases, and customers have become more discerning and demanding but less loyal than before ( Daft, 2011). Therefore, firms develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 2007). The concept of 'competitive advantage' was developed in the mid 1980 by Michael Porter (Porter, 2008) as an outgrowth of the Law of Comparative Advantage, formulated by David Ricardo at the end of the 18th Century. Porter adopted a resource-based view by suggesting that an organization will have Competitive Advantage when it has resources and capabilities that are superior to its competitors, enabling it to deliver superior value (Porter, 2008). He thus proposed three basic competitive strategies that one can employ to achieve a competitive advantage. There is the Cost Leadership (low cost); product differentiation; and Focus (a niche that can be exploited) strategies. These strategies may not apply in all scenarios for example in today's hypercompetitive environments; firms do not control all resources necessary for persistently outperforming rivals (Grimm & Smith, 2006).

According to Daft (2011), in the retail industry, to create sustainable advantage over competition, retailers are trying to enhance their product offerings, service levels and pricing models. To prevent value erosion and to protect margins, retailers are trying to reduce their cost-to-serve per customer and thereby ensure that the total cost of ownership of a customer over time is reduced (Elms & Low, 2013). Hence, for a company to remain competitiveness it needs to have

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clear strategies (Papulova, 2006). A company's strategy in this context is a management action plan for running a business and conducting operations (Chisnall, 2005). The crafting of a strategy represents a managerial commitment to pursue a particular set of action in growing the business, attracting and pleasing customers, competing successfully and conducting operations and improving the company's financial and market performance. Thompson, Strickland and Gamble (2010) intimate that a company strategy involves; how management intends to grow the business, how it will build a loyal clientele and out-compete rivals, how each functional piece of the business research and development [R&D], supply chain activities, production, sales and marketing, distribution, finance and human resources will be operated and how performance will be boosted.

The business environment in Africa is continually experiencing competition even though the continent is brimming with potential for global retailers with its one billion people and growing economies (ATKearney, 2014). Indeed, seven Sub-Saharan Africa countries are now among the 10 fastest growing economies in the world. As retailers tiptoe into sub-Saharan Africa, figuring where to enter and how to begin is a daunting task. It is even more difficult for the existing firms to maintain market share and achieve growth. Kenya's domestic retailers Nakumatt and Uchumi have built strong brands within Kenya and across East Africa. Nakumatt Holdings Limited was established in 1987 and it has quickly expanded into Eastern African countries like Rwanda, Uganda and Tanzania (Nakumatt, 2015). Today it boasts of 40 branches in East Africa region 33 branches in Kenya, one in Moshi, Tanzania, two in Kigali, Rwanda and four in Uganda. The Supermarket has an annual turnover of \$ 650 Million, with 650, 000 loyal customers contributing up to 70% of the turnover (Nakumatt, 2015). The supermarket employs 6500 staff and provides a source of livelihoods to Hundreds if not thousands of families through its supply chain. Nakumatt Holdings has been undertaking a strategic regional expansion plan (Nakumatt, 2015).

The expansion into the international arena for the company comes with dynamic and unique business environments. Therefore, dynamism in the market calls upon need for implementation of strategies to enable the various firms to survive in the competitive environment (Schienstock, 2009). The study hypothesized that different business environments need different strategies which have different requirements for success. Nakumatt Holdings has faced a number of challenges and has used a number of strategies to enable it survive in the competitive market. It is due to these that the study evaluated factors influencing the firm's competitive advantage among supermarkets in Kenya. The findings will help Nakumatt holdings to assess its current and future strategic positions, identify critical factors and find methods of assuring success (Kithinji, 2012).

## 2. PROBLEM STATEMENT

Business environment is turbulent and chaotic in nature and this call for rapid response strategies to ensure sustainability of the business in the competitive environment. A cut throat competition has seen some leading retail chain superstores perform poorly in terms of profitability culminating into eventual closure of business or reduction in number of branches. Kenya's wholesale and retail trade rebounded briskly since 2007's post-election disruption and the global recession which curbed sales growth in 2008-09 (Asian Development Bank, 2013). Retail sales (in real terms) expanded by 8% in 2010, 7.3% in 2011 and 6.4% in 2012 (to account for 12.9% of factor cost GDP), and continued growing by 6.5% in the first half of 2013. The retail environment in Kenya thus has attracted new supermarkets both local and international into Kenya. In the Kenyan economy, various studies have been done on competitive strategies across various contexts and sectors with limited focus on the retail sector. More over no previous study has looked at factors that influence competitive advantage at Nakumatt holdings limited. In his study, Murage (2008) focused on the competitive strategies in the petroleum industry in Kenya. Gathoga (2011) in his study, focused only on the competitive strategies by commercial banks in Kenya. Karanja (2009) did a survey of competitive strategies of real estate firms in Kenya with the perspective of Porter's generic model. Further, Porter (2008) argument that there are three generic competitive strategies which firms can employ i.e. the cost leadership, differentiation and focus is a generalization which was applied in US firms. Owiye (2009) however, argues that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. Since competitive advantage is critical for firm's economic success, this study sought to investigate factors influencing competitive advantage among supermarkets in Kenya. The study used Nakumatt Holdings Limited as a case study.

### 3. RESEARCH OBJECTIVES

#### General Objective:

The general objective of this study was to investigate factors influencing competitive advantage among supermarkets in Kenya.

#### Specific Objectives:

The specific objectives were;

- i. To determine the influence of product innovation on supermarkets' competitive advantage.
- ii. To examine the influence of information technology on supermarkets' competitive advantage.
- iii. To assess the influence of managerial capacity on supermarkets' competitive advantage.
- iv. To evaluate the influence of the relationship with suppliers on supermarkets' competitive advantage.

### 4. RATIONALE OF THE STUDY

This study is important to the retail stores as it brings out the role of product innovation, information technology, managerial capacity and relationship with suppliers on supermarkets' competitive advantage. The results of this study will also be valuable to policy makers as it provides empirical evidence to direct policy formulation and implementation. The results of the study will also be useful to researchers and academicians as it acts as a source of reference for future studies.

### 5. LITERATURE REVIEW

#### Product Innovation:

If companies want to develop a sustainable competitive advantage, they need to offer products and/or services that keep attracting customers (Verweirre & Revollo, 2009). Companies are often successful for a short period of time as they have launched a new attractive product or an appealing service. But companies find it difficult to remain successful over a longer period of time. Therefore, companies will only be able to be successful over the longer term if they do have good products and/or services, but also an organization that is able to produce and deliver consistently good products and/or services. Apple's success doesn't stem from its newest iMac but from its capabilities to continuously offer fashionable, well-designed and easy-to-use computers and other consumer electronics. Porter came up with the generic strategies which he recommended that firms can cultivate a competitive advantage and create an impregnable position in the market place (Verweirre & Den, 2004). In product innovation we have strategies developed by researchers through which a product can penetrate and remain attractive to the market. These strategies include; overall cost leadership, differentiation and focus. Porter reasoned that by expertly employing the cost leadership, differentiation, or focus strategies, businesses enterprises can achieve substantial and sustainable competitive advantage over their competitors in the same industry. Porter (2000) was of the thought that competitive advantage is at the heart of any strategy for a business to succeed. Indeed to attain competitive advantage any organization has to make a choice about the type of competitive advantage, it pursues to attain and the scope within which it will attain it.

Cost leadership strategy takes place through experience, investment in production facilities, conservation and careful monitoring on the total operating costs (through programs such as reducing the size and quality management) (Valipour et al., 2012).

This strategy emphasizes efficiency. Firms pursuing a strategy of cost leadership will benefit more from the use of leverage in terms of the increased managerial efficiency (Valipour et al., 2012). By seeking to manufacture high volumes of standardized products, the organization hopes to take advantage of economies of scale and experience curve effects.

A low cost product often has no basic no-frills and it is produced fairly at a low cost and made accessible to a huge customer base. As such maintaining this strategy requires an unceasing quest for cost reductions in all features of the business enterprises. Undeniably the accompanying distribution policy is to obtain the far reaching distribution as possible. Promotional strategy will repeatedly involve attempting to make an advantage out of low cost product features.

A firm strives to maintain a low cost strategy by monitoring production costs, boosting their capacity utilization, controlling material supply or product distribution and cutting on other costs (Prajogo, 2007). The existing literature

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contains some discussions of why the relationship between leverage and performance depends on a firm's choice of strategy (Valipour et al., 2012).

Tuminello (2002) would observe mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, work force dedicated for low cost production, reduced sales force, less spending on marketing are a key feature in such a strategy and this will further aid the firm to main a low cost base.

Sustaining the low cost base becomes the principal factor of the cost leadership strategy. For it to be effective a firm should strive to have a large market share (Hyatt, 2008). As a result new entrants or firms with a low clout and market share may not profit from such strategy. This is because mass production, mass distribution and economies of scale will not make a difference for such firms.

This is to say that low cost leadership becomes a worthwhile strategy only for larger business institutions. Definitely market leaders may fortify their positioning by benefits accrued through scale and experience in a low cost leadership strategy. To be successful, this strategy customarily necessitates a substantial market share advantage or preferential access to raw materials, components, labour, or some other important input. Allen et al. (2006) assets that if an organization designs, produces and markets a product more competently than competitors such firm has implemented a cost leadership strategy. Cost reduction strategies across the value chain will epitomize low cost leadership strategy (Kalavani, 2014). Many organizations that embrace this strategy will attempt to reduce costs by spreading it through the whole business processes from manufacturing to the ultimate stage of selling the product.

With this in mind, many of these companies feel that any processes that do not minimize their cost bases are better off outsourced to other organizations so as to retain a low cost base. These low costs permit a firm to sell comparatively standardized products that offer acceptable features to many customers at the lowest competitive price. These low prices eventually lead to competitive advantage and an upsurge market share (Hyatt, 2008).

However cost leadership strategy has a disadvantage of having weak customer loyalty in fact as observe relatively low prices of this strategy can result in amplifying a negative outlook towards the quality of the product in the mindset of the customers Customer's perception regarding such products will encourage the tendency to buy a product which might be higher in price but depicts an image of quality (Zyl, 2006).

Miller (2003) argues that great companies never try to be the best at everything. Instead great companies dominate and differentiate only on a few value attributes. Crawford and Mathews developed a very interesting framework to check how focused a company's value proposition really is. Companies with a sustainable competitive advantage never try to be the best at everything. They overcome the constant temptation to strive for universal excellence, and rather decide to dominate on one primary attribute. In addition, they often select a secondary attribute that serves as a strong complement and helps further differentiate from the competitors. Companies with a great value proposition also realize that they cannot fall below industry par on the other three of the five value attributes (Verweire, 2009). The key message is simple: only through focus do consumer-relevant companies create a meaningful image in the customers' mind. Product leaders are companies that have decided to dominate on the product value attribute. They have the best products or services in their market and they display the ability and determination to make products that customers recognize as superior – products that deliver real benefit and performance improvements. Product leaders offer state-of-the-art products (Verwerie, 2009).

**Information Technology:**

Strategic planning establishes the mission, objectives and strategies for where the organization wants to go in the future (Cleland & Ireland, 2006). It stands to reason for an organization to be truly effective in achieving its objectives, all the initiatives within the organization should be aligned with the strategy. For maximum competitive advantage there must be harmony between the Information Technology and business components of the organization. As sustainable competitive advantage comes into being through the dynamic interplay between a firm and its external environment (Lewis, 2013). The basic notion of alignment is that when things are in a state of alignment they naturally and harmoniously work together to accomplish a common goal.

Businesses are constantly seeking competitive advantages in the marketplace (Papulova, 2006). There are many different ways in which this can be done, but many will focus on a few tried and true methods of gaining a leg up on the competition. Information technology in enabling organizations to remain competitive in the current dynamic market environment is necessary. Companies that do not embrace technological advancement have faced stiff competition and

sometimes even remain irrelevant for instance Telekom Kenya was the leading communication industry in Kenya technological advancement and the fact that Safaricom remains at the top of Technology has seen Safaricom remain the market leader in communication in Kenya.

An organization may strive to achieve a state of perfect alignment in order to achieve maximum competitive advantage (Porter, 2008). The business can be in the following states of alignment, Chaos; when the business alignment is in a state of chaos there is gross misalignment between the functions and processes of the business (Pieterse, 2010). There is no strategic intent in any venture undertaken and the business finds itself in a state of confusion and conflict, Misfit; in the misfit state of alignment there is minimal collaboration between the business functions. Most collaboration will be for own gain within the business functions and the business will be very political in nature, Mixed ;the mixed state finds that there is some forms of common goals, but for the most part the business is not aligned, and in most cases strategic intent would be coincidental (Elms & Low, 2013).

The threshold state is the minimal level of alignment required within the business to deliver products and services. There is collaboration within the business but not to the optimal level and there is major scope for improvement. When there is harmony in the business alignment, the business has general and continuing; collaboration to achieve the business strategy. Most ventures undertaken within the business will have strategic intent.

Information Technology alignment to the business will seek to enable the business to maximize competitive advantage (Filippone et al., 2008). This should be aligned with the RBV theory and the Business Development Model which state clearly that alignment of organizations strengths gives defines a firm's competitive advantage. Hence to achieve maximum competitive advantage, the IT function must be in perfect alignment with the business strategy. It should be the intention and goal within all organization's to achieve a perfect state of alignment between all of its functional units, including IT.

E-commerce is the most recent step in the evolution of business transactions. It replaces (or augments) the swapping of money or goods with the exchange of information from computer to computer. The introduction of information technology in the retail sector has not only helped the industries flourish at a fascinating rate but has also helped people reach the global market easily and has established the name of Indian Markets in the international market. With coming up of online retail stores like (Flipkart, 2013).

Retail industry is now greatly influenced by technological advancements. Recent studies have shown that retailers are more interested in investing in the online sector as it is very fruitful in the long run, cost effective and reach to a large number of customers at a time (Brown et al., 2013). This paper brings about this aspect and tries to throw some light on the aspects that determine the results of this amalgamation of Information Technology and the Retail Sector as an influence factor in firm's competitive advantage. Information technology may capture the whole market but this doesn't mean that the physical markets will vanish or deteriorate. They have existed since many years and will continue to exist.

### **Managerial Capacity:**

Management capabilities are a key determinant of the competitive advantage of firms and a major source of enterprises (Fu & Zhang, 2012). Dynamic capabilities, as defined by Teece (2007) emphasize the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organization skills, resources, and functional competences towards a changing environment. Distinctive firm level capabilities include processes, positions, and paths.

Processes in this context refer to the way things are done in the firm, or what might be referred to as its 'routines', patterns or current practices and learning (Kleiner, 2013). Positions refer to the current endowment of technology and intellectual property as well as the customer base and upstream relations with suppliers of a firm (Rao, 2011). Management capabilities are unique capabilities of an organization, firstly, to articulate a strategic vision and communicate it to the entire organization, providing its members with power to carry it out and secondly, to foster a beneficial organization environment relationship (Fu & Zhang, 2012). They have been found to play a significant role in explaining a firm's competitiveness (Molina et al., 2004).

Replication and imitation are important issues related to capabilities. Distinctive organizational capabilities can provide a competitive advantage and generate rents if they are based on a collection of routines, skills and complementary assets that are difficult to imitate (Fu & Zhang, 2012). They may lose their value if they can be readily replicated or emulated by competitors. Capabilities and performance are also context dependent. Many organizational routines are quite tacit in



nature. Therefore, capabilities of particular firms may be very hard to replicate. Capabilities cannot be replicated immediately through simply entering a market and piecing parts together overnight (Teece, 2007).

The elements of capabilities may be replicated through demonstration and imitation subject to the presence of necessary absorptive capacities. Advanced knowledge provides the firm with similar knowledge as its rivals and allows the firm to actively compete in the short term. Innovative knowledge gives the firm its competitive position over its rivals. The firm with innovative knowledge is able to introduce innovative products or services, potentially helping it become a market leader (Zack, 1999).

In order to identify the determinants managerial capacity a number of factors will be considered including: (i) firm size; (ii) firm's age; (iii) level of training of the labour force; (iv) sector of activity; (v) life cycle; (vi) age of the entrepreneur; (vii) entrepreneurship characteristics; (viii) extent of partnerships/cooperation agreements establishment; and (ix) extent of the firm's openness to the external environment (Cal'á, 2009).

### **Relationship with Suppliers:**

Nowadays organizations have found that if they worked together, total interest income is over the situation that they work without coordinating with related agencies (Swink et al., 2007). Strategic partnerships with suppliers are organized efforts to create and maintain a network of qualified suppliers. This effort includes all activities that are needed to improve the current performance of suppliers. Strategic partnerships with suppliers have been designed to simulate the strategic and operational capabilities of separate organizations with suppliers to help them to achieve significant benefits.

Strategic partnership emphasizes direct relationship and long-term and encourages mutual planning and efforts to resolve problems. Supplier organizations can work together more closely and eliminate useless time and effort. Effective partnerships with suppliers can be a critical factor to guide supply chain management (El-Deeb, 2013). The main objective of strategic partnerships with suppliers is increasing the functional capability desired supplier (Rosenzweig, 2003).

The success of supply chain management encompasses customer integration at the downstream and supplier integration at the upstream, considering that each entity in a supply chain is a supplier as well as a customer (Thatte, 2007). Good relationship with business partners, including key customers are an important role to success of supply chain management practiced by organization (Tathee, 2007). They also add that information sharing pertaining to key performance metric and process data improves the supply chain visibility thus enabling effective decision making. Information shared in a supply chain is of use only if it is relevant, accurate, timely, and reliable (Simatupang & Sridharan, 2005). Information sharing with business partners enables organizations making better decisions and making action on the basis of greater visibility (Tathee, 2007). Lumnus and Vokurka (1999) cited in Thatte (2007) stated that in order to make the supply chain competitive, a necessary first step is to acquire a clear understanding of supply chain concepts and be willing to openly share information with supply chain partners. In business competitive world nowadays, business organization should develop their supply chain in order to get customer responses.

If a company's competitive advantage is based on its supply relationships (Nagurney, 2010) then the development and management of these relationships should be seen as an important source of organizational competitive advantage; which in turn provides the foundation for overall organizational competitiveness (Mracek & Mucha, 2011). The increased specialization and outsourcing activities employed by firms today have made buyer-supplier relationships a focal point of organizational competitiveness, performance and long-term success (Veludo et al., 2006). This is because the competitiveness and profit-generating capacity of the individual firm is highly dependent on its ability to handle the supply side, leading to supply chains and networks of supply relationships being thought of as the backbones of economic activities in the modern world (Nagurney, 2010).

In this regard, global supply chain management [and the management of supply relationships] can be viewed as a primary driver of both customer and shareholder value (Griffith & Myers, 2005). Such a value-driving perspective of buyer-supplier relationships has connected the organizational competitiveness literature and the relationship marketing literature to help explore how inter-organizational relationships and specific relational determinants of these relationships present important levers of organizational competitiveness. Thus, we can observe a sort of relationship paradigm "spillover" into the field of transaction economics-dominated organizational competitiveness literature, which provides an interesting substantive platform for future research of relationship-based organizational competitiveness.

## 6. RESEARCH METHODOLOGY

The study adopted a descriptive research design. The target population was the 887 employees of Nakumatt holdings limited who are working at the head office in Nairobi. This study collected quantitative data from sample 73 employees using a self-administered questionnaire with a five point Likert scaled questions. A pilot study was conducted on 13 employees of Nakumatt Holdings at the Junction branch in Nairobi. The purpose of the pilot testing was to establish the validity and reliability of the research instruments (Mugenda & Mugenda 2003). According to Cooper and Schindler (2011), as a rule of thumb, 1% of the sample should constitute the pilot test. Thus the pilot test was within the recommendations. A construct composite reliability co-efficient (Cronbach alpha) was used to determine reliability. Makgosa (2006) notes that Cronbach's Alpha of less than 0.5 indicates unreliability of the variables hence cannot be used to deduce findings. Cronbach alpha of 0.6 or above, for all the constructs, was considered to be adequate for this study. Overall Cronbach's alpha test for dependant and independent variable was (0.929). While alpha values for the individual variables were between (0.732) and (0.855) which registered acceptability. Validity was tested using factor loadings with Varimax rotations to identify the test items which belonged together and seem to say the same thing. The advantage of which is to ensure that the finding conclusions are focused. The criterion for element inclusion was that only those which had factor loadings of 0.50 and above were considered (Makgosa, 2006). Since all the factors scored above 0.5 for the two components under each individual independent variable, the items were considered valid for evaluation based on the different components. Data collected was analyzed by descriptive analysis. In addition, the researcher conducted a multiple regression analysis.

## 7. RESULTS AND DISCUSSIONS

The study achieved a 93% response rate with the majority of the respondents being male [69%]. Majority of the respondents [82%] had tertiary education level as their highest education level while 16% secondary level, and 2% primary education level. Ten percent of the respondents were senior managers, 16% line managers, 28% supervisors and 46% were non-management staff. Forty four percent of the respondents had served in the organization for more than 4 years while 29% had served for 3-4 years and 26% for less than 2 years.

### Product Innovation:

The study hypothesized that favorable condition for product innovation has a significant influence on competitive advantage [market share]. Majority agreed [57% agreed; 22% strongly agreed] that there are favorable product innovation conditions at Nakumatt holdings. The results of regression analysis showed a positive relationship between product innovation and competitive advantage (R) is (0.345) R square is (0.119) and adjusted R square is (0.105), meaning that (10.5 %) of the variance in competitive advantage can be predicted by independent variable of product innovation.

**Table 4.1: Model Summary of Favorable Conditions for Product Innovation as Predictor of Competitive advantage**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.345 <sup>a</sup>	.119	.105	.84761

a. Predictors: (Constant), Product Innovation

The result of regression analysis further showed that product innovation is significant in influencing competitive advantage. This can be noticed by p-value (0.006) smaller than alpha value of (0.05), therefore the hypothesis was accepted.

**Table 4.2: Hypothesis Testing for Product Innovation**

Model	Unstandardized Coefficients B	Standardized Coefficients Beta	t	Sig.
1 (Constant)	2.358		4.208	.000
Product Innovation	.395	.345	2.871	.006

a. Dependent Variable: Market share

### Information Technology:

The study hypothesized that information technology has a significant influence on competitive advantage [market share]. Majority agreed [59% agreed; 28% strongly agreed] that IT is used at Nakumatt holdings to increase efficiency and

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effectiveness for competitive advantage. The Table 4.3 shows a positive relationship between information technology and competitive advantage (R) is (0.397) R square is (0.158) and adjusted R square is (0.144), meaning that (14.4 %) of the variance in competitive advantage can be predicted by independent variables of information technology.

**Table 4.3: Model Summary of Information Technology as Predictor of Competitive advantage**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.397 <sup>a</sup>	.158	.144	.82818

a. Predictors: (Constant), Information Technology

The result of regression analysis in Table 4.4 shows that information technology is significant in influencing competitive advantage. This can be noticed by p-values (0.001) smaller than alpha value of (0.05), therefore the hypothesis was accepted.

**Table 4.4: Hypothesis Testing for Information Technology**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.129	.554		3.842	.000
Information Technology	.447	.133	.397	3.351	.001

a. Dependent Variable: Market share

**Managerial Capacity:**

Majority agreed [52% agreed; 27% strongly agreed] that managerial capacities at Nakumatt holdings increases competitive advantage. The study hypothesized that managerial capabilities have significant influence on competitive advantage [market share]. Table 4.5 shows a positive relationship between managerial capacity and competitive advantage (R) is (0.357) R square is (0.127) and adjusted R square is (0.113), meaning that (11.3 %) of the variance in competitive advantage can be predicted by independent variables of managerial capacity.

**Table 4.5: Model Summary of Managerial Capacity as Predictor of Competitive advantage [Market Share]**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.357 <sup>a</sup>	.127	.113	.83600

a. Predictors: (Constant), Managerial Capacity

The result of regression analysis in Table 4.6 shows that managerial capacity is significant in influencing competitive advantage. This can be noticed by p-values (0.004) smaller than alpha value of (0.05), therefore the hypothesis was accepted.

**Table 4.6: Hypothesis Testing for Managerial Capacity**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.795	.402		6.954	.000
Managerial Capacity	.344	.115	.357	2.984	.004

a. Dependent Variable: Market share



### Relationship with the Suppliers:

The study hypothesized that relationship with suppliers has a significant influence on competitive advantage [market share]. Majority agreed [52% agreed; 27% strongly agreed] that relationship with suppliers at Nakumatt holdings increases competitive advantage. The Table 4.15 shows a positive relationship between managerial capacity and competitive advantage (R) is (0.497) R square is (0.247) and adjusted R square is (0.235), meaning that (23.5 %) of the variance in competitive advantage can be predicted by independent variables of relationship with the suppliers.

**Table 4.7: Model Summary of Relationship with Suppliers as Predictor of Competitive advantage [Market Share]**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.497 <sup>a</sup>	.247	.235	.77736

a. Predictors: (Constant), Relationship with Suppliers

The result of regression analysis in Table 4.8 shows that relationship with suppliers is significant in influencing competitive advantage. This can be noticed by p-values (0.000) smaller than alpha value of (0.05), therefore the hypothesis was accepted.

**Table 4.16: Hypothesis Testing for Relationship with Suppliers**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.906	.461		4.137	.000
Relationship with Suppliers	.520	.115	.497	4.509	.000

a. Dependent Variable: Market share

## 8. CONCLUSIONS

The main objective of the study was to determine the factors influencing competitive advantage among supermarkets in Kenya. The study showed that product innovation, information technology, managerial capacity and relationships with suppliers have a direct positive influence on competitive advantage. The study demonstrated that collectively, 59% of the variance in competitive advantage can be predicted by product innovation; information technology; managerial capacity; relationship with the suppliers. Meaning, there are other drivers of competitive advantage beyond the scope of the study contributing 41% of the variance in competitive advantage.

First, the study showed that there is favorable environment for product innovation at Nakumatt holdings limited. The findings attest to the fact that corporate innovation is largely conditional to the existence of an organizational environment conducive to its development. The favorable organizational conditions have been demonstrated to arise from supportive organizational culture, leadership, resources allocation, strategies and competencies.

Secondly, the study indicated that the influence of information technology on achieving competitive advantage is by increasing internal efficiencies and promoting better handling of the external environment. At Nakumatt, information technology is being used to enhance internal operation systems capabilities by enhancing ERP for faster delivery; enhancing payment processing; enhancing cut in cost and increase efficiency; and enhancing diversification of processes. Secondly, information technology also enhances effectiveness of external activities e.g. the use of electronic marketing to improve sales. In this context, information technology is used to support operational level efficiencies to reduce cost and increase overall business efficiency. The operational efficiencies help firms in gaining competitive advantage by ensuring low cost and high quality products.

Third, the study confirms the importance of human resources represent a very important factor in creating of competitive advantage of an organization. The study demonstrated that to achieve competitive advantage, Nakumatt pursues an

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aggressive management development through training, selection of the best employees and put in management strategies that responds quickly to the market changes. Human resources, drives competitive advantage as above-average quality of personnel structure and diversity of their professions, directly lead towards creation of services and products of superior values to consumers. This acts as a differentiator to an organization's services.

Fourth, the study recognizes the significance of good supplier relationship as potential driver of competitive advantage. This effects productive supplier relationship is indirectly transferable to the customers as they facilitate prompt service/product deliveries, better quality products; customized and products with the best value for money. This in turn acts as drivers of competitive advantages as they attract new customers and retain the existing ones. Therefore, the development and maintenance of mutually beneficial relationships with suppliers unleashes both transactional and innovative customer capital that can be used to increase the success, profitability and ultimately the sustainable competitiveness of an organisation.

### 9. RECOMMENDATIONS

The study recommends the following. First, supermarkets need to adopt product and service innovations and provide the favourable environment by encouraging research and development; providing financial sources to support new innovations; putting efficient programs and policies; promoting positive innovative culture systems; promote knowledge management and motivating innovators to benefit from organizational innovations.

Second, even though information technology holds the potential for competitive advantage, it does not solely create competitive advantage. Therefore, to fully enjoy the competitive advantage from information, it must be proper integrated with other organization's operational systems. The integration must be aligned to the overall organizational strategy.

Third, to enjoy the differentiating factor of unique human capital, supermarket chains, the organizations should offer continuous human resources training and development to their staff members. Further, there is need for the organizations to put in systems that collects intrinsic cognitive knowledge from experienced staff. The information to which may be used to develop unique institutional memories through mentorship and other inherent knowledge management systems.

Fourth, to gain the competitive advantages arising from supplier relationships, it is prudent to take a holistic view on the management of the supplier relationships. The study recommends consideration of aligning the relationships to the organization's strategic requirements, inculcating supplier performance management, and ensuring productive mode of operation and personal factors to enhance the value of the relationships.

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