



**Midlands State University**  
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**FACULTY OF COMMERCE**

**DEPARTMENT OF MARKETING MANAGEMENT**

THE IMPACT OF GENERIC STRATEGIES ON COMPANY PERFORMANCE: A CASE OF  
THE BAKERY INDUSTRY IN ZIMBABWE.

**BY**

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REGISTRATION NUMBER: **R0645373**

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## RELEASE FORM

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## **DEDICATION**

To my mother Berinah Murimwa - Ruduvo, for her love, patience and endurance!

## **ACKNOWLEDGMENT**

First and foremost I would want to thank the Almighty God Jehovah for guiding and giving me strength throughout the time I was doing this research project. Was it not because of You where would I be?

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## **ABSTRACT**

The study sought to find out the impact of generic strategies on company performance; a case of the bakery industry in Zimbabwe. The researcher therefore seeks to establish whether the varying efforts made in implementing generic strategies is generating results or not and also what can be done to enhance results of the same. The following are the objectives of the research: to find out the ways in which bakeries are applying cost reduction strategies, to identify focus strategies that are being implemented by bakeries in Zimbabwe, to find out how differentiation strategies are being employed by bakeries and to bring out the benefits and drawbacks of applying generic strategies. A review of related literature was also carried out in a bid to establish what other renowned authors had to say on Porter's generic strategies. The research was carried out on 24 bakeries headquartered around and 3 key informant interviews. 24 questionnaires were distributed out to the heads of different bakeries and six managerial interviews were contacted. Data was presented using diagrams and tables to illustrate the research findings and responses gathered. Conclusion and recommendations were then made on how best bakeries can improve their implementation of generic strategies so that performance in terms of output, recognition and profitability can be achieved in the baking sector.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter covers the background of the study which serves to reveal and justify the need to carry out the study. The weight of the chapter continues with the inclusion of statement of the problem, objectives, and research questions, significance of the study, delimitations, limitations, and assumptions while definition of terms and abbreviations forms the last piece of the puzzle.

### **1.1 Background of the study**

Most of the manufacturing industries in Zimbabwe are operating between 0-40%. However, some few are operating between 30-60% (Zimtrade 2012) and these are mostly those with contracts to supply certain companies especially in South Africa. The bakery industry in Zimbabwe is one of the industries that have been adversely affected by the macroeconomic environment which surfaced in the year 2008. The economic environment was characterized by hyperinflation with inflation over 3 million % (monetary policy, 2008), shortage of foreign currency and unfavorable interest rates.

This adverse economic situation forced some of the bakeries to halt their operations since they were not able to produce under these harsh economic conditions. Some bakeries in Zimbabwe closed because of the economic stagnation which prevailed during the year. However, there are some bakeries that have stood the taste of time and they managed to survive. These companies include Bakers Inn, Proton and Plaza. Some local suppliers of raw materials to the bakery industry especially flour downsized their operations and this reduced the local supply of the raw materials for the industry by an average of 30% (Zimtrade 2012). Companies like Grain Marketing Board (GMB) downsized as a result of economic challenges that prevailed in the country and this made the bakeries to resort to importing much of their raw materials especially flour, ricco oil, and yeast which are being imported from countries like South Africa, Netherlands and Mozambique.

These local manufacturing companies cannot therefore stop producing after the downsizing and closure of the above mentioned local suppliers of materials but rather import the required materials and thus posing a lot of pressure on their cash budgets since a lot of cash is required to

pay for the duty on raw materials as well as carriage of these materials from different ports in the country to the manufacturing points. This has therefore forced the companies in the industry to rely much on imports which in turn raised the manufacturing costs mainly in form of duty and carriage.

The increased labour turnover in 2008 forced most of the companies within the industry to offer more than benefits and allowances as a way of reducing labour turnover. This forced Human Resources managers to adjust and develop pay and benefit plans since workers are motivated by financial gains among others. This raised labour costs by an average of 25% (Zimtrade 2012) in the Bakery industry and most of the companies are still incurring high labour costs. This forced most of the companies in Zimbabwe to adjust and offer benefits and allowances for the workers whose productivity of labour was very low in order to save retrenchment packages and this raised the labour costs by an average of 18 % in the bakery industry as a whole (Zimtrade 2011).

As companies have changed their focus from product oriented to market oriented for customer loyalty and customer profitability (Chang, 2011), this forced many organisations within the industry to employ strong marketing strategies as way of persuading and retaining customers. This raised the marketing costs of the companies within the industry by an average of 21% in that year (Zimtrade 2012).

Companies which manufacture bread require a lot of power but the power supply in Zimbabwe is inconsistent and this is forcing many companies to use generators during power cut thereby raising operating costs in form of fuel and down time. Also, some companies in the industry are using equipment which is old and cost ineffective. Kartha, (2011) suggest that the best way to improve efficiency of old machinery is through regular servicing but this has raised maintenance costs in most of the manufacturing industries.

Many companies in the bakery industry have operating costs exceeding budgeted. For example National bakery which is being run by GMB operating costs in December 2009 exceeded the budgeted. Operating costs exceeded the budgeted costs by \$280 000 from \$640 000 to \$920 000

leaving the company with very small profit (*company financial statements;2009*). The problem fuelled in 2010 when the budgeted costs were exceeded again by the actual operating costs. According to the company's financial statements (Dec 2010), the total budgeted costs for 2010 were \$690 000 against the actual which totaled \$1.1m.

It has emerged that the bakeries are baking 600 000 loaves of bread against a daily national requirement of 1.6 million. These statistics shows how popular bread has become. If these bakeries were utilizing well market segmentation which entails focusing on a certain group of customers; we wouldn't have a scenario where there are still people who are still baking bread at their homes. All their desires will be met by a product at the same cost as they incur at their homes.

The Standard Association of Zimbabwe and the Bakers Association of Zimbabwe monitors the standard loaves that is the standard white and standard brown. The price should not exceed a dollar and its wholesale price should be marked around \$0.75. The same should weigh at least 750 grams. Bakeries are thinking outside the box and come with different kind of loaves for example the tea loaf, super white, whole wheat, fibre loaf, supreme loaf, health Swiss, and last but not least the budget loaf; with some of these loaves costing above a dollar or way below 50 cents. Could this strategy of coming up with different products be linked to differentiation according to Porter's generic strategies.

The procurement departments of some of these bakeries have evidence that differentiation focus might be in use in these organisations. Major ingredients that are popular when it comes to baking are cooking oil (fats), sugar, flour, yeast, millie meal, water and salt. What shocks someone after visiting the procurement department of a bakery are the fruits, milk, colourants, icing sugar among other things.

## **1.2 Justification of the Study**

Although various studies have examined the application of generic strategies to different industries no study has examined to what extent the various strategic types are prevalent in the bakery industry in Zimbabwe. Although some scholars researched on generic strategies in the



bakery industry, some of the findings are not applicable in developing countries like Zimbabwe. Taplin (2006), researched about cost reduction strategies in the bakery industry but the research was Euro-centric. He came up with restructuring and reconfiguration as the best strategies of reducing costs in the industry. However, these were targeting developed countries and this is why the researcher wants to further look on the strategies that can well suit in Zimbabwe.

### **1.3 Statement of the problem**

Having faced a plethora of problems emanating from both the business and internal environment like rising marketing costs, operating costs, changes in consumer tastes and labour costs the bakeries might have been left with the idea of applying Porter's generic strategies hence the need to find out the impact of generic strategies in the bakery industry.

### **1.4 Research Objectives**

- To find out the ways in which bakeries are applying cost reduction strategies to improve on profitability.
- To identify focus strategies that are being implemented by bakeries when targeting customers.
- To find out how differentiation strategies are being employed by bakeries so as to improve their profitability.
- To bring out the benefits and drawbacks of applying generic strategies.

### **1.5 Research questions**

- What is Michael Porter's generic strategy?
- How can product differentiation be applied in the bakery industry?
- Why is it important for a bakery to control costs?
- What cost reduction strategies can be used by a bakery?
- Why is it important to focus at a certain group of customers?
- What effect does proper application of generic strategies has on company performance?
- What other strategies can be used by bakeries to gain sustainable competitive advantage?
- What measures can be taken to improve the applicability of generic strategies at a bakery?

## **1.6 Significance of the study**

### **1.6.1 To the Researcher**

- This research study is of importance to the researcher as it is a condition that he must fulfill in order to obtain a master of commerce marketing strategy degree from MSU.
- It enhanced the researcher with academic knowledge on any subject related to generic strategies and this will prepare the researcher for the marketing challenges of this world.

### **1.6.2 To the Bakery Industry**

- The research findings and recommendations will help bakeries to realize the contributions of implementing market segmentation strategies and its potential opportunities and strategic windows.
- The research will go a long way in putting solutions to cost management problems that the bakery industry is facing.
- It will clearly show the bakery better solutions that helped them survive the prevailing competition and changing customer needs.

### **1.6.3 To the society**

- The study will help the society to express their views to what kind of bread and confectionery products they want and give suggestions on the ways in which they anticipate their brand to be in order to maximize returns.

### **1.6.4 To the institution**

- The research assisted Midlands State University as an institution to assess the successfulness in provision of quality education to students.
- The research can also be used by other students as a point of reference.

## **1.7 Assumptions**

- The researcher is assuming that no major macro-environmental changes took place between the period of research and compilation to render the research useless on completion.

- The researcher is assuming that the respondents were able to read and understand the questionnaires.
- The researcher is assuming that the respondents provided useful, accurate and valid data.
- The researcher is assuming that the sample population chosen gave truthful and genuine representation of the entire industry.

### **1.8 Delimitations of the study**

- Many bakeries in Zimbabwe are concentrated in Harare, for instance, 60% of the bakeries have their headquarters in or around Harare. The study therefore concentrated on 24 bakeries in Harare like Lobels, Mitchells, Innscor's Bakers Inn, Perfect Bakery, National Bakery and also in store bread manufacturers like OK, Food World and Spar.
- Only a sample number of respondents which include company management, employees and transporters were used to represent actual number of potential respondents.
- The research covered the period of June 2015 to October 2015.

### **1.9 Limitations**

- Some respondents were very restrictive to company information in order to protect their company's integrity. However, the researcher made use of proof and guarantees that the information was to be strictly used for academic purpose and was to be kept confidential.
- Unlike a census the use of sampling may lead to distortion of data but the research used a larger sample size to cover for the discrepancy.

### **1.10 Summary**

The chapter has outlined the major outlook of the study by providing the research focus. It indicated the problem under study and the key research questions. Besides introducing the whole thesis, the chapter is important in situating the study within the broader context of academic debates. The objectives of the study, the delimitations and limitations of the study were also discussed. Chapter one delineates the focus on the research and offers boundaries on the exact concern or matters of interest for the study. Chapter 2 is the following chapter and explains literature as proposed by different authors.

## **CHAPTER 2 LITERATURE REVIEW**

### **2.0 Introduction**

This chapter analyses what other renowned authorities who have studied the topic before said on the relevant areas of concern. It looks at the various authorities' perceptions on the subject of an effective accounting information system. The major purpose of conducting a review is to sample current opinions in textbooks, the internet and professional journals thereby gaining insights into the aspects of generic strategies. This chapter introduces the different approaches to competitive strategy as proposed by different authors.

### **2.1 Generic strategies defined**

A competitive strategy can be described as an organizational strategy that translates into a sustainable competitive advantage which helps outperform a competitor. Selection of the best competitive strategy for an organization depends on the kind of industry, the competitor analysis and the specific capabilities of the organization.

Jooste et al (2012) explains that the aim of the competitive strategy is to deal with competition. Competition per se is healthy because it improves efficiency, reduces costs and improves customer choice, which is beneficial for all organizations. However competition also works constantly to erode profits. To achieve above average profit and a superior return on investment, the organization must take action to take action to control and manage competition. The competitive strategy an organization chooses will help it to do this.

According to Ghemawat, (2001) the competitive strategies available to obtain and maintain a sustainable competitive advantage are:

The differentiation strategy which adds value to the product or service to make it different from the products and services of competitors, the low cost strategy achieves overall cost leadership by supplying the product or service more cost-effectively than competitors, the focus strategy is narrowed on special product or market niche that the organization can monopolize, the pre-emptive move gains the entrepreneur first mover advantage by taking a calculated risk and being first to enter a market with new product or service and lastly synergy which involves all components of the organization working together to create a sustainable competitive advantage.

If we compare these five competitive strategies with the classic Porter (1980) model we see that Porter did not recognize the pre-emptive move and synergy as real competitive strategies. Authors such as Aaker (2003), however recognize these two additional strategies and the authors concur with this viewpoint.

Porter's generic strategy matrix, which highlights cost leadership, differentiation and focus as the three basic choices for firms, has dominated corporate competitive strategy for the last 30 years. According to this model, a company can choose how it wants to compete, based on the match between its type of competitive advantage and the market target pursued, as the key determinants of choice (Ghemawat, 2001).

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important determinant is its position within that industry. Even though the industry may have below average profitability, a firm that is optimally positioned can generate superior returns. A firm positions itself by leveraging its strengths. Michael Porter has argued that a firm's strengths fall into one or two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three strategies result: cost leadership, differentiation and focus.

Porter's generic strategy typology remains one of the most notable in the strategic management literature (Griffin, 2000). A business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Fleisher and Bensoussan (2002) says that any organization that fails to make a strategic decision to opt for one of these strategies is in danger of being "stuck in the middle". The organization in failing to decide, tries both to be the cost leader and differentiator and achieves neither, and in the process confuses consumers. Below is a diagram showing Porter's generic strategies.

|              |               |                 |                        |
|--------------|---------------|-----------------|------------------------|
| <b>Scope</b> | <i>Broad</i>  | Cost Leadership | Differentiation        |
|              | <i>Narrow</i> | Cost Focus      | Differentiation Focus  |
|              |               | <i>Cost</i>     | <i>Differentiation</i> |

**Source competitive advantage**

**Fig 2.1: Porter’s generic strategies**

Diagram from Fleisher and Bensoussan (2002)

These competitive strategies will now be explained in more detail.

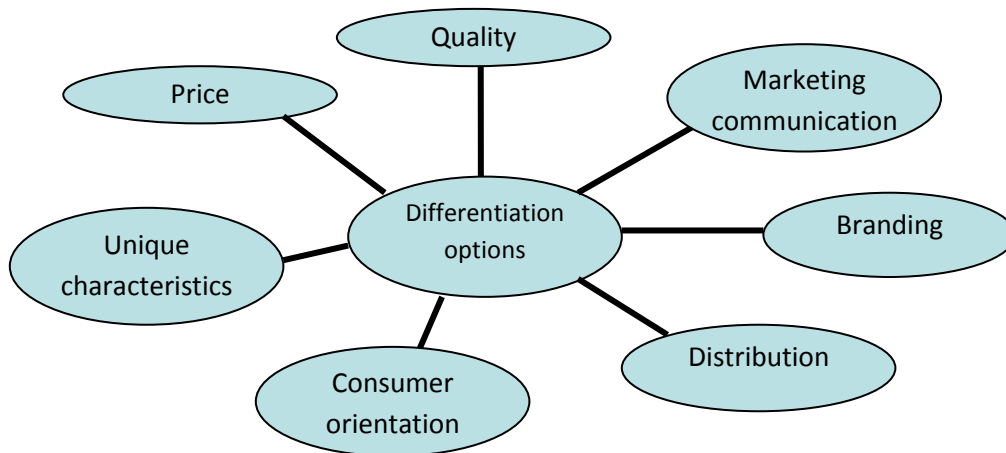
## 2.2 Applicability of Differentiation Strategy

According to Ghemawat (2001) differentiation is a process whereby the organization’s market offering is adapted physically or psychologically so that the customer regards it as a totally different from competing products or services, and is prepared to pay a premium for it. Various differentiation methods can be used to distinguish essentially identical products and services so they are regarded and accepted as different by the target market. These methods include enhancing performance, quality, prestige features, service backup, reliability and convenience. If differentiation succeeds, the organization has created a sustainable competitive advantage for itself and the value that could be reflected in a higher selling price. To achieve this; the organization must be able to demonstrate that its product and service is incomparable to the rest of the industry and justify the price difference to the consumer.

A differentiation strategy is based upon persuading customers that a product is superior in some way to that offered by competitors. In differentiation strategies, the emphasis is on creating value through uniqueness, as opposed to lowest cost. Uniqueness can be achieved through service innovations, superior service, creative advertising, better supplier relationships leading to better services, or in an almost unlimited number of ways. The key to success is that customers must be willing to pay more for the uniqueness of a service than the firm paid to create it. Firms following a differentiation strategy can charge a higher price for their products. The

differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product. An example of organisations using differentiation strategy is Marriott and Hilton hotel chains by providing very high-quality quest experiences that appeal to both business and personal travelers.

The ultimate aim of the differentiation strategy is to generate brand or customer loyalty. In South Africa, for example, the luxury automobile manufacturers BMW and Mercedes Benz have used this strategy. In both the advertising message to the consumer is that the product is incomparable to that of other automobile manufacturers and that the higher price is for the extra value the consumer receives. Specific methods to differentiate products and services are depicted in the diagram below and discussed in more detail after the diagram below giving examples.



**Fig 2.2: Differentiation options**

Adapted from Ghemawat (2001)

#### Differentiation by product/service quality

Product quality goes hand in hand with performance, durability and reliability. Usually the consumer cannot judge these characteristics when making a choice, and thus concentrates only on the finished product/service. If the finished product is good, the consumer accepts that the quality must also be good, through a kind of ‘halo effect’. It is more difficult for a consumer to evaluate the quality of the service. Thus politeness, helpfulness and friendliness of staff in a service organization all serve as a measure to evaluate the quality of the service. Differentiation

can also be found in superior staff skills or the use of systems or marketing savvy not available to competitors, to provide a sustainable competitive advantage. A direct relationship has been found between market and reputation for quality. High quality is thus an important method of creating a sustainable competitive advantage (as used by Mercedes Benz and BMW).

#### Differentiation by branding

Branding can be defined as the naming of the product or service in order to gain an identity, evolve a meaning and product image, conducive to building brand equity for the organization. Branding can be used to differentiate the organization's product or service and position it in the mind of the customer.

Branding distinguishes competitive products from one another and also gives them specific symbolic value, creating an image or personality for the product. For example ABSA, a large banking group in South Africa, initially thought it better to use the brand names of each of the various banks in the group namely United, Volkskas, Allied, Trust Bank, Bankfin and MLS. In 1993 it decided to merge all these banks under the ABSA corporate brand, but to continue the individual brand names until 1998 while slowly introducing the ABSA brand name to customers, to make the change less drastic. There were, however, instances where die-hard customers resisted this change.

Research has shown that a strong car brand name such as Mercedes Benz and BMW can add up to \$4000 in value for the manufacturer's products. These superior brands are able to extend their brand halo benefit every one of their models. In the mass market car segment cluttered with various models and marquees, strong branding makes it easier for the customer to determine which brand to buy.

#### Differentiation by unique product characteristics

Unique product characteristics that make a product somewhat better or different create an initial competitive advantage. However although unique characteristics can be protected against imitators by patent, it is unfortunately possible to circumvent such rights. Thus it is difficult to obtain a long term advantage in this way. The "me too" policies of competitive organizations quickly wipe out initial differential advantages created by introducing unique product characteristics.



The example is the restaurant industry which operates in an extremely competitive environment. One solution is to differentiate the service the restaurant provides through development of a gastronomic experience for the customer. In most cases all T-bone steaks look and taste much the same. One option for differentiation is through the supply of wines on the wine list. Availability of a supply of wines has been used by food critics as a barometer for adjudicating the different restaurants. In this sense, a good quality and range of wines can add significantly to the patronage and turnover of a particular restaurant.

#### Differentiation by distribution

New and unusual distribution channels not only create new market possibilities but can also serve to differentiate products. Dell computers have made its name as a direct-distribution PC manufacturer. This model has allowed it to take a major share of the American PC market. Dell's strategy is to allow customers to buy directly from them via the internet. Cutting out the middleman (that is the retailer) results in lower costs to the customer's exact specification. Dell has differentiated itself from other PC manufacturers through this distribution channel, which saves costs for both the consumer and the company.

Retail stores also use this type of differentiation. Consumers must often decide whether to spend time and effort finding a lower price for the item they want. For example a consumer may know where the goods can be purchased more cheaply, but the store location maybe more remote. In this case, the consumer must compare the cost of travelling further to the cost of paying more at a closer store. Spending time searching additional stores for a better price is often inconvenient and can be costly as it uses up resources (time, telephone, transportation and internet expenses). Therefore, a store in a more convenient location offers differentiation by means of location, such as when a consumer chooses to buy household cleaning materials more expensively at Food Express rather than drive to a more affordable out of town shopping centre like OK Mart Eastlea.

#### Differentiation based on consumer orientation

Nearly all large organizations project a consumer-oriented (or 'consumer centric') image that is true to marketing principles. However, it is generally acknowledged that consumers in South Africa are treated shabbily, to the extent that many newspapers carry a column where consumers can object to exploitation. South African consumer organizations are inundated with complaints, and a new Consumer Protection Act was introduced in April 2011 to protect against undesirable

practices by unscrupulous organizations.

An organization that intentionally strives to meet consumer needs, demands and preferences has already laid the basis for a strong and sustainable competitive advantage. Loyal consumers are inalienable assets because they do not even consider buying the products of competing enterprises.

### **2.2.1 Sustainability of differentiation**

Porter notes that an organization's ability to sustain differentiation depends on two aspects which are continuance of the perceived value to consumers who buy the product or service and speed of imitation by competitors; the longer the lag period before competitors can imitate the product or service, the better the sustainability. This period also called the Lead Time, may be long enough for the organization to profit from innovation. In the pharmaceutical industry, the lead time for competitors to emulate the product may be so long that the innovator is able to create a sustainable competitive advantage.

The following conditions make it easier for an organization to sustain its differentiation:

Uniqueness as a barrier to competitors – aspects of uniqueness such as learning, linkages and first mover advantage tend to sustain the uniqueness more than mere policy decisions. These aspects are harder to copy and easier to maintain, making it easier to protect the source of differentiation.

A cost advantage – if the cost advantage is sustainable, the differentiation of the product or service may be more protracted.

Multiple sources of differentiation according to Mintzberg et al (1998) makes it more difficult for a competitor to copy. The more the sources of differentiation, the harder it is to copy them. If differentiation is based on the coordination of value activities, it is more difficult to imitate because it would require many changes to operating systems and culture. This is why the provision of genuine good service to an organization's client base is so difficult for competitors to imitate, and can provide the differentiation an organization needs.

A switching cost to consumers – this is a fixed cost the consumer must pay to change suppliers. It allows an organization to sustain a price premium even if its product is in essence the same as the competitor's, as the consumer is reluctant to pay to change supplier. This cost enhances the sustainability of the differentiation. An example is household carbonation systems to make fizzy drinks on the South African market. The carbonation cinders and bottles are not interchangeable between the different systems, so new ones are needed if one purchases a different brand.

### **2.2.2 Common pitfalls of a differentiation strategy**

Even though differentiation strategy has been widely used by different companies because of its associated benefits; it has its own pitfalls. Organizations facing a differentiation strategy face common pitfalls if they do not clearly understand the underlying basis of differentiation. Ghemawat, (2001) points out the following pitfalls:

Uniqueness valuable only to the organization – a unique product or service does not automatically mean the organization is differentiated. The uniqueness must be perceived and valued by buyers. A good way to evaluate whether the organization's product or service is valued by the consumer is to test this by an increase in price: will customers still continue buying it?

Over elaboration – care must also be taken not to be too different. If the quality level is higher than consumers need, the organization will be vulnerable to competitors that offer the required quality at a lower price. Mercedes Benz was accused in the past for over-engineering its cars and pricing itself out of the market, allowing BMW to outsell it. Mercedes Benz countered by launching the C-, B- and A-class range to regain market share and position products in different price categories.

Too big a price difference – if the price difference becomes too large, the consumer may re-evaluate the product or service differentiation on offer, and the organization may lose customers if the value is not seen to warrant the price. Marlboro reduced its price by 20% a few years ago after losing market share to cheaper no-name brands in the USA. American customers did not perceive the Marlboro brand value to be worth the price difference they were expected to pay.

Failing to signal value to the customer – the consumer must see value, and organizations must do all they can to bring this to the attention of its customers, as consumers are not often willing or

able to see the difference between suppliers and or products.

Not knowing the cost of differentiation an organization must know the cost of their differentiation activities, and compare this to the price difference gained.

Focus on the product instead of the value chain – many organization only consider differentiation in terms of the physical product, and overlook the many opportunities provided by the value chain for effective differentiation, such as the procuring of raw materials and physical distribution (logistics).

Failure to recognize different segments – an organization lacking knowledge of its customers and their buying criteria will be vulnerable to competitors who have that knowledge. Only through enough customer knowledge and marketing research can the organization gain the knowledge it needs to differentiate itself effectively in ways that are value to the customer.

Uniqueness that is not valuable – it has been discovered that it is not always beneficial to add extra benefits that do not benefit the customer.

Too much differentiation – too much of additional benefit can end up being a cost to the organisation.

Too high a price premium – too much differentiation will end up causing a high price premium which may chase away customers as with the case with Mercedes Benz.

Differentiation that is easily imitated – having put a lot of investment in new product development and differentiation, this may end up being imitated by competitors which will erode company profits.

Differentiation may bring the problem of dilution of brand identification through product-line extensions and that perceptions of differentiation may vary between buyers and sellers.

### **2.3 Applicability of Low-cost strategy**

A cost leadership strategy is based upon a business organizing and managing its value adding activities so as to be the lowest cost producer of a product (good or service) within an industry. Porter's generic strategies are ways of gaining competitive advantage – in other words, developing the "edge" that gets you the sale and takes it away from your competitors. There are two main ways of achieving this within a Cost Leadership strategy which are increasing profits by reducing costs, while charging industry-average prices and increasing market share through

charging lower prices, while still making a reasonable profit on each sale because you've reduced costs (Fleisher and Bensoussan 2002).

A successful cost leadership strategy is likely to rest upon a number of organizational features. Attainment of a position of cost leadership depends upon the arrangement of value chain activities. The broad scope of cost leaders means that they attempt to serve a large percentage of the total market. Companies pursuing a low-cost strategy will typically employ one or more of the following factors to create their low-cost positions: accurate demand forecasting combined with high capacity utilization, economies of scale, technological advantages, outsourcing and learning/experience effects.

Hasnah (2001) defines cost reduction as all measures instituted by organisations to reduce their operating costs and increase their profits. The strategies can vary from company to company. Below are examples of cost reduction strategies according to Hasnah (2001); cost driver analysis, value engineering/ value analysis, supplier cost breakdown analysis and supplier consolidation.

Cangemi (2003) defines cost reduction as the process of looking for, identifying and eliminating unnecessary costs from organisations to organisation without a negative impact on product quality. He indicated that many organisations practice periodic cost reduction activities in order to improve the operations thereby boosting profits.

Basing on the above definitions on cost reduction, the researcher noted that the scholars do have something in common from their definitions. They all highlighted the aspect of removing and reducing unwarranted expenses to reduce total operating costs thereby increasing profitability. However, their definitions differ in the sense that the former did not highlight aspect of quality whereas the later noted that all measures of reducing costs should not compromise quality.

Some examples of cost reduction strategies according to Fleisher and Bensoussan (2002) include supplier consolidation, component consolidation, supplier cost breakdown analysis, value analysis/value Engineering, cost driver analysis and competitor bench marking.

Firms that succeed in cost leadership often have the following internal strengths: access to capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome, skill in designing products for efficient

manufacturing, for example having a small component count to shorten the assembly process, higher level of expertise in manufacturing process engineering and efficient distribution channels.

Miller R L and Cangemi J P (2004) defined cost reduction as the process of looking for, finding and removing unwarranted expenses from business to business without a negative impact on product quality. Many business managers will engage in periodic cost reduction drives in order to make their company's operation more efficient and to boost profits.

One of the most advantages for any organization is to be the low-cost manufacturer in its industry. Organizations that follow a low-cost strategy concentrate on reducing their manufacturing costs with the ultimate aim of lowering their prices to the customers. This is also called a cost leadership strategy, whereby the organization seeks above average returns over competitors by offering low prices and bringing down production costs.

To achieve this, the organization will strive to reduce costs, which will enhance efficiency. This includes efficiency drives, tight cost controls and a preoccupation with low cost manufacturing. This could, in turn, entail investment in manufacturing to achieve productive gains, or even investment in marketing to ensure adequate sales volumes. A premise of cost leadership is that the organization serves many segments of the market, whereas in cost focus strategy, a cost advantage is obtained in one or a small number of market segments.

According to Jooste et al (2012) an organization that successfully adopts a low cost strategy can quote low prices than its competitors and thus create a sustainable competitive advantage. Cost savings can be achieved in various areas, but first it is important to establish a low cost culture in the organization. Staff will then be constantly on the lookout for wastage of resources and attempt to keep cost low. A low cost culture is not easy to establish, because staff members must be convinced that the cost savings are to their benefit. Forced savings merely create conflict and are seldom effective. Lower prices than those of competitors are not the only advantage of a low cost strategy. The prevention of squandering produces higher profits and increase the availability of funds to expand market share, utilize new opportunities and develop new products. The success of Pepkor (owner of Pep Stores) is based on the principle of low prices, low cost and value for money – basically a low cost strategy.

A low cost strategy is based on the interplay between costs, profit margins and market share. There are two distinct alternatives an organization can select to be profitable:

Lower margins/higher market share – low cost manufacturers usually earn lower profit margins than differentiated marketers, but because of this they gain a higher share of the market. These organizations may lower their prices and attain small margins but gain in volumes they sell. Pick n Pay, the large South African retailing group, is an example of this (Ghemawat, 2001).

Lower cost higher margins – here the low cost manufacturer reduce cost faster than prices. This results in higher profits margins rather than a higher market share. For example many household brands (for example blue label and no name brands) of South African retailers sell for less than the national brands, but earn higher margins for the retailer due to their low cost of manufacture. Another interesting development in this field is that some house brands are sold at a higher price than that of a national brand name, further increasing the margin on this product for the retailer.

### **2.3.1 Identification of Cost drivers**

Cost drivers are those factors are those factors that when combined, determine the cost of a given activity of an organization and the cost position of the organization in its sector. Examples of cost drivers that can be used by the organization include:

Economies of scale – these arise from an organization’s ability to perform activities or purchase raw materials more efficiently in large volumes. They also arise from being able to amortize the costs of activities (such as advertising or research and development) over a greater volume of sales. The effect of scale varies widely and different activities are more sensitive to it than others – product development and advertising are more sensitive than purchasing and sales because these costs are heavily fixed, no matter what the volume. Economies of scale can be found to some extent in almost any activity of the organization.

No-frills products/service – a very basic approach to the low cost strategy is to remove all frills and extras from the product or service. Volkswagen’s Citi Golf and the Toyota Tazz started out this way in South Africa. Both had the barest minimum of features and sold at a very low price in the South African market. This trend towards a low cost entry model is today continued with the Volkswagen Vivo and the Renault Sandero marqueses in South Africa.

Low cost distribution – when the product distribution is a major cost consideration, selection of cheaper channel can create a cost advantage. Using the internet and mail order has assisted the Dell Computers in the US to save money and sell directly to the customer. This resulted in cost savings by avoiding retailer margins and large inventories, as computers are made to order.

Location cost advantage – the geographic location of an activity can affect cost such as labour, expertise, customers and raw materials. A location near suppliers of inputs affects inbound logistical costs, while a location close to customers will influence outbound logistical costs.

Institutional factors – government legislation, unionization, sales subsidies, tariffs and levies are also important cost drivers. For example South African car manufacturers have local content rules to deal with. Currently the focus in the motor car industry has moved to export incentives. However reduced tariff protection for domestic clothing manufacturers has resulted in job losses and reduced turnover for this industry.

**Table 2.1: Examples of cost drivers in organization**

| <b>Cost drivers</b>       | <b>Examples</b>   |
|---------------------------|---|
| No frills product/service | Pick n Pay and Shoprite hypermarkets started out in the 1970s providing a range of products at low prices in retail facilities outside of the central business districts.<br><br>Low cost air carriers in South Africa include Kulula.com, 1Time, Mango and Velvet Sky. |
| Low cost product design   | Examples today include the Volkswagen Vivo and the Renault Sandero.   |
| Raw materials costs       | Eskom has direct access to coal from its own collieries for the generation of electricity.  |
| Low cost distribution     | 80% of Kulula.com passengers book directly via its website avoiding the expense of travel agents.   |
| Labour costs              | Low labour costs in South Korea provide South Africa with competitively priced products Samsung white goods and Hyundai and   |



|                                      |  |
|--------------------------------------|--|
|                                      | Kia cars.  |
| Government subsidy and manufacturing | Amic investigated manufacturing TV picture tubes in South Africa in the early 1990s in conjunction with Daewoo from South Korea, and said it would need start up protection with an initial import duty of 60% |
| Location costs                       | Eskom has access to coal from its collieries   |
| Production innovation and automation | Sasol's oil out of coal production process   |
| Economy of scale                     | Spreading fixed costs over more units, such as by expanding local production to include the export market, for example Toyota Colorras for Australia and right-hand drive Mercedes Benz cars for Europe.       |
| Experience                           | As an organization accumulates experience in manufacturing a product, its costs decline, as in the case of pocket calculators and flat screen TVs  |

Adapted from Spralls et al (2006)

### 2.3.2 Pitfalls of a low cost strategy

Many mistakes with a low cost strategy come from not understanding the behavior of costs.

Common mistakes Mintzberg et al (1998) include:

Concentrating only on manufacturing costs – in general a larger proportion in total cost often goes to research and development, marketing and infrastructure maintenance. The total value chain, starting from the earliest input, must be scrutinized to find where cost can be reduced.

Ignoring the purchasing/procurement function – many departments focus only on labour to reduce input costs, yet all inputs and linkages achieve significant cost reduction by improving supply chain relationships.

Overlooking smaller activities – in most cases, attention is focused on large-cost activities and smaller cost or indirect activities such as maintenance may be neglected.

False perception of cost drivers – a good understanding of cost drivers and value chain is necessary for the organization to take action where it can achieve results. Misdiagnosing the cost drivers can lead to expenditure and efforts that fail to reduce costs or may even worsen them.

Failure to exploit linkages – organizations must understand the functioning of their value chains and cost drivers as they rarely identify all linkages that affect costs. This can lead to erroneous cost reduction strategies targets for all departments.

Contradictory cost reduction exercises – an organization must ensure that all its cost reduction exercises work cumulatively to reduce all overall costs. Organizations often take conflicting cost reduction steps, for example trying to gain market share for economy of scale, while counteracting the possible costs benefits through the proliferation of models, as happened in the South African car market.

Entry of lower cost competitors is supported by Jooste et al (2012) who argues that it is always possible that a competitor with lower cost structures will enter the market and gain market share by even offering lower prices. This could spark a protracted price war with no winners. This occurs regularly in South Africa and can hurt organizations not directly involved in the price war.

Reduced flexibility – in the quest for lower manufacturing costs, an organization may have to invest heavily to gain efficiency. This may tie it to a single way of serving the market, losing the flexibility to react to market changes and making it difficult to adjust to shifts in consumer taste. Heavy investment in cost reduction can lock an organization into a certain technology or strategy leaving it vulnerable to new technologies or customer shifts to something other than a cheaper price.

Some pitfalls include; too much focus on one or a few value-chain activities, all rivals share a common input or raw material, the strategy is imitated too easily, a lack of parity on differentiation and erosion of cost advantages when the pricing information available to customers increases

## **2.4 Applicability of Focus strategy**

A focus strategy is aimed at a segment of the market for a product rather than at the whole market. Firms pursuing focus strategies have to be able to identify their target market segment and both assess and meet the needs and desires of buyers in that segment better than any other competitor. Focus strategies can be based on differentiation or lowest cost. There is much debate

as to whether or not a company can have a differentiation and low-cost leadership strategy at the same time.

Large markets often contain groups of customers with different needs and wants, each of which represents a different market segment. Marketers due to limited resources often find it unwise to appeal to all customers at the same time; hence they have made efforts to concentrate their marketing efforts on fewer customers who respond positively and profitably to their programmes. These smaller groups of customers are what are known as market segments.

Kotler et al (1997) defines a market segment as consisting of a large identifiable group within a market. It can also be defined as a subset of a market made up of people or organisations sharing one or more price or function. A true market segment meets the following criteria; it is distinct from other segments (different segments have different needs), it is homogenous within the segment (exhibits common needs), it responds similarly to a market stimulus and it can be reached by a marketing intervention

This is not something that is arbitrarily imposed on a society. It is derived from the recognition that the total market is made up of consumers or buyers who differ in their wants, purchasing power geographic locations, buying attitudes and buying habits. These segments are homogenous within meaning that people in these segments are similar to each other in their attitudes about certain variables. Marketers have identified such groups with similar characteristics and have set them apart from the rest of the customers. These characteristics can be used by marketers to have a clear understanding of buying behaviour which will assist in the development of strategies. Through focusing on a particular segment, organisations intend to design their marketing mix elements towards those groups that are similar in their wants and needs – who most likely to respond in a similar manner to those marketing efforts.

According to Hollenson (2003) market segmentation is a process of dividing a large market into distinct groups of buyers with similar needs. Kotler (2002) defines market segmentation as dividing a market into distinct groups of buyers with different needs, characteristics or behaviour who might require separate products or responds to the same marketing mix. Market focus is built on the assumption that no company can operate in every market and satisfy every need nor can it always do a good job within one broad market.

The purpose of market focus is to allow an organisation's sales or marketing program to focus on the subset of prospects that are most likely to purchase an organisation's offering. If this is properly done it will help to ensure the highest return for the marketing expenditures. Consumers who fall in one segment of the market are likely to respond in a similar manner to the elements of the marketing mix that the organization uses.

“A company must produce at low cost, while also innovating; it must deploy the massed resources of a large corporation, while showing the entrepreneurial flair of a small start-up; it must achieve high levels of reliability and consistency, while also being flexible” (Grant, 2012). An organization may not be unable to compete in the market place in the manner it would want due to internal constraints such as lack of capital, human resources and or competitive forces. One possible course of action for success is a focus strategy.

The aim of a focus strategy is to create a sustainable competitive advantage by opting to occupy only one specific niche in the market with a limited product range. This is practical if the organization's resources and abilities are insufficient to tackle a full scale battle in the mass market. Large competitors do not usually pay attention to the small players and thus let them be. There are two basic options to obtain a sustainable competitive advantage using a focus strategy: these are low cost strategy and a differentiation focus as shown below.

**Fig 2.4: Focus strategy options**

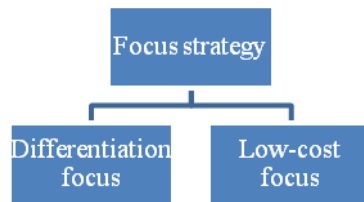


Diagram adopted from Jooste et al (2013)

A low cost focus requires that the organization find a buyer segment whose needs are less costly to meet than those of the rest of the market. Many organizations in various South African industries have used a focus strategy to gain a focus breakthrough. Budget motel chains such as Town Lodge and Formula1 have lowered their investment and operating costs per room by using a no-frills approach aimed at price conscious travelers. The low cost domestic airlines mentioned earlier are other examples.

A differentiation focus requires a specific buyer segment in the market that wants unique products attributes, for example, luxury add-ons in automobiles, specific applications in computers, certain paper types in printing, or shorter haul commuter flights in airlines. The success of Lexus cars in South Africa is a good example.

By optimizing its strategy for a specific niche, an organization can use a focus strategy to gain a competitive advantage in its target segments, even though it may not have a competitive advantage in the overall market. A focus strategy also assumes that the competitors involved in mass marketing will not serve the target segment as well as nichers do.

#### **2.4.1 Ways to achieve a focus strategy**

Creating a viable sustainable competitive advantage is of utmost importance when using a focus strategy. There are many ways to achieve this:

Focusing on the product line – this may involve choosing a specific line of software (for example desktop publishing programmes) or stocking only high quality stereo equipment for the music purist.

Targeting a specific market segment – an example is to try to meet the clothing needs of large people, or provide a resort that caters for a certain class of people, for example a health hydro for stressed out executives.

Choosing a limited geographic area – a geographically based strategy gives the organization the opportunity to satisfy the needs of a limited market segment first before further geographical expansion takes place. Raymond Ackerman's Pick n Pay retailing group started with four supermarkets in the Western Cape in the 1960s, before expanding rapidly into South Africa's other provinces, southern Africa and Australia. This focus strategy can succeed only if a profitable target market is selected, consumers are totally satisfied with the market offering, and management is involved and enthusiastic about being successful.

Targeting low share competitors – this involves finding a specific portion of the market that is extremely profitable, or has been neglected by bigger competitors. For example Douglas Green of Paarl enjoyed tremendous success by concentrating on the imported liquor market in South Africa, which was shunned by many large local competitors.

### **2.4.2 Advantages of a focus strategy**

Aaker (2003) identifies a number of advantages an organisation can gain from a focus strategy:

Avoiding distraction or dilution of strategy – when an organisation focuses all its resources, skill and effort on one goal and everyone in the organisation supports the total effort, the organisation will match the market needs with its assets, skills and functional strategies. With a broad product line and numerous segments, the organisation's efforts and marketing efforts and marketing activities tend to become diluted and unfocused.

Making an impact with limited resources - many organisations simply do not have the resources to compete in broad product markets. New organisations may have to choose strategy until they generate enough earnings to expand.

Bypassing competitor assets and skills – an organisation that focuses can choose the basis on which to compete, allowing it to compete in its own comfort zone, rather than on the basis set by the large, broad based organisations in the industry.

Providing a positioning device – the organisation may be able to identify itself with a specific product line, segment or geographic area. Ferrari for example is synonymous with high-performance sports cars. Any effort to compete in broader markets could damage the image it has built in this niche. This was a concern of Porsche aficionados when it introduced the Porsche SUV (Cayenne), far removed from the high powered sports cars that it had developed through the years. Nevertheless, the Cayenne has been a great success in South Africa and worldwide, contributing more than 50% of total sales of Porsche cars globally. New additions to the product line such as the Cajun and the Panamera also indicates that Porsche can successfully enter more niches in the market.

Reducing competitive pressures – an organisation that follows a focus strategy can choose which segments or products/markets to compete in and so reduce competitive intensity. It may forego a higher sales volume for a less competitive environment where it can grow and prosper. Some of the biggest multinationals started out in this manner before changing direction and entering the global market.

### **2.4.3 Sustainability of a focus strategy**

Porter (1980) identified three factors that determine the sustainability of a focus strategy against competitors. Organisations should consider all these factors:

Sustainability against broadly targeted competitors – a broadly targeted organisation may already be a competitor in the focus segment or could be a potential entrant into the segment. The more the focuser's value chain differs from that of its broad-based competitors the more sustainable its strategy will be. A focus strategy is also more sustainable the more its target segment's needs differ from those of other segments. Pretorius (2008) supports Porter by mentioning that; sustainability will be eroded if the difference between the segments diminishes over time, such as if technology reduces the cost of serving multiple segments, or it becomes too expensive to develop a specialized value chain tailored to the needs of the focus segment.

Sustainability against imitators – a significant threat to a focus strategy is that it may be copied by another organisation, either a totally new entrant or one that has re-evaluated its own strategy. Barriers to entry could include scale, differentiation, channel loyalty or capital, depending on the industry, and these need to be analysed to assess the likelihood of imitation. The size and growth rate of the target segment also affect the likelihood of imitation. If the segment is small and stable, entry could be difficult. If the segment is large and growing, there is always the probability of entry or imitation. Another threat, if the segment is growing, is that the focus organisation may become out-focused as narrower segments evolve.

Sustainability against segment substitution – there is always the threat that the focal segment may disappear altogether. Factors such as technology and environmental change could cause a market to erode or disappear completely. This is the situation with South Africa with the demise of satellite television market in favour of the digital system and more recently the move from CD to Blu-ray technology. This can occur when a broad-based competitor uses its advertising muscle to shape buyer attitudes and entice buyers away from the focus organisation's market to substitute its own product instead.

The following conditions according to Griffin, (2000), usually indicate that a focus strategy could be an attractive choice for the organisation: profitability that is the segment the organisation wants to focus on is big enough to be profitable, growth potential that is the

segment has good growth potential, the organisation has the skills and resources to serve this segment effectively and protection that is, the organisation can defend itself against challengers, based on customer goodwill and superior ability to serve buyers in the segment.

#### 2.4.5 Pitfalls of focus strategy

Pitfalls of a focus strategy include erosion of cost advantages within the narrow segment meaning that as the segment gets it might end up failing to meet the costs involved in serving it, focused products and services still subject to competition from new entrants and from imitation and focusers can become too focused to satisfy buyer needs (Suárez-González et al 2012).

### 2.5 Generic Strategies and Company performance

Pretorius (2008) notes that the generic strategies each have attributes that can serve to defend against competitive forces. Together the five forces model determines the profit potential for a particular industry. It helps management whether to remain in an industry or exit. It provides the rationale for increasing or decreasing resource commitment. Insights provided by Porter's five forces model can be used to create higher entry barriers that discourage new rivals from competing with you. Porter's Five forces include rivalry among competing sellers in the industry, threat of substitute products; potential entry of new competitors, bargaining power of suppliers and bargaining power of buyers.

The following table compares Porter's generic strategies with Porter's five forces model and how an organisation can create competitive edge by employing generic strategies to counter forces.

**Table 2.2: Generic Strategies and Industry Forces**

| <b>Industry Force</b> | <b>Generic Strategies</b>                                      |  |  |
|-----------------------|--|--|--|
|                       | <b>Cost Leadership</b>   | <b>Differentiation</b>   | <b>Focus</b>   |
| <b>Entry barriers</b> | Ability to cut price in retaliation deters potential entrants. | Customer loyalty can discourage potential entrants.                          | Focusing develops core competencies that can act as an entry barrier.  |
| <b>Buyer Power</b>    | Ability to offer lower price to powerful buyers.               | Large buyers have less power to negotiate because of few close alternatives. | Large buyers have less power to negotiate because of few alternatives. |
| <b>Supplier</b>       | Better insulated from  | Better able to pass on supplier  | Suppliers have power because of  |



|                              |  |   |   |
|------------------------------|--|---|---|
| <b>Power</b>                 | powerful suppliers.                              | price increases to customers.   | low volumes, but a differentiation-focused firm is better able to pass on supplier price increases. |
| <b>Threat of Substitutes</b> | Can use low price to defend against substitutes. | Customer's become attached to differentiating attributes, reducing threat of substitutes. | Specialized products & core competency protect against substitutes.                                 |
| <b>Rivalry</b>               | Better able to compete on price.                 | Brand loyalty to keep customers from rivals.  | Rivals cannot meet differentiation-focused customer needs.  |

Table adapted from Griffin (2000)

## 2.6 Criticisms of Porter's framework

The paper concludes that the use of a well-known generic strategy typology (Porter's (1980) generic competitive strategies) was of little use in interpretation of the clusters that were identified. Further, it suggests that Porter's (1980) generic competitive strategy schema does not describe/fit empirical reality, and provides no support for the notion that these generic strategies are routes to superior profit.

In unpredictable world, there is a premium on being able to respond quickly to changing circumstances and to alter the strategies of the organisation accordingly

A flexible approach is not possible within the framework of a traditional strategic planning process, with its implicit assumption that an organisation's strategies need to be reviewed during the annual planning exercise.

Critics of formal planning systems argue that we live in a world in which uncertainty, complexity, and ambiguity dominate, and in which small chance events can have a large and unpredictable impact on outcomes. In such circumstances, even the most carefully thought out strategic plans are prone to being rendered useless by rapid and unforeseen change.

Pretorius, (2008) points out that cost leadership alone does not sell products. Differentiation strategies can be used to increase sales volumes rather than to charge a premium price. Successful strategies are often the result of serendipity not rational strategizing. Price can

sometimes be used to differentiate. A “generic” strategy cannot give a competitive advantage. Arguably, the resource based strategy has superseded this generic strategy framework.

## **2.7 Summary**

In this chapter managed to define generic strategies as given by different authors. The research also went on to identify factors that hinders proper application of generic strategies. The chapter also outlined the benefits and drawbacks of applying generic strategies. The researcher did not leave other strategies that can be used by bakeries to gain sustainable competitive advantage. Ways in which companies can apply the use of cost reduction, differentiation and focus strategies were also discussed. The researcher also managed to show the link between generic strategies and five forces and disclose ways in which companies can improve performance. The researcher concluded by outlining the pitfalls of using generic strategies.

## **CHAPTER 3 RESEARCH METHODOLOGY**

### **3.0 Introduction**

This chapter outlines the methodological approach adopted in this study. It highlights the various steps taken to ensure a clear and grounded analysis of bakeries and other stakeholders. The chapter also provides grounding and foundational framework for understanding how fieldwork was conducted, challenges faced, limitations and emerging issues from the field. The research methodology is important in that it validates the information collected and provides a clear sense of how it was collected. Within this chapter discussions around sampling will be covered as well as the specific methods used to gather data. The chapter also outlines data analysis and ethical arrangements for this study.

### **3.1 Research approach**

The goal of the research process is to produce new knowledge or deepen understanding of a topic or issue. There are two major types of research design: qualitative research and quantitative research. Researchers choose qualitative or quantitative methods according to the nature of the research topic they want to investigate and the research questions they aim to answer. In this case the researcher is going to use mixed model research approach which encompass both qualitative and quantitative research.

This is a common approach and helps you to 'triangulate' that is to back up one set of findings from one method of data collection underpinned by one methodology, with another very different method underpinned by another methodology - for example, you might give out a questionnaire (normally quantitative) to gather statistical data about responses, and then back this up and research in more depth by interviewing (normally qualitative) selected members of your questionnaire sample.

### **3.2 Research philosophy**

This is a combination of different techniques that are used by the researcher to investigate different situations. It is necessary for the researcher to understand the philosophical position of research issues to understand the different combination of research methods. There are mainly

three types of research paradigm to understand the reality, positivism, interpretivism and realism. The researcher is going to use both positivism and interpretivism research philosophy.

### **3.2.1 Positivism**

The concept of positivism is directly associated with the idea of objectivism. In this kind of philosophical approach, scientists give their viewpoint to evaluate social world with the help of objectivity in place of subjectivity. According to this paradigm, researchers are interested to collect general information and data from a large social sample instead of focusing details of research. According to this position, researcher's own beliefs have no value to influence the research study. The positivism philosophical approach is mainly related with the observations and experiments to collect numeric data.

### **3.2.2 Interpretivism**

Interpretivism can be referred as the Social Constructionism in the field of management research. According to this philosophical approach research give importance to their beliefs and value to give adequate justification for a research problem (Smith et al. 2006). With the help of this research philosophy, there was more focus on the real facts and figures of the research problem. This kind of philosophical approach helped to understand specific business situation and in this case Porters' Generic strategies.

## **3.3 Research design**

Walliman (2008) notes that research design includes all the issues involved in planning and executing a research project: from identifying the problem, reporting and publishing the results. The goal of the research design is to provide results, which are judged to be credible and should resemble reality and are taken to be true and credible. There are various research designs that could be used and they all differ according to the objective of study and relevant information required; in this case the researcher will use the case research design and descriptive survey method.

### **3.3.1 Case research design**

Robinson (1993) defines a case study as the development of a detailed interview about a single case or smaller number of related cases. It has the ability to generate answers to the question

“why?”, “what?” and “how?” The research settled on a case study because of its great advantage that it allows the researcher to concentrate on a specific instance or situation. In this case the researcher used the bakeries in Zimbabwe as the case.

### **3.3.2 Descriptive research design**

The research was also carried out using descriptive research. Saunders (1997) viewed descriptive research design as a design that lays down and provide facts on which decisions can be based upon thereby leaving the final decisions to be made by management of the organisation. Descriptive research is undertaken in order to ascertain and be able to describe the characteristics of variable in a situation for instance describing respondents in terms of percentage of age, sex and composition and employee grade. The researcher used descriptive design because using this type of approach in studies usually aim at recording in form of a written report of that which has been perceived. The researcher wanted to record full detail on the impact of generic studies on the performance of bakeries in Zimbabwe.

## **3.4 Population and Sampling techniques**

### **3.4.1 Population**

Cooper and Schindler (2008) define a population as the total collection of elements about which we wish to make some inferences. This represents the entire group of people under study as specified by the objectives. A population can be defined as any set of persons or subjects having a common observable characteristic. For example, all individuals who reside in the United States make up a population. Also, all pregnant women make up a population.

In this case the target population comprise of management of bakeries and their juniors. There are 17 bakeries which are heard quartered in Harare. In addition to this there are in-store bakeries like Spar, OK, TM and Food world who also manufacture and sale bread. The total number of retailers who bake bread is 7. The total population for this study is 24 bakeries.

The bakery industry also has key informant players who are there to monitor their operations such that consumer grievances are addressed as well as the bakeries themselves. These organisations include Bakery Association of Zimbabwe (BAZ), Consumer Council of Zimbabwe

(CCZ) and Zimbabwe National Chamber of Commerce (ZNCC). For example the CCZ monitors the weight and price of bread while ZNCC wants to make sure that bakeries continue to survive. The sample for key informant interviews will be six people; two from each organisation.

### **3.4.2 Sample Frame**

Shukla (2008) defines a sampling as a selection of relatively small number of elements or characteristics from a larger defined group of elements and expecting that the information gathered from the small group of elements will provide accurate judgment about the larger group. The author further explains that a sample frame is a representation of the elements of the target population and this can be in form of elements i.e. objects which can be redefined into sample units (target population elements available for selection during the sampling process).

For the purpose of this report, all management both top or bottom in the bakery industry for both instore and independent bakeries were treated as a sample element. Management of key informant organisation for example Bakery Association of Zimbabwe; which also governs the bakery industry also constitutes part of the sample.

### **3.4.3 Sampling Techniques**

#### **3.4.3.1 Census**

One approach is to use the entire population as the sample. Although cost considerations make this impossible for large populations, a census is attractive for small populations for example 200 or less. A census eliminates sampling error and provides data on all the individuals in the population. In addition, some costs such as questionnaire design and developing the sampling frame are "fixed," that is, they will be the same for samples of 50 or 200. Finally, virtually the entire population would have to be sampled in small populations to achieve a desirable level of precision. In this case since there are only 24 bakeries the researcher is going to carry out a census.

#### **3.4.3.2 Convenience sampling**

This involves the selection of a sample that could be obtained simply and conveniently. Non-probability sampling technique is where population may or may not be accurately represented, that is probability of inclusion is not the same for each elements which have characteristics that

are relevant to the research. This is a non-probability sampling where contestants are selected on the basis of convenience. The selection of units from the population was based on easy availability and accessibility of units. This was most done on the key informant interviews where the research would simply find the next possible person who could give him information in case the one whom he had booked an appointment with was not available in the office.

The researcher used non-probability sampling because it was seen as most appropriate as the researcher wanted to generate theory and a wider understanding of the problem. The pragmatic advantages of convenience sampling are that it saves time and money. Ensures relevant and useful participants hence it reduces time of setting appointments with respondents.

### **3.5 Sources of data**

#### **3.5.1 Primary data**

Kotler (2000) defines primary data as the data the researcher collects in the field especially for the project. Primary data collection methods used for this study include questionnaires and interviews. These were used to gather information from chosen bakeries and publics like the Bakeries Association of Zimbabwe.

Primary data was used because it is more relevant since it is specific and more recent. Primary data usually reflects the current environmental factors and time frame. This entails that by gathering primary data one is not long at historical happenings that may not be similar to the present situation but is actually searching for real forces at play currently. This basically tries to appreciate that circumstance and situations change for better and for worse; the environment is very dynamic and unpredictable. Primary data was used because it provides the researcher with first information from respondents pertaining the area under study.

#### **3.5.2 Secondary data**

Pannerslam (2005) indicates that secondary that is data that is exist within or outside the company; the data is collected and processed by others for a purpose other than the problem at hand. To add more value to primary sources; they were complemented by secondary data. The

researcher used the internet and other external sources to complement the internal sources from different bakeries.

To enrich the study, the researcher used of secondary data in order to establish trends, challenges and make comparisons. Secondary data consolidated data obtained from personal interviews. This generally combines theory and practice to come up with a well-balanced research on the impact of generic strategies on the bakeries. Secondary data was used because it formed the basis for research and often helps to define the problem and research objectives.

In addition secondary was also used because it could be obtained more quickly, conveniently and at a lower cost than primary data. Familiarity with secondary data also helped the researcher to discover deficiencies and gaps and they are also good comparison with primary data. Secondary data allowed the researcher to explore the area of study without having to go through the processing of collecting data in the field.

### **3.6 Research Instruments**

In depth interviews and questionnaires were used by the researcher.

#### **3.6.1 In-depth interviews**

Qualitative in-depth interviews typically are much more like conversations than formal events with predetermined response categories. In-depth interviews were used on key informant organisations. In-depth interviews can help highlight individual versus group concerns. It is also easier to speak to one person and keep her attention than to address a group.

The principal advantage of an interview is its adaptability; the interview permits the research worker to follow up and thus obtain more data and greater clarity. The interview situations permitted much greater depth than the other methods of collecting research data. In depth interviews were chosen as the most appropriate gathering technique because the research strategy required information concerning participant's understanding of Porter's generic strategies. The in depth interviews builds into questioning, sufficient flexibility to capture insights that may otherwise be lost to the imposition of the next structured question.



### **3.6.2 Questionnaire**

Questionnaires were used to gather opinions from management of the 24 bakeries. They were administered by the researcher, firstly by testing the questionnaire then refining it to be most suitable and appropriate. Care was taken in selecting the sample, phrasing the questions, and analysing the results in order to make valid conclusions.

The advantages of using the questionnaires were that they are quite practical and are in a standardized (uniformity) manner. This makes them more objective and easier for data analysis and interpretation. The results of the questionnaires can usually be quickly and easily quantified by either the researcher or through the use of a software packages.

Questionnaires allowed for a larger reach of people and allow for a quicker way of collecting information particularly when compared to interviews. Questionnaires were used because they are easy when comparing and analyzing findings and because they are also easy to distribute to the respondents. Questionnaires were used to eliminate interviewer bias since the questionnaires will be filled in the absence of the researcher.

### **3.7 Data Collection Process**

The researcher designed two questionnaires; an interview guide questionnaire and an open ended questionnaire for management to fill in. Questionnaires were hand delivered to management or any head of the bakeries who filled in at their own time and the questionnaires were later collected. The researcher also took his time to explain some questions which were not understood by the respondents. Much emphasis was also mentioned that the research was being carried for academic purposes only.

For directors and head of departments that is key informant organisations which govern the operations of the bakery industry in Harare, an interview guide questionnaires was designed by the researcher and interviews will be done with the researcher jotting down and recording important information. Appointments were placed by those who were to be interviewed. Each interviewed was timed to around 15 minutes. If the researcher found out that the one whom he

had plans to interview was busy the researcher interviewed the assistant or any junior who was available.

### **3.8 Data analysis and presentation**

This is a process that involves synthesizing of information to provide meaning to specific phenomena. Making sense of the data required a systematic effort that ensured that the emerging issues from the field were fully captured. The use of mixed method approach necessitated the use of two different but related methods of data analysis. What is important is that the two methods inform and enrich each other rather than competing.

The researcher thus utilised thematic analysis for qualitative data and this formed the overarching framework for analysis. According to Leininger (1985) thematic analysis is a process that involves searching through data to identify any recurrent patterns. A theme is a cluster of linked categories conveying similar meaning and usually emerges through inductive analysis process which characterizes qualitative paradigm. This method thus focuses purely upon meaning given to a certain phenomenon. Thematic analysis is relevant to this particular study in that it allows other themes to emerge from data. According to Tylar and Bogdan (1989) themes are defined as units derived from patterns such as conversation topic, vocabulary, meanings feeling and folk saying and these will be observed by the researcher throughout the research process and used to help analyse data from the research.

Quantitative data was analysed using Statistical Package for business. The statistics will be used to support and enhance the emerging themes. In analysing and presenting data both quantitative and qualitative techniques were used. The gathered responses were analysed through the use of graphs, tables and pie charts. The observational results will then be used to analyse, describe, present and interpret the data.

### **3.9 Research ethics**

Bless et al (2006) note that research ethics assist in reducing research abuses and enhance researchers' understanding of their responsibilities as ethical scholars. Bless et al (2006) further note that research ethics emphasize the human and sensitive treatment of research participants

who may be placed at varying degrees of risk by virtue of participating in studies. The responsibility to maintain ethical standards in a research solely lies with the researcher. Respondents must be fully informed about the research and research objectives will be fully explained and permission to use the tape recorder will be obtained from the participants.

Confidentiality and anonymity are essential in all researches. Participants will be assured that their identities will not be mentioned to anyone else and would only be known by the researcher. Babbie and Mouton (2001) advise that obtaining participants names during data collection and destroying these names upon completion of the project is one way to maintain confidentiality. Informed consent according to Bless et al (2006) is a basic right for all research participants. Informed consent will be sought from participants and the participants are allowed to decline to participate if they chose to do so.

### **3.10 Summary**

The preceding chapter outlined the research design used, which was both a qualitative and quantitative research. Data was collected by use of questionnaires and telephone and face-to-face interviews. The sample size and the composition of the sample were also outlined. Methods used to collect data, which are secondary and primary data, were discussed. Lastly the methods of data presentation and analysis procedures were also described. The following chapter will focus on data presentation and analysis.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

The chapter presents data collected during the study and seeks to analyse and present research findings on the impact of generic strategies on company performance. Content analysis was used for the analysis and discussions, where data was presented and analysed by tabulation of the statistical historical records as well as classifying and cross classifying responses of interviews held and document analysis. Line graphs, pie charts and other forms of graphical illustrations were used for presentation.

#### **4.1 Response rate from survey**

The research was intended to get the views of 24 bakeries and 6 key informant interviews. After the research was carried out questionnaires handed to bakery heads were collected. The table below summarizes the response rate from both bakeries and interviews which were carried out.

**Table 4.1 Response rate from Questionnaires**

|                           |             |
|---------------------------|-------------|
| Questionnaires Issued Out | 24          |
| Questionnaires Returned   | 22          |
| <b>Response Rate</b>      | <b>91.6</b> |

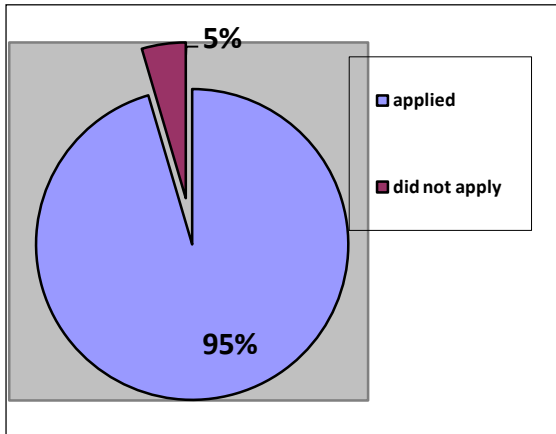
The research obtained an average response rate 91.6% from the questionnaires administered and interviews conducted. A response rate of at least 70% is enough for the researcher to analyse data and draw conclusions from such results without making the results invalid (Robertson 2002). The high response rate was due to the fact that the researcher generated a lot of interest to the respondents in the area under study. The 8.4% who did not respond to the questionnaire was because the research was carried during when a lot of bakeries were so busy reporting for the year ending December 2013 leaving them without a chance to respond to the questionnaire.

#### **4.2. Information gathered from the field**

The following data was gathered was gathered from the field from both questionnaires and interviews that was carried out by the researcher.

#### 4.2.1 Cost leadership as a competitive strategy

Out of the 22 questionnaires that were collected the researcher found out that 21 bakeries agreed to have used cost leadership as a competitive strategy and only a single bakery had never applied the strategy. This information is presented by the pie chart below.

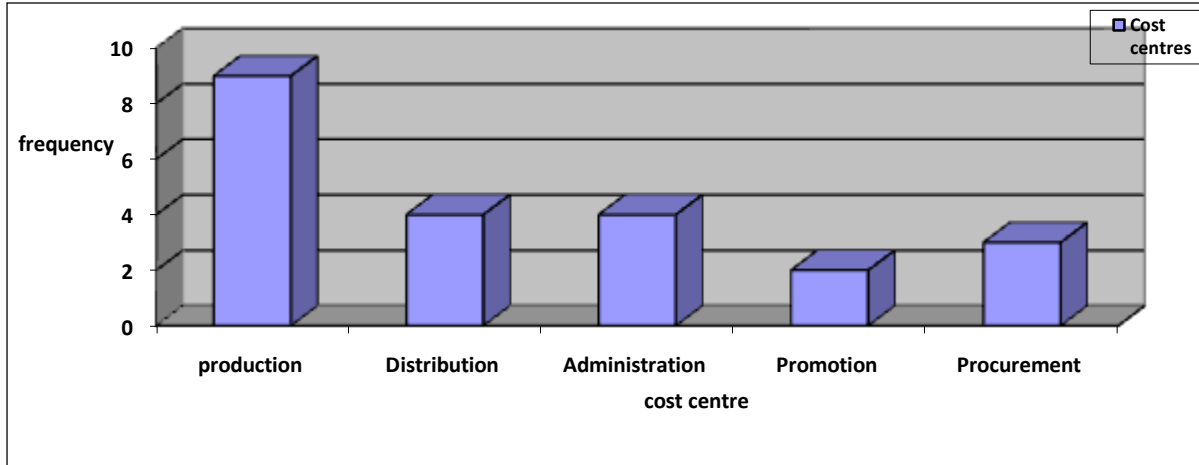


**Fig 4.1 Cost leadership as a competitive strategy**

This large number of bakeries who are voting to have used the strategy could be a sign of how effective the strategy is when it comes to achieving a competitive strategy. National Bakery a subsidiary of Grain Marketing Board (GMB) had to retrench some of workers in a bid to reduce some of its operating costs. The bakery which hasn't used the strategy could be one of those bakeries who are still new in the field and haven't realized a considerable amount of costs.

#### 4.2.2 Bakery cost centres

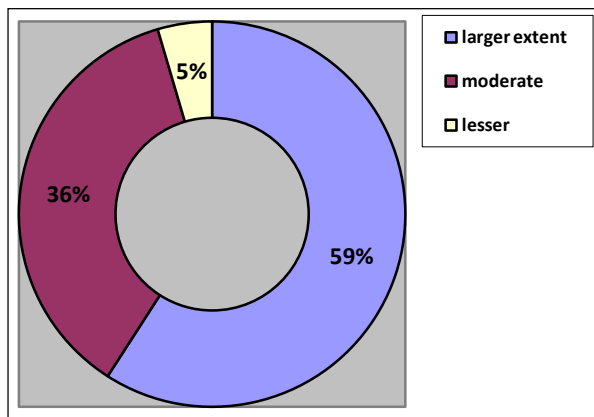
Cost centres triggers the need for proper monitoring and management since lack of this may lead to the organisation ending up being a victim of high costs which will end up eroding profits. Availability of cost centres may lead the organisation to adopt cost leadership and cost focus as a strategy. Production costs surpassed others because of a lot of costs involved when manufacturing like overheads costs, maintenance of machinery, workforce and depreciation for example Lobels which bought a new production plant to replace worn out plant in its Bulawayo plant. Most bakeries agreed that the production department is their highest cost centre as evidenced by 9 bakeries who ticked this area, 4 bakeries on distribution and on administration, 2 on promotion activities and one on procurement. This information is shown by the bar chart below.



**Fig 4.2 Bakery cost centres**

**4.2.3 Cost reduction strategies impact**

As compared to other strategies being implemented for example promotions, the success of cost reduction like retrenchment have been voted by bakeries to bring a competitive advantage on different levels. Inncor’s Bakers Inn opted to procure its raw materials from abroad because of the high prices of local suppliers for example 50kg of flour costs \$39 at Grain Marketing Board while purchasing abroad; a bag cost \$21.50 at Bakers Unlimited in Zambia. 59% of bakeries have voted that cost reduction increases the competitive advantages of the bakery than other strategies; other agreed that it brings a moderate advantage while the remaining said it was poor when it comes to bringing competitive advantage. This information is shown by the ring pie chart below.



**Fig 4.3 Impact of cost reduction strategies**

#### 4.2.4 Target marketing of different bakeries

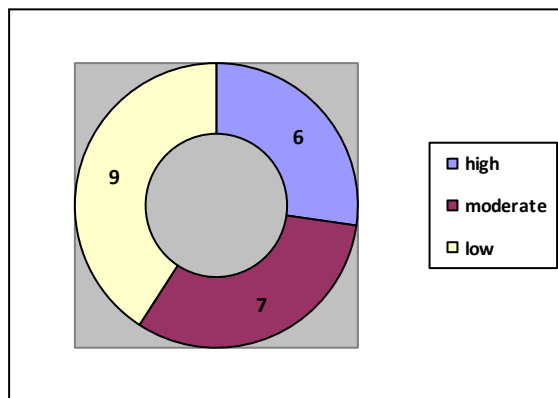
Whether a bakery has a specific target market or markets for its offering means that it can be applying Porter's customer focus strategy knowingly or unknowingly and its competitive advantage that is leading to its survival can be brought by such a strategy. About 19 bakeries agreed that they are targeting one or more groups of customers rather than shooting in the dark while the remainder's offerings are everything to everyone (shooting in the dark). A bakery that does not practice target marketing is Golly which offers a standard loaf which it assumes that it meets the required of its customers whether rich or poor, male or female. This information is shown by the table below.

**Table 4.3 Level of target marketing by different bakeries**

| Specific type of market | Response |
|-------------------------|----------|
| Yes                     | 19       |
| No                      | 3        |

#### 4.2.5 Levels of product differentiation

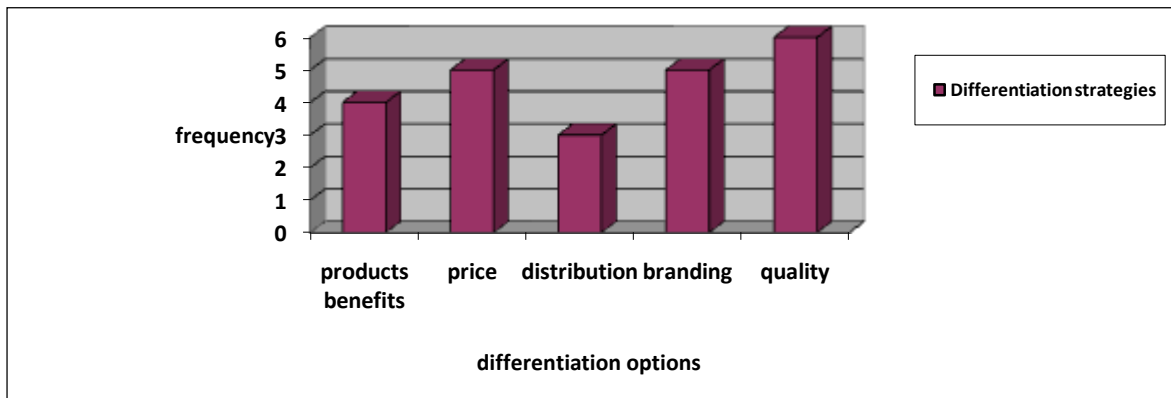
Level of product differentiation shows the level of investment the organisation is undertaking in terms of making its products unique. A superior and unique product usually attracts more customers than a generic product. An example of such a bakery which manufactures a generic loaf is Sachie's Bakery located at Kamunhu shops in Mabvuku. Nine bakeries do not differentiate their offerings that much since this requires huge capital investments, seven are somehow involved in differentiating their offerings while the remaining six are so much involved in differentiating of products which can be a case of the availability of resources for example Proton manufactures a seed loaf which costs \$1.45. This information is shown by the diagram below.



**Fig 4.4 Levels of product differentiation**

#### 4.2.6 Differentiation strategy options

One of the methods that can be used to check that bakeries are implementing generic strategies is by checking whether there is any form of differentiation on their operations. This can be seen whether there is any form of differentiation on their products, distribution channels being used, and quality of their products as compared to those of competitors, their brands and price structures. Interviews that were conducted proved that these bakeries are differentiating their offerings. Information conducted from management interviews showed that 4 bakeries are concentrating on products benefits to differentiate its offerings, five are using price, three are using distribution as a differentiating devise, five are using branding and six are improving the quality of their offerings to differentiate their offerings.

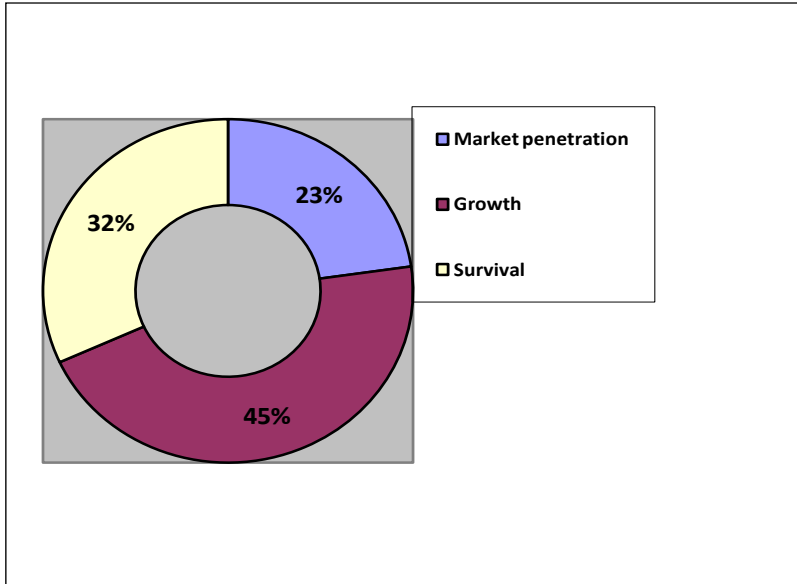


**Fig 4.5 Differentiation strategy options**

#### 4.2.7 Objectives achieved through generic strategies

Generic strategies as stated by Michael leads to the achievement of a competitive advantage of its competitors. This can be evidenced by most bakeries who managed to show how these strategies have helped them achieve different objectives like growth in profits. 45% of these bakeries said they have managed to achieve growth in sales, profits and market share; 32% managed to penetrate the market and 23% managed to survive despite the stiff competition. This information is shown on the pie chart below.

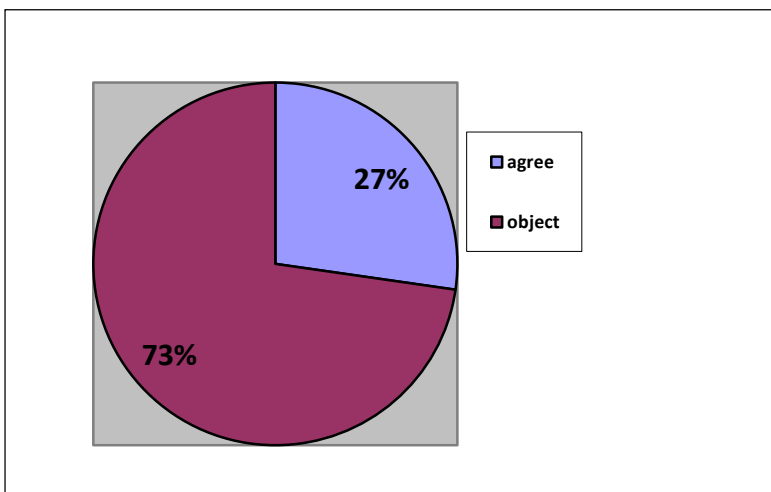




**Fig 4.6 Objectives achieved through generic strategies**

#### **4.2.8 Availability of resources for the application of generic strategies**

Whether a company has opted for a strategy that can turn around the problems of the bakery; the availability of resources determines whether that strategy is going to be a success or a failure. For example a differentiation strategy means that a company needs to come up with different packaging for its different loaves which consequently means more in terms of resources. Information gathered from key informant interviews proved that without the necessary resources the success of a plan fails. From the questionnaires that were collected only 27% of the bakeries agreed that they have all it takes to be able to implement their strategies while the remaining 73% disagreed that they have the necessary resources. This is shown by the pie chart below.



**Fig 4.7 Availability of resources for the application of generic strategies**

#### **4.2.9 Problems that hinder proper application of generic strategies**

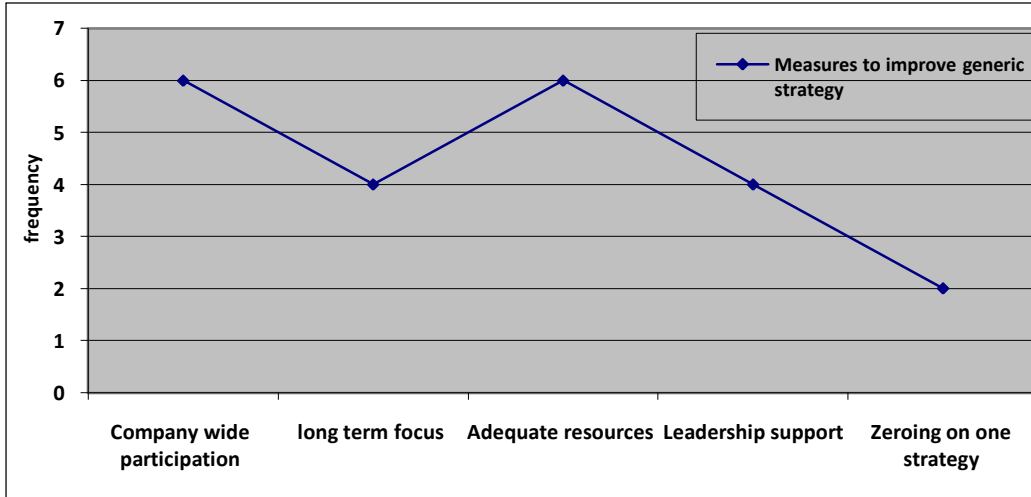
To effectively and efficiently implement generic strategies a plethora of factors can affect this including lack of resources, lack of expertise or changes in the operating environment. Some bakeries which were once operating well like Blue Ribbons' Mitchell's which was once white owned is now tittering on the brink of collapsing since the whites went back home because of politics which is a factor emanating from the operating environment. Most bakeries said that they are being affected by changes in operating environment like rise in interest rates, increases in tax, inflation and politics. This information is shown by the table below.

**Table 4.3 Problems that hinder proper application of generic strategies**

| <b>Problem</b>                       | <b>Number of bakeries</b> |
|--------------------------------------|---------------------------|
| Lack of resources                    | 7                         |
| Changes in the operating environment | 8                         |
| Lack of expertise                    | 3                         |
| Poor coordination                    | 2                         |

#### **4.2.10 Measures to improve proper application of generic strategies**

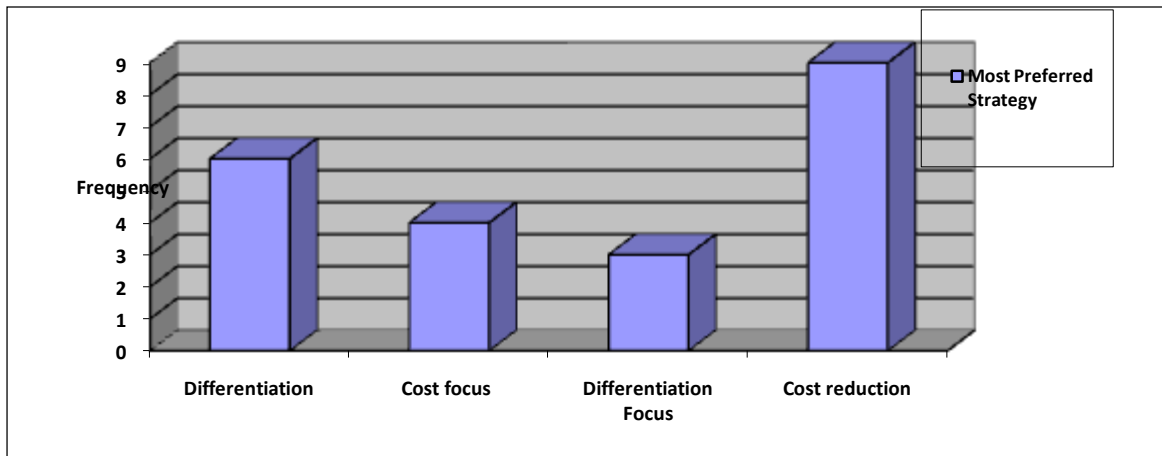
Most plans being implemented are normally affected by such factors as companywide participation, long term focus, adequate of resources, leadership support and zeroing on one strategy. Generic strategies could be producing results but any of these factors could have hindered the success that was expected from these strategies. Six bakeries said that they lacked companywide involved in programmes, four said it was a lack of a long term vision, six also confirmed lack of resources, four voted that they lacked leadership support while the remaining four said they failed to zero in on one strategy. This information is shown by a line graph below.



**Fig 4.8 Measures to improve proper application of generic strategies**

**4.2.11 The most effective generic strategy**

From the information gathered from key informant interviews carried out the most preferred generic strategy is cost reduction. This could be because of the fact that costs erode profits and bakeries try by all means to contain cost so that they may be as low as possible so that profits also increase. This information is complemented by that gathered from questionnaires also proved that cost reduction is the most preferred strategy as 9 bakeries uses this strategy, 6 uses differentiation strategy, 4 use cost focus and 3 uses differentiation focus. This information is shown below.



**Fig 4.9 Most effective generic strategy**

#### **4.2.12 Generic strategies as a solution to achieve a competitive strategy**

Even though generic strategies requires a lot in terms of finance to be implemented most bakeries are still preferring them instead of other strategies that can be used to achieve the same like relation marketing and quality management. Management interviews also advise bakeries to apply them. From questionnaires 19 bakeries opted to use them and only 3 even though applying them they still don't prefer them. This information is presented by a table below.

**Table 4.2 Generic strategies as a solution to achieve a competitive strategy**

| Best solution | Number of bakeries |
|---------------|--------------------|
| Yes           | 19                 |
| No            | 3                  |

#### **4.3 Summary**

This chapter presented and analyzed the data collected from the field through interviews and mainly questionnaires. From the above findings it can be said that the primary data collected was a success especially given an overwhelming response of 91%. The responses were indicative of a higher deficiency of an effective strategy that bakeries are applying generic strategies unknowingly. The following chapter will summarize the main areas of the topic under study and the solutions which can be used to help counter all the stated challenges which are affecting students at Glen Forest secondary school.

## **CHAPTER 5**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary**

The research study aimed to evaluate the impact of generic strategies to the success of bakeries in Zimbabwe. This is because bakeries are facing a plethora of problems emanating from both the business and internal environment like rising marketing costs, operating costs, changes in consumer tastes and labour costs and in the process of countering the challenges they might have adopted Porter's generic strategies knowingly or unknowingly and hence the need for the research to find out the impact of the strategy.

The study focused on literature from various authors and writers on Porter's generic strategies which are cost leadership, focus and differentiation. On literature review various definitions and studies from researchers were critically analysed.

The researcher used in-depth interview and questionnaire to gather information. Since the researcher discovered that the population was within the means of the researcher to reach everyone in the population there was no sampling technique used and this implies that a census was used.

Convenience sampling was meant in case that the one to be interviewed was not available then the researcher would interview either the assistant or anyone credible to give reliable information. A sample size of six key informants and 24 bakeries took part in the research. Line graphs, bar charts, pie charts and other forms of graphical illustrations were used for data presentation.

#### **5.2 Major findings**

##### **5.2.1 Impact of Cost reduction strategy**

Due to high operating cost of bakeries; most of the bakeries voted to be using cost reduction strategies and they were doing this by identifying their cost centres which come mainly from production, distribution, administrative, promotion and procurement. Cost reduction strategies being used include buying raw materials from abroad, retrenchments, closing unprofitable

branches and outlets. Key informant also supported this that in order to improve on profitability there was need to curb down cost.

### **5.2.2 Impact of Differentiation strategy**

Differentiation by product and service quality has been used most by bakeries, for example Proton has differentiated its products on health through offering a range of products for example the High Fibre loaf. Kinbran has used differentiation in price by offering a budget loaf going for 50 cents and normally distributed in the high density suburbs. Levels of investment to make the products of the players in the field unique are evident for example Bakers Inn acquisition of a production plant from Netherlands which meets international standards is a sign of differentiation in terms of products. Different products are seen in the market to target different types of customers who also have unique needs. Some of these bakeries they distribute their products to secluded outlets and some like Mi Brands specialize mainly on confectionery.

### **5.2.2 Impact of Focus strategy**

Targeting a specific market segment, choosing a limited geographical area, focusing on a certain product line and targeting low share competition is also being practised as seen from the questionnaires and interviews. Even though Proton will distribute its products to other parts of the country it has managed to focus on Marondera to an extent that retailers are not eager to take orders from other bakeries using the idea that the day the suppliers which operates out of Marondera do not bring an order Proton will not give bread to sale to the retailer.

### **5.2.3 Impact of the model**

It has been found out that the bakeries are making good use of the generic strategies with most of them voting that cost reduction strategies is being useful to their survival. This is because costs erode profits and bakeries try by all means to contain costs. In-store bakeries operating in retail outlets like OK Zimbabwe and Pick n' Pay normally enjoyed cost reduction since most of what they manufacture are normally generic products sometimes not branded.

### **5.2.4 Drawbacks**

The model applies best to large and established bakeries. This is in line with what Porter did by directing his analysis primarily on large multinationals with multiple strategic business units.

Although the ideas behind the model still hold for smaller organisations, the tools are too heavy and all encompassing to provide valuable insight for them.

### **5.3 Recommendations**

#### **5.3.1 Cost reduction strategies**

The researcher noted that there was need for bakeries to first identify the cost centres first before engaging on reducing the cost for example it cannot be wise to continue having maintenance costs instead the company can replace obsolete machinery than repairing or a bakery should not fire for the sake of retrenching people when they are understaffed.

#### **5.3.2 Differentiation strategy**

Bakers should improve on uniqueness as a barrier to competitors – aspects of uniqueness such as learning, linkages and first mover advantage tend to sustain the uniqueness more than mere policy decisions. These aspects are harder to copy and easier to maintain, making it easier to protect the source of differentiation.

#### **5.3.3 Focus strategy**

For focus to be well implemented it is wiser that the bakeries to take it as an ongoing strategy and expect results in the long run. The breakeven point between implanting and achieving results can be long and it's important that bakeries not to lose heart for example Proton operates from a small a town but because it has managed to carve a niche it has stood a taste of time.

#### **5.3.4 Drawbacks of the Generic strategies**

It is important for bakeries to come up with a contingency plan when implanting the strategy, yes it has been advocated by many business gurus but in case that results have not shown the is need to quickly jump to another plan.

### **5.3 Suggestion for further studies**

As with many strategic management topics, one possible explanation for inconsistent results across companies after applying the same strategy; say Porter's Generic Strategies have been evident, some companies doing well and some failing. There is a possibility models somehow do

not posit a direct and simple linear effect for example advertising may not lead to an increase in sales. Some reviews have concluded that particularly in the context of firm performance, linear models have produced disappointing results, regardless of the predictor to an extent that authors and business advisors have advocated a contingency approach when applying these models. The researcher would want to find out what brings about success or failure when the same model has been implemented.



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**Appendix A**  
**Letter to respondents**

House Number 3334  
Mainway Meadows  
Waterfalls  
Harare

18 September 2015

Dear Sir/Madam

**Re: Research Questionnaire**

My name is Phibion Ruduvo a final year student at Midlands State University doing Masters in Marketing Strategy degree. In fulfillment of the requirements of the degree program, I am carrying out a research about the impact of generic strategies on company performance.

Your response shall be treated in strict confidence. Kindly note that information supplied shall be used for academic purposes only and will help build a body of knowledge on the subject matter.

Kindly complete the attached questionnaire.

Yours sincerely.

Phibion Ruduvo

Cell: +263773493124  
[pruduvo@yahoo.com](mailto:pruduvo@yahoo.com)

## Appendix B

### Questionnaire to respondents

#### Instructions

- Do not write your name on the questionnaire.
- Please answer the questions as objectively and honestly as possible.
- Place a tick in the space provided and if your comment is required, it must be as brief as possible.

1. Gender:        Male         Female
2. Have you ever applied cost leadership as a competitive strategy?  
Yes     No
3. Which of the following can you regard as a cost centre?  
Production          
Distribution         
Administration      
Promotion           
Procurement
4. To what extent are your cost reduction strategies improving the success of the organisation?  
Larger               
Moderate            
Lesser
5. Do you have a specific type of market(s) that you are targeting?  
Yes     No
6. Do you have the necessary resources to help you differentiate your offering?  
Yes                  
No
7. How do you rate yourself in terms of product differentiation?  
High                  
Moderate            
Low
8. What differentiation strategy do you think is the most effective?  
Product benefits     
Price                  
Distribution channels   
Branding
9. Are you more cost focused than differentiation focused?  
Cost focused           Differentiation focus
10. How do you rate your organisation in terms of effectiveness of its generic strategies?  
Excellent

Very good   
Good   
Bad

11. Which of the following objectives do you think you have achieved from the application of generic strategies

Market Penetration   
Growth   
Survival/Fight Competition

12. What do you think are the problems that hinder proper application of generic strategies

Lack of resources   
Changes in the operating environment   
Lack of expertise   
Poor coordination

13. What measures can be done to improve the proper application of generic strategies?

Companywide participation   
Long term focus   
Adequate resources   
Leadership support   
Zeroing on one strategy

14. Which generic strategy do you find more effective?

Differentiation focus   
Cost focus   
Differentiation   
Cost reduction

15. Do you think generic strategies are the best solution when faced with an environmental problem?

Yes  No

**Thank you for your cooperation!**

## **Appendix C**

### **Interview guide questionnaire**

- What is Michael Porter's generic strategy?
- How can product differentiation be applied in the bakery industry?
- Why is it important for a bakery to control costs?
- What cost reduction strategies can be used by a bakery?
- Why is it important to focus at a certain group of customers?
- What effect does proper application of generic strategies has on company performance?
- What other strategies can be used by bakeries to gain sustainable competitive advantage?
- What measures can be taken to improve the applicability of generic strategies at a bakery?
- What are the challenges faced when implementing generic strategies?
- What generic strategy do you think is the most effective?