

## FACTORS INFLUENCING MARKETING OF ALCOHOLIC BEVERAGES IN KENYA (A CASE OF EAST AFRICAN BREWERIES) (EABL)

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### ABSTRACT

**T**his study explains the factors influencing marketing of alcoholic beverages in Kenya majoring on East African Breweries Ltd, a leading company playing a major role in economic performance of the East African countries. It plays a pivotal role in employment creation and contribution to the exchequer. East African Breweries provides more than 1000 jobs directly in East Africa while indirect jobs created are well over 18,000. The barley farmers owe their existence to East African Breweries Limited which not only assures them of ready market but also soft loans and well researched exotic seeds. Central Glass Industries, a subsidiary of East African Breweries Limited provides employment and glass bottle requirements to various local companies such as Coca-Cola among other companies. The external environment has been turbulent in the recent past hence having a significant effect on this industry. This study is carried out to examine the impact of this fast changing business environment in which East African Breweries Ltd has developed strategies to cope up with these. Browne (1997) observed that learning is the heart of a company's ability to adapt to rapidly changing environment. Theoretical framework is based on ; Neoclassical theory by Robert Solow(1956), Dunning(1980) OLI Framework, The Porters 5 forces, Micknsey 7's Model, and the Porters Value Chain. To further evaluate the strategy, Henry Mintzberg (1987) 5 PS was used. The target population is based on four departments targeting 50 employees. Census method was used in the study. Data collected using qualitative and quantitative technique and presented by tables and charts.

It was found out that East African Breweries Limited must continue to predict its future through continuous scanning of the environment. This scanning should involve studying and interpreting social, political, economic, ecological, legal, cultural and technological events. Environmental scanning raises a managers awareness of potential developments that could have an impact on industry posing opportunities and threats. The study further noted that marketing plays a strategic role in planning process. Marketing has roles in defining business mission analyzing the environment competition and business situations. Management according to this study is about setting the right climate (the will to respond) competitiveness (the ability to respond) and capacity (the volume of response) This study recounts that East African Breweries Limited has to continuously scan the environment, and must continuously utilize the management information system to build long term customer value. EABL must monitor competitors and the impact of substitute products. Because of its capacity East African Breweries Limited must fully exploit potential opportunities such as the use of sorghum as a cheaper alternative to barley. This will enable it to develop affordable and hygienic products targeting the lower end consumers.

Finally it is hoped that the findings of this study will be of theoretical and practical significance to marketing professionals, future researchers and policy marketers in this country.

Keywords: Alcoholic beverages, East African Breweries; Marketing,

## 1.1 Background and Rationale of the Study

The market place is not what it used to be, it is radically changing as a result of major societal forces such as technological advances, globalization and deregulation. These major forces have created new behaviors and challenges. Kotler (2000) argues that customers increasingly expect high quality, service and some customization. They perceive fewer real product differences and show less brand loyalty. They can obtain extensive product information from the internet and other sources, permitting them to shop more intelligently. They are showing greater price sensitivity in their search for value. Brand manufacturers are facing intense competition from the domestic and foreign brands, which is resulting in rising promotion costs and shrinking profit margins.. Small alcoholic beverages are succumbing to the growing power of giant alcoholic beverages and the Category Killers.

It is important therefore to note that, Retail Sector is constantly changing so fast that those who do not innovate with time will ultimately lose substantially. It is an evolving industry which must cope with the various changes taking place. Jaworski and Kohli (1993) concluded that the ability of a firm to respond to identified changes in the market or customer behavior is an important feature exhibited by successful firms. Kotler (2001) argued that today's consumers are able to access objective information on competing brands, including costs, prices, features, and quality without relying on individual manufacturers or alcoholic beverages distributors. In many cases they will be able to specify the customized services they want. They will be able to specify the prices they are willing to pay, and wait for the most eager sellers to respond. The result is the dramatic shift of economic power from alcoholic beverages to consumers. Sternquist (1999) argues that alcoholic beverages have been forced to engage in international expansion for a variety of reasons. Key among them are; the desire to reach beyond a mature home market with low growth potential, a need to diversify the investment, intense competition locally and the economic down turn.

Marketers are therefore changing their philosophies, concepts and tools in order to survive during this competitive era. From focusing on transactions to building long term profitable customer relationships, from making profit from each sale to making profits by managing customer lifetime value, from a focus of gaining market share to a focus on building customer share i.e. by offering the best firm to selling the same offer in the same way to individualizing, customizing messages and offers. Companies will be able to design their own product features on the company's web page. From heavy reliance on one communication tool to such as advertising or sales force blending several tools to deliver on a consistent brand image to customers at every brand contact. From treating intermediaries as customers to treating them as partners in delivering value to final customers. From thinking that marketing is done only by marketing, sales, and customer support personnel to recognizing that every employee must be customer focused, Kotler (2000).

Ansoff (1999) conceptualized the effects of environmental changes on the firms strategy and capability. He stated that for a given environment an organization must come up with a suitable strategy. He suggested that there must be a fit between the existing strategy and the prevailing environment for the organization to remain successful which must be supported by company's internal capability.

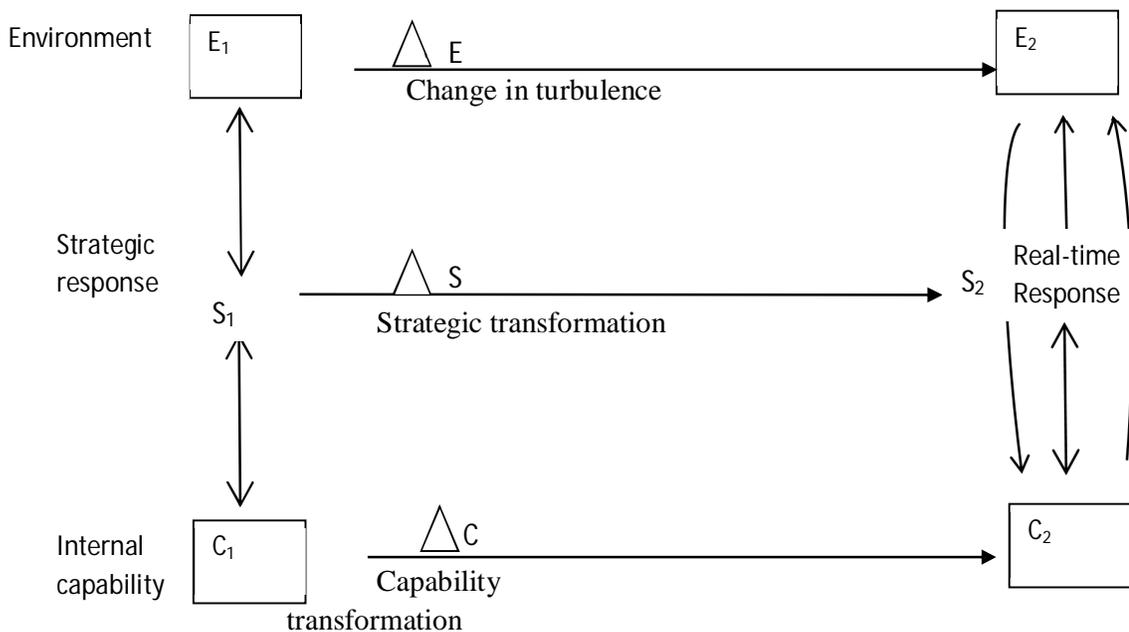
The role of Guinness has been enhanced following acquisition of 1.5 billion rights share issue in (Nduati 1997). Guinness has been given bigger roles in management, financing and marketing through Diageo. Browne (1997) observed that learning is at the heart of a company's ability to adapt to rapidly changing environment. Strategic response involves change in a firm's strategic behavior to assure success in the transforming future environment.

## 1.2 Nature of Competitive Conditions

The competitive conditions facing East African Breweries Limited are similar to those identified by Porter (1990). According to Porter these competitive forces facing an organization can be classified into 5 major categories. These are; threat of new entrants, rivalry among industry players, bargaining power of suppliers and buyers and threat of substitute products. East African Breweries is facing direct competition from Keroche, Kenya Wine Agencies, London Distillers, Sierra beer, Heineken while Castle Brewing is set to re-enter this market from September 2011. East African Breweries further faces stiff competition from small indigenous manufacturers of traditional brews and low end wines and spirits following the enactment of Alcoholic Act 2010 popularly known as the Mututho law. Products from across the borders such as Konyangi spirits from Tanzania have also penetrated East African Breweries Ltd market.

Substitute products which include sodas, fruit juices and water also compete for beer products. Beverages such as tea, coffee, cocoa and drinking chocolates are also consumed instead of beer. Novo-Nordisk is the main supplier of industrial enzymes; here East African Breweries must compete with other brewing companies around the world while yeast, Hop and stabilizers are other key raw materials EABL has to compete for. Strategic response involves change in firm's strategic behavior to ensure success in transforming future environment. Strategic diagnosis identifies whether there is need to carry out such change Ansoff (1999). Specific action is selected and executed to bring the firm aggressive and responsiveness in line with the future environment.

Fig .1.Relationship between the environment, strategy and internal capability



Source: Researcher 2011

E1- present environment, E2 – Future environment.

S1- Present strategy, S2 – Future strategy.

C2 – Future internal Capability. C – Capability transformation.

The above figure shows the relationship between the environment, strategy and internal capability. As illustrated, any change in the environment from environment E1 to E2 requires a change in the firms strategy from S1 to S2. A change in strategy can only be possible if the organizational capability to change from capability C1 to C2 as shown .

### **1.3 Operationalizing Strategic Responses**

Porter (1998) observed that strategic responses involves a change in the competitive position a firm occupies in the competitive industry. A change in the competitive position will require a company to decide on which generic strategy to adopt. The choice involves Cost leadership, Niche focus and Differentiation. This choice is essential in the strategic planning process since it determines the superiority total organization performance. All the strategic planning variables will fall in place once a clear choice of the basic generic strategy has been determined.

#### **1.3.1 Retail Marketing Strategies**

Strategic management is getting everybody in the company to do the right things. It entails deciding what things are right for company under some given set of consumer expectations and competitive circumstances. Davidson et al (2000) defined Strategic management as the process of deciding on the mission of the enterprise, the basic goals and objectives that it seeks to achieve and the major strategies that will govern the use of firm's resources to achieve its objectives. A fully developed retail marketing strategy identifies: the specific markets and market segments that the firm intends to pursue, the consumer and competitive performance that the firm desires in its selected markets, the specific means by which the firm intends to appeal to its target customers and establish its competitive position.

The growing complexity of large, diversified retail enterprises, the rapid change in consumer markets and the intensifying competitive environment make it imperative that the retail firms have a thoroughly well thought out strategic plan detailing how it intends to capture the target market. Companies are therefore evaluating their retail services with an aim of coming up with more focused strategies that help them meet their unit and company wide objectives. They are working towards developing coherent strategies on how to differentiate and add value to retail customers. Companies are therefore pursuing marketing strategies to not only win and grow their businesses but to also stay a head of the competition, towards this end, the most commonly pursued marketing strategies are; product portfolio management, pricing, distribution and relationship marketing or customer services and promotion strategies. Renart (2007) argues that the conventional wisdom was that leadership in the market place could be attained by means of designing and implementing a sound marketing plan. Such a plan entails first defining the four P's later evolved to six elements of the marketing mix: Market segmentation (product or service), Pricing, channels of distribution, sales team management, advertising, promotions and public relations.

#### **1.3.2 Market Segmentation**

Today's market place is described as the "age of diversity" in which consumers demand and get tremendous variety in the products and services they buy. For example there are 300 different types of cars and light trucks, 400 brands of beer, and 21, 000 products in the average supermarket David and Albert (2006). Different groups of consumers exhibit different sets of shopping expectations referred to as market segments. A alcoholic beverage companies can view the total consumer market as being made up of a

collection of segments, each one representing a distinct and separate set of customer expectations. Alcoholic beverage firms view of market segment consists of those customers who share a common set of expectations regarding retail stores, and consequently tend to respond favorably to a particular combination of value offers, consisting not only attributes of physical products but also of services, atmosphere and any other sources of potential satisfaction Davidson et al (2000). Market segmentation is the process of dividing the heterogeneous market into segments. The various segments identified should be homogeneous within themselves, but heterogeneous without (i.e. different from other segments). The goal is to facilitate the development of unique and effective marketing programs that will be most effective for these specific segments (David and Albert 2006).

Smith (1956) articulated the view that to sustain growth in apparently non-growth scenarios, companies had to adopt the concept of market segmentation. The essential logic behind the proposition was that by acquiring a deeper understanding of variations in customer needs, companies could develop new products specifically aimed at satisfying different groups of customers. Market Segmentation starts with the belief that there are identifiable differences among a product's various consumers and that the differences are relevant to their buying and store patronage behavior. The goal of market segmentation therefore is to identify smaller, homogeneous submarkets within the larger heterogeneous mass market ( Lewinson and Delozier, 1982).

Cahill (1997) argued that the possible benefits of segmentation were; by specialization, companies could stimulate greater consumption and thereby market expansion. If there are few competitors within a given segment, promotional costs might be reduced. For the alcoholic beverages, it is essential that a decision to use a market segmentation strategy should rest on consideration of four important criteria that affect its profitability. The market must be; identifiable, measurable, accessible, substantial, and responsive. There are a number of variables that can be used to segment a market. Generally, those variables can be grouped into two broad categories; customer characteristics and buying situations. The traditional bases for segmentation have been classified as geographic, demographic, socioeconomic conditions (whether upscale or down scale), psychographic and behavioral, nature of housing, fashion interest and the concept of value. In retail operations approach, the alcoholic beverages examine factors that might enhance or limit operations. Several factors influence directly the alcoholic beverages' chances to operate successfully namely distribution, competition, promotion and legal considerations.

Lewinson and Dolozier (1982) argue that a crucial problem that affects a alcoholic beverage companies is getting the product into the store. This problem involves inventory control; overstocking increase in carrying costs, whereas stock outs because lost sales and customer ill will. The alcoholic beverage companies must therefore consider transportation and handling costs, delivery time, and reliability of delivery services. The alcoholic beverage companies must also consider the location and delivery practices of suppliers and the market area's ability to support distribution facilities. It is imperative that the alcoholic beverage firms take into account the reality of the competition when identifying markets areas. An alcoholic beverage firm that depends heavily on promotional activities can identify market areas by analyzing the advertising media within each market area and the behavior of the competitive alcoholic beverages. Other companies have segmented their markets based on regions. An approach known as identifying markets areas. It consists of determining the right region of the country and the right part of the region for example urban, peri-urban and rural markets.

### **1.3.3 Product strategy**

The product can be argued to be the most important element of the retailing mix, as only with reasonable products will the effort put into such things as pricing and promotions reap any rewards Rose and Watkins (1997). Product is the principal item offered by a company to satisfy the needs of their consumers. It is important to win over the consumer by product excellence. Some of the strategies adopted in the domain of products are: Perceived quality or Image, as the market faces competition, quality and reliability of the product offerings gain importance. Quality in this case is viewed as customer's perception of the product. Perceived quality or image has to be created. Features- with many products in the market, what distinguishes them is the features. The 'first with the new feature' has an advantage similar to the 'first product' in the market. In the consumer non-durables, brand extensions have taken the line of added features. New products face difficulties of acceptability in the market. The first product of its kind has an edge over others and sets the standards for subsequent ones, Ramanuj (1996). Successful product management relies on a well planned and executed product strategy and product range strategy. Product strategy is mostly influenced by competition and customer needs.

Consumers patronize a particular retail outlet for many different reasons: its convenient location, friendly personnel, desirable prices, and pleasant shopping atmosphere. The patronage reason common to all consumers for visiting a certain a particular store, however is the expectation of finding a product or a set of products that will fulfill some present or future need. Fulfilling customer product expectations is what retail merchandising all about, (Lewinson and Deloizer 1982). Merchandising is the process of developing, securing, and managing the merchandise mix to meet the firm's objectives. The Merchandise mix therefore refers to the alcoholic beverages total offering, be it goods or services or both. The three stages of a merchandising mix are developing the merchandise mix (product and service mix), securing the merchandising mix (procurement process), and the managing the merchandise mix (planning and controlling process). The total product concept is the sum of the product's functional, aesthetic, and service features plus the psychological benefits the customer expects from buying and using the product. Alcoholic beverages companies respond to the changes taking place in the market place by employing the either the shotgun or a rifle approach to merchandising. The shotgun, the merchandiser appeals to a combination of market segments by broadening its product lines through either product –item addition or product line combination. The Rifle merchandiser appeals to a target market segment by using either a market positioning strategy or multiplex distribution system, (Lewinson and Deloizer (1982).

### **1.3.4 Pricing Strategy**

Consumers are becoming more increasingly price sensitive, (Eaglesham 1990). Pricing is a major competitive tool. The economics of production only sets the bottom line limit and the company then has a wide range of strategies to set the price. The commonly used price strategies are: 'Image' pricing, the price here follows the image of the brand. Adidas shoes or Nike are priced high because of the premium value attached to the brand name. Price undercutting, some companies have used this strategy very successfully. For undercutting to succeed, the company has to offer the minimum performance standard (Ramanuj 1996). Aggressive or Penetration pricing, firms in this sector wishing to offer a high level of benefits at an average price.

This pricing strategy normally works in market areas where the supplier is able to inform the customer from the onset that if high volumes are moved, the firm is able to lower prices down as a result of the economies of scale. Skimming price strategy involves the supplier exploiting the knowledge that customers are willing to pay a higher than average price for goods which offer only an average level of benefits. In early stages of product life cycle for a new product, companies skim the market by setting high

price, and then reduce the price to an average level as the product moves to later stages of growth. Average pricing is used by firms which service the needs of the majority of customers seeking an average range of benefits from the product purchased. Sale pricing involves a lower price than usual price on average benefit goods. This strategy is used by firms which normally want to retain customer confidence over the benefit claim. It is usually when firms want to stimulate short term increase in sales. In the case of many convenience good purchases, for example, small price differences may be irrelevant to the consumer. Even when it is important, it may be but one of the many differentiating variables which are important to the store, Davidson et al (2000).

Alcoholic beverage companies view prices in terms of their ability to generate profits, sales, and consumer traffic, as well as how they affect the stores image. In setting retail prices, the alcoholic beverage company is guided by the value chains set by the company, profits, sales or competitive objectives. Alcoholic beverage firms use price adjustments as adaptive mechanisms to accommodate changing market conditions and operating requirements. Both upward and downward adjustments are needed from time to time to adapt to the dynamic retailing environment, (Lewinson and Delozier, 1982).

### **1.3.5 Distribution Strategy**

Distribution of products usually involves some form of vertical system where transaction and logistics responsibilities are transferred through a number of levels, Ian (2005). Davidson (2000) argued that distribution is part of merchandising and must be considered in any merchandising system. Distribution management involves; merchandise replenishment, transportation management and distribution center facilities management. The type of distribution system a alcoholic beverage firm needs is influenced by the buying system the alcoholic beverages uses, the number of stores the alcoholic beverages has, the geographic dispersion of the stores, and the characteristics of the merchandise carried.

Some of the distribution systems employed by the retailing companies are; Store direct systems, vendor pre-pack through distribution center systems, the stocking distribution center system, multiple and master/ satellite distribution center system: Store direct system, in this system the merchandise is delivered directly from the vendor to the individual stores, although the merchandise can be ordered at the store level by the central merchandising staff. It is appropriate for high fashion content, significant seasonal fluctuations or high bulk such as paper. Stocking distribution center system employs the distribution center much as a ware house. Merchandise is sent from the warehouse to the individual stores, allocated either by the central headquarters staff or as requisitioned by the store personnel. This system normally reduces costs of goods sold from the vendor because merchandise is ordered and sent to the distribution center in large quantities.

### **1.3.6 Promotions Strategy**

Promotion involves both providing the consumer information regarding the alcoholic beverages' store and its product or service offering as well as influencing the consumer perceptions, attitudes, and behavior towards the store and what it has to offer. It is both an informative and persuasive communication process. Companies use news paper ads, posters, TV, internet that stress its good prices (persuasive communication) and but instead of just listing the merchandise, the ads tell exactly why the manufacturer closed out the goods. That way, customers would not suspect that the products are irregular, damaged or counterfeit (informative communication). Promotional mix comprise of a number of different elements. Each element exhibits certain strengths and weaknesses.

The development of a successful promotional mix demands the careful integration of each of the following elements; situation analysis, developing objectives, designing messages, selecting channels, preparing budget, choosing mix and evaluating. In situation analysis, companies are assessing the current

position of customer features, the competitive situation and the environment. While assessing the target audience, companies look at the demographics and lifestyles, life stages, usage levels, understanding and perception of services and the organization and the buying process of the targets. While designing advertising messages, manufacturers use emotional and moral appeal, there is also use of rational messages and humor, one danger is that a wrongly chosen promotional strategy can bring negative reaction. Sponsorship contributes to the building of the brand/product and corporate image.

Direct marketing is an interactive system of marketing which use one or more advertising media to affect a measurable response and / or transactions at any location, Betts and York (1994), it aims to create and exploit the dialogue between the service provider and the customer, and offer several potential benefits such as targeting precision, testing the market, providing new distribution channels and support existing ones, it also leads to cost effective advertising. There is a role for consumer promotions in the marketing of even the strongest brand, a role which is mainly tactical and which needs to be carefully planned. The alcoholic beverage distributors must be involved, since most promotions necessarily require their cooperation, but it should be the manufacturer who decides on the purpose of and budget for the schemes. Trade promotions at the same time need negotiations with customers, but again the decision must be designed by the manufacturers and have specific targets Randall (1991). Personal selling is the direct face to face communication between a retail sales person and a retail consumer. Store displays are direct, impersonal in-store presentations and exhibitions of merchandise together with related information.

Lewinson and Delozier (1992) define advertising as an indirect, impersonal communication carried by a mass medium and paid for by the company running it. Customers need and desire constant flow of factual information to use as a basis of making need- satisfying purchase decisions. They want to know stores hours, what specials are being run, what styles are in fashion, product features, and a host of all other things. Since alcoholic beverages desire to influence their customers to take desired course of action, retail communications must be well organized and designed so that each message contains the appropriate balance of information and persuasion. Retail advertising has two basic purposes: to get the customers into the store and to contribute to the stores image or the company. The first purpose is immediate: today's advertising brings buyers into the store tomorrow; tomorrow's advertising brings buyers into the store the next day. To accomplish this, the store must give buyers some specific reason to come to the store now Advertising can be of two kinds: product advertising, institutional and cooperative advertising, ( Hasty and Reardon 1997).

### **1.3.7 Relationship marketing**

Relationship marketing is a process of collecting data relating to customers, to grasp future of customers and to apply those qualities in specific marketing activities, Swift (2001). Relationship marketing focuses on leveraging and exploiting interactions with the customer to maximize customer satisfaction, ensure return business and ultimately enhance customer profitability. The consumption of a service is process consumption rather than outcome consumption, (Gronroos 1998). The consumer or user perceives the service production process as part of service consumption and not only the outcome of a process of as in traditional consumer packaged goods marketing. Three areas that are vital for the successful execution of a relationship strategy are: the interaction process as the core of relationship marketing, the planned communication process supporting the development and enhancement of relationship and the value process as the output of relationship marketing.

Large and small alcoholic beverage companies are now developing strategic partnerships with suppliers in order to deliver the right product to the alcoholic beverage at the right time. These changes are partly the advances in the information technology and the relatively the increasing power of large alcoholic beverages. Not only must the alcoholic beverage and the supplier agree on the price and the amount of merchandise to be bought or sold, but the terms of sale and the terms of payment must be agreed on as well (Hasty and Reardon ,1997).

### **1.3.8 Competitive Advantage**

Competitive advantage is the creation of a perceived or real advantage for a product or a brand over rival products in the eyes of the target market. Without understanding the competitor, a marketer cannot realistically differentiate his or her products from those of competitors. Without monitoring rival strategies, it is not evident which rivals pose the greatest threat and how or which competitors are the most vulnerable to attack, (Sally 2001). Pearce and Robinson (2005) define competitive advantage as that advantage gained by the first firm among competitors to achieve appropriate strategy-structure fit. However this advantage disappears as the firm's competitors also attain such a fit.

Porter (1980) suggests that, the routes to competitive advantage include focusing on tightly defined markets or products, developing cost based advantage in order to trade on the basis of price, and differentiation. Karen et al (2005) argued that, competitive advantage results from offering superior value to customers through; lowering prices than competitors for the equivalent benefits, and offering unique benefits that more than offset a higher price. Various options available for creating competitive advantage include porter's generic strategies of cost leadership, focus and differentiation. A differential advantage is an attribute of a brand, product or service or marketing mix that is unique to an organization and desired by targeted customers. This requires identifying the segments in the market place, ascertaining the needs and wants of consumers in each segment, an assessment of which rivals offer these, determining rivals strengths, assessing the gaps between customers expectations and competitors offers, matching the organizations own capabilities and strengths with these gaps, and checking the emerging differential advantage is plausible and able to be communicated to targeted customers (Sally, 2001).

### **1.3.9 Relationship between Retail marketing strategies and Competitive advantage**

Ramanuj (1996) argued that any competitive advantage is worthwhile only if it is sustainable. It opens the basic issue of how to achieve an edge that is perhaps enduring. Two distinct conditions should be for a company to achieve sustainable competitive advantage namely, differentiation in important attributes and capability gap. Differentiation in important attributes means the customers are able to perceive a consistent difference in important attributes between the firm's offerings vis a vis that of its competitors. The differences must be reflected in some product or delivery attributes which are key buying criteria. Product or delivery attributes could be familiar elements like price, quality, aesthetics, and even attributes such as availability, consumer awareness and visibility, and after sales service.

Anything that affects customer's perceptions of the product, it's usefulness to them is a product or delivery attribute. To contribute to sustainable competitive advantage, the differences in product or delivery attributes must command the attention and loyalty of a substantial customer base. In other words they must "produce a foot print in the market" of significant breadth and depth. Breadth refers to how many customers are attracted by the difference in product attributes?, What volumes do they purchase? Depth pertains to how strong a preference this difference has generated. Would minor changes in the balance of attributes cause customers to switch?

Capability gap is the difference as a result of direct consequence of a capability gap between the firm and its competitors. An advantage is durable only if competitors cannot readily imitate the firm's superior product or delivery attributes. In other words, a gap in the capability underlying the differentiation must separate the firm from its competitors; otherwise the competitive advantage will be eroded. The important attributes should be expected to endure over time.

## 1.4 Statement of the Problem

Alcoholic beverage companies have played a role in the country's economic growth. They generate revenue to the government through taxes; create employment to the locals in the product manufacturing, packaging and distribution to the retail outlets. The alcoholic beverages companies have significantly grown in Kenya. There are now over 9 alcoholic beverages companies in Kenya to date. The effect of this has been a reduction in market share, declining profitability and stiff competition. As a result companies have been forced to craft strategies in order to sustain or grow their market share, expand to new territories or markets, acquire new technologies, develop brand or line extensions, reduce costs and risks (Oliver, 1995). Alcoholic beverage companies in Kenya need to adopt distribution strategies that ensure they reach their markets efficiently.

According to Ramamurthy (2007) consumers expect that alcoholic beverages will offer the right match in terms of right product offering, quantities, place, time, and price by the right appeal. Retailing in Kenya has gone through a significant change in the last couple of years with a complete shift in shopper's expectations and experiences. While the shoppers have remained the same everything has changed and gone mega, ranging from the size of the outlets to the layout, the ambience, the experience, the service, the loyalty, Incentives to the way promotions are done (Hasty and Reardon, 1997).

Future managers need a systematized body of knowledge about how it works and how changing environmental factors will affect their present and future strategies. Presenting such knowledge is a challenge considering the complexity of human behavior, the highly competitive nature of the retail business and the large number of environmental factors such as weather, government regulation, supply availability, economic conditions, technological change, and the vagaries of fashion, changing consumer habits and expectations, social change and the squeeze on space. Companies have therefore been forced to build organizations that consistently deliver the best customer offers. This has been made possible by adopting the best retail strategies which identifies the needs and wants of a market place and customizing marketing efforts at the store and the individual level allowing the alcoholic beverages capitalize on differences in the consumer and competition (Hasty and Reardon, 1997).

Randal(1991) argues that by adopting the best retail strategies, most companies have managed to get a clear path to beat competition, succeed in difficult markets, increase their sales and profits, but above all increase your customer's satisfaction and loyalty.

Studies in factors influencing marketing by Mazrui (2003), Kamanu (2004), Musa (2004), Ohaga (2004) and Mukule (2006) mainly focused on strategies used by managers to address customer service challenges in banking in Kenya, the extent to which commercial banks in Kenya have adopted and implemented integrated marketing, the responses by commercial banks operating in Kenya to changes in the environment, and the Retail marketing strategies adopted by the banking institutions in Kenya. Key among the findings is that commercial banks pursue several strategies as part of the wider retail banking strategies. The most pursued strategies are market segmentation, product strategies, distribution, pricing, marketing relationship and promotions. While not ignoring these findings, they cannot be applied by the alcoholic beverages companies in Kenya.

Kotler(1998) observed that marketing plays a critical role in the company's strategic planning process. Marketing prepares quality plans to implement business strategies which lead to sustainable competitive advantage. Kombo (1997) found that the economic reforms in the country such as liberalization forced firms in the motor industry to develop new strategies such as improved customer service, Bett (1995) noted

similar changes in the dairy industry made firms to draw new strategies such as branding, differentiation. Steel and Webster (1992) on small enterprises in Ghana found out that firms altered their product mixes to avoid the intense competition from the imports. They found out that enterprises changed marketing strategies by identifying new market niches, engaging in export markets, while other firms cut down the staff and changed their sources of raw materials in order to survive. Rotich (1981) studied the transport system of EABL, Gikuri (1981) studied the brewing process of the then export brand Tusker premium. Liberalization brought in new players, the coming into effect the East African Community opened doors for new brands and manufacturers while the latest Alcoholic Control Bill 2010 brought in new players by legalizing traditional brews. There is a shift from formal alcohol to informal alcohol in Kenya The proposed research therefore intends to close the information gap by seeking responses to the following:

### **1.5 Research Objectives**

The purpose of this study is to investigate the strategic responses East Africa Breweries has put in place to overcome the challenges in faces from the external environment due to liberalization competition and legislation. To achieve this objectives of the study are;

- i. To investigate factors influencing marketing of alcoholic beverages in Kenya.
- ii. To establish the strategies that has been adopted by East African Breweries ltd.
- iii. To investigate whether the adoption of these strategies has given the East African Breweries a competitive advantage.

### **1.6 Research Questions**

- i. Which factors influences marketing of alcoholic beverages in Kenya?
- ii. What strategies have been adopted by East African Breweries?
- iii. Has the adoption of these strategies given the East African Breweries competitive advantage?
- iv. Will East African Breweries survive considering the turbulent external environment?

### **1.7 Justification of the study**

It is anticipated that the study will be of benefit to the alcoholic beverages companies, its managers will be able to articulate the retail marketing strategies aimed at winning and retaining retail customers.

The study will help customers or alcoholic beverages understand the interventions companies should implement in addressing the challenges that affect them from both the internal and external environment. Other companies would benefit from the findings of the study especially when benchmarking themselves with other players in the same industry line or different industry dealing with alcoholic beverages in their distribution chain or in the area of strategic responses.

The study will also add value to the existing body of knowledge in the area of marketing, strategic responses companies should adopt in order to gain a competitive advantage. It will also set foundation for scholars and researchers who wish to further understand the strategies that have been adopted by the different companies in Kenya

## **1.8 Definition of Terms**

Certain terms/concepts in this paper require clear understanding and this definition. Such terms are the following;

### **1.8.1 Environment**

This is the pattern of all the external conditions and influences that affects organizations life and development.

### **1.8.2 Environmental conditions**

Environmental conditions include important international and domestic trends of political social and economic technological eco logical, legal and globalization effects. Changes in the environmental conditions shape a firms opportunities and pose threats.

### **1.8.3 Competitive forces**

This refers to the forces that drive competition in an industry. They include bargaining of suppliers buyers, Threat of entrants and substitute products, rivalry among existing firms.

### **1.8.4 East African Breweries Ltd**

This refers to the company which is the main subject of interest in the research. It presents a prototype industrial player responding to the challenges of the internal environmental conditions and the resultant competition.

### **1.8.5 Globalization**

The interdependence of the world economics and as brought about by the advancement in science and technology. It has brought in village phenomenon.

### **1.8.6 Strategy**

Henry Mintzberg (1987) defined strategy from five perspectives; Plan which provides a road map in which affirm intents to achieve its goals, A ploy in how it will maneuver its resources to attain its objectives, Patterns which refers to decisions and actions that drive the firm forward over time towards its goals, Position a firm occupies which gives it advantage in access to markets, clients and services, Perspective referring to the future of the firm and understanding of its internal strengths and weaknesses to be able to achieve its future desired state.

### **1.8.7 Legislation**

Law passed by parliament and upon Presidential assent it becomes law.

### **1.8.8 Internal Capability**

Refers to the organization's strength. They include structure, strategic planning real time response, management of strategic business units and its human resource policy.

### 1.8.9 Industry

In this study industry refers to the beer industry comprising manufactures importers and distributors of bottled and canned beer.

### 1.8.10 Alcoholic Beverages

Drinks containing alcohol classified as alcoholic beverages.

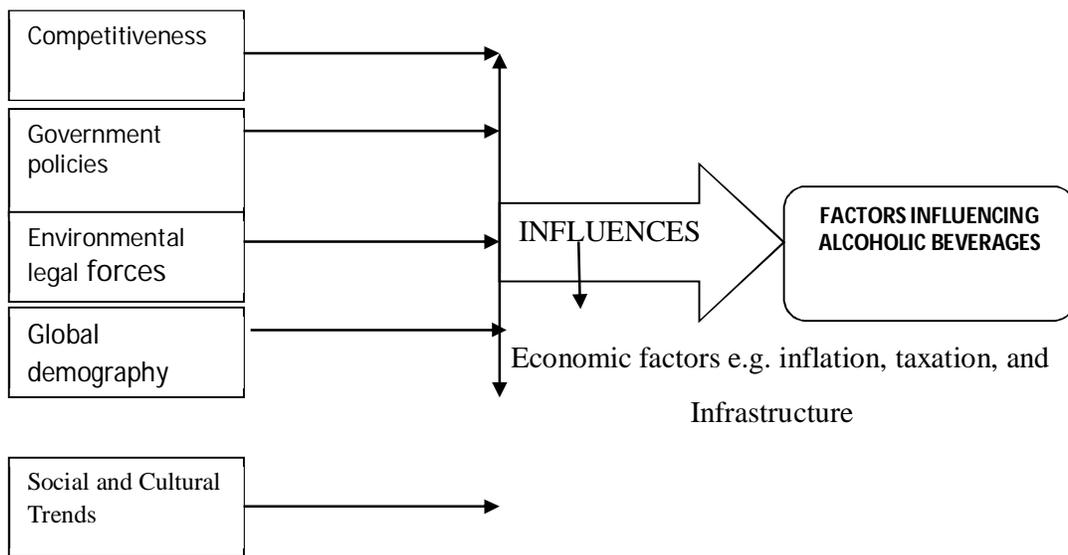
### 1.8.11 Industry products

These are products that have an impact on the beer industry such as beers, fruit juices, soft drinks , hot drinks; tea ,coffee, milk, opaque alcoholic drinks and beverages.

### 1.8.12 Industry forces

These forces are the ones identified by Porter (1998) and include substitute products, new in the industry, bargaining powers of suppliers and buyers.

## 1.9 Conceptual Framework



**Independent variables**

**Dependent variable**

**Source: Author (2011)**

### 1.9.1 Market competitiveness

Market competitiveness is being well ahead of other competitors. This poses great challenge to alcoholic beverages. Dominance of the top end of the market in terms of image, reputation and branding makes it the company world market leader. Competitive strength assessment in relation to competitors in alcoholic beverages industry is about strong resource endowment, institutional support and marketing innovation.

These advantages come under increasing competition as a well placed to seize further market share as the leader producers. However, proactive relationship with attitude to the market place, its product depth and diversity and its commitment to distribution networks and effective, hands-on promotion have delivered success. Bureaucracy is strongly antipathetic to the industry and politicians neutrality. This is backed up by a punitive tax system and little facilitative support. Purchasers or consumers are price sensitive, possible because of the change to compare price that cause by high competition market, and also because of the usually unexciting buying experience.

There appears to be unwillingness towards paying more for bottle. On the other hand alcoholic beverages contain so many intangible values that the purchaser has difficulty in placing a value of it. The consumer is aided in his/her perception to the value of alcoholic beverages by product characteristics (i.e. awards, packing, advertising, publicity and sales technique). Porter (1990) describes the competitive forces that determine the state of competition in an industry. He classifies these forces into five basic components: the bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitute products or services and rivalry among existing industry firms. The threat of new entrants, the ease with which firms can enter into a new market or industry is a critical variable in the strategic management process. In some industries the barriers to entry are minimal. In other industries, the barriers to entry are formidable. These barriers can take on many forms; among them: the amount of capital needed to enter into a specific industry may be great enough to put off entrants; the current participants in the industry may have product lines protected by patents; the switching costs for the company's customers may be great enough to pose a barrier to entry to a new firm.

### **1.9.2 Government policies**

In Kenya, government policies have affected pricing strategies in the alcoholic beverages industry for example; alcoholic beverages producers cannot control the price for which their alcoholic beverages are sold at retail outlets. Alcoholic Control Act 2010, popularly known as Mututho law further regulates the specific areas where bars should operate and the specific time when bars should be opened. Taxation and uncertainty in the retention of the current taxation level affects the future profitability of this industry. Manufacturers, wholesalers of alcoholic beverages have taken control of setting of alcoholic beverages prices paid by the consumer at the same time as maintaining their standard margins, for example standard industry mark-up is 25 per cent, and 12 per cent at the wholesale, and 33.3 per cent at the retail. In addition, Government also has had an influence on the pricing of alcoholic beverages through monetary policy. This leads to uncertainty in value of the shilling in relation to other currencies in term of export market. Alcoholic beverages industry has had continued growth throughout 2000-01.

According to households expenditure survey, during 1998-99 households spent an average of 28 per week on alcoholic beverages. The supporting of government policy creates opportunity growth for alcoholic beverages export. Alcoholic beverages export has continued strong growth since 1980.

### **1.9.3 Political and environmental legal forces**

The political environment affects sale and distribution of alcoholic beverages. The effects of post election violence in Kenya had great impact in this industry. The integration of the East African Community especially the joining of the economic block by Rwanda and the emerging market in the Southern Sudan gives these industry potential opportunities to be tapped. The alcoholic beverages industry has set a target to be the worlds most influential and profitable industry by the Year 2025 if it is supported by government in terms of providing a positive investment climate and facilitating infrastructure. Political decisions and pronouncements by key government officials on matters of business environment affect business positively or negatively.

### **1.9.4 Global Demography**

It is anticipated that there will be a dramatic increase in population with a shift to Global and Pacific Rim growth. This means a number of opportunities exist in the alcoholic beverage industry with the increasing affluence of global consumers and the maturation of income. In addition, this trend is enforced by a global economy with increasing free trade, international business collaboration, strategic alliances and a global currency. As for the domestic market, despite the fact that there has been minimal focus on developing new alcoholic beverages for joint consumers during the last ten years, domestic sales have continued to expand in value rather than volume. The changing demographic profile of the population, growth in the dining out market, increasing popularity of the Mediterranean diet, tourism growth and the quest for more individualized beverage experiences are significant opportunities existing for increasing domestic alcoholic beverages consumption.

### **1.9.5 Economic conditions**

Although a decline in the value of the shilling against the dollar inhibits profitability and the ability of alcoholic beverage makers to hit key price points, it helps to stimulate the other countries to import alcoholic beverages because of lower price. Increase in demand for alcoholic beverages may be attributed to the following economic factors: changing living standard, changes in the relative price of alcoholic beverages to other goods and services, the introduction of fringe benefits tax and the modification of sales tax to alcoholic beverages and other beverages. Economic blocks give some firms undue advantage while giving others a threat.

### **1.9.6 Social and cultural trends**

The image of a man drinking alcoholic beverage bottles to bottles until one gets drunk is no longer seen. People do not drink alcoholic beverages in quantity but prefer quality alcohol. Sales in cask alcoholic beverage have declined whereas profits in bottled semi-premium or premium alcoholic beverage have increased. The reason for this can be explained by Quality table alcoholic beverage has its own image and status, engenders high consumer involvement, provides variety, and has a range of flavor complexity. It is therefore a stronger alternative to other non-alcoholic beverages (soft drinks, bottled water, fruit drinks and coffee) than is beer or spirits. Quality alcoholic beverages have acknowledged health attributes. Recent research showed its effects in reducing cardio vascular disease. People look for more spiritual meaning in their lives, they favor healthy products, healthy lifestyle and show environmental concerns. Due to peer pressure there are more young people drinking at their early years. The cultural shift from rural based to urban living families in the recent years has also exposed young generation to alcohol. Media influence has had an effect on increasing young drinking population.

### **1.9.7 Technological**

Alcoholic manufacturers have invested heavily on superior technology. This guarantees high volume of products for sale. Through technology consumers are able to access information about products and services. Products reach consumers faster and conveniently. Technology influences how decisions are made in firms. Its helps increase efficiency and require technically qualified manpower.

## CHAPTER TWO

### LITERATURE REVIEW

Many theories front the development of marketing. These theories are:

(1) Influencing factors according to the Neoclassical Trade Theory. This is an economic theory that states that economic growth is caused by increase in the labour, improvements in quality of labour through training and education, increase in capital through savings and investment and improvements in technology - Robert Solow(1956) .

2) Dunning's (1980) OLI framework (Ownership advantages; trademark, production technique, entrepreneurial skills and economies of scale. Location advantages (existence of raw materials, special taxes and low wages) Internalization advantages - advantages of own production.

(3) McKinsey 7S model which examines Structure, Strategy, Systems, Shared values, Staff, Style and Skills which is a source of organizational capability

(4) Porter's value chain analysis will help the study in examining Primary activities support activities and if these drive margin, the value consumer is willing to pay over the cost of firm obtaining inputs and providing value activities.

5) Porter's five forces examines threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes and rivalry among industry players. Using these models the researcher will examine how these five forces have influenced the marketing of Alcoholic beverages in East African Breweries Ltd. From each of the theories mentioned, a number of influencing factors can be extracted these include market size and characteristics, factors costs, transport costs, marketing influencing factors and policy variables.

It has been observed that changes in the external environment including competitors have an impact on an organization. Various authors(Chandler 1962) Andrews (1971) Daft (1986) and Porter (1998) variously point out that firms are environment dependant and changes in the environment shape the opportunities and challenges facing the organization. This understanding is important in defining the firms objectives in developing competitive strategy and hence competitive advantage. This is essential if the organization is to be effective enough to be successful.

Porter (1990) describes the competitive forces that determine the state of competition in an industry. He classifies these forces into five basic components; the bargaining power of suppliers and buyers threat of entrants and substitutes; and finally rivalry among industry players. He further observed that importation affects the customers substitute products which give customers a choice. This may erode profitability and market share of the existing organizations.

East African Breweries has been experiencing competitive pressure from force that are similar to those described by Michael Porter. These forces include direct imported products, substitute products such as non alcoholic beverages ,potential entrants bargaining power from suppliers and customers who have options to shift to other choices. Keroche breweries is the main competition at the moment . The company is based in Naivasha. Keroche breweries has gained some notable share of the market however the rivalry is not as strong as the case during Castle Brewing and East African breweries in the late 1990 and early 2000

Castle brewing managing director Andre Parker noted that beer consumption in Kenya was less than what it should be. He observed that with health competition broader choice of products advertisement promotions and improved levels of customer service Kenya has great potential market for beer (Daily Nation 24<sup>th</sup> April 1997) Apart from Keroche, EABL also has to contend with competition from the Kenya Wine Agencies Ltd (KWAL) whose wines and spirits commands a strong market share. Viceroy, a brandy marketed by KWAL has been giving EABL's Richot a run for its money and is preferred by many brandy drinkers in the Kenyan market. A public listed company

## **2.1 Definitions of Marketing**

American Marketing Association defines Marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (*Approved October 2007*). The Chartered Institute of Marketing defines Marketing as a management process of identifying, anticipating and satisfying customer needs profitably.

Browne (1997) observed that learning is at the heart of a company's ability to adapt to rapidly changing environment. Strategic response involves change in a firm's strategic behavior to assure success in the transforming future environment. Marketing is the human activity directed at satisfying human needs and wants through an exchange process (Kotler 1980) Adcock et al described Marketing as the right place, at the right time at the right price.

## **2.2 Marketing Theories International**

### **2.2.1 The marketing concept theory**

The marketing concept advocates starting with customer needs or wants, deciding which needs to meet, and involving the entire organization in the process of satisfying customers (Cravens & Piercy 2006). Unlike the market orientation theory which consists of a process for delivering customer value, this theory has a functional emphasis.

### **2.2.2. Relationship marketing theory**

Increasingly, a key goal of marketing is to develop deep, enduring relationships with all the people or organizations that could directly or indirectly affect the success of the firms marketing activities. Relationship marketing has the aim of building mutually satisfying long term relationships with key parties-customers, suppliers, distributors and other marketing partners-in order to earn and retain their business. Relationship marketing builds strong economic, technical and social ties among the ties (Kotler & Keller, 2006).

### **2.2.3. The Holistic Marketing Theory**

Marketers today have recognized the need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept. The holistic marketing concept is based on the development, design and implementation of marketing programs, processes and activities that recognizes their breadth and interdependencies. Holistic marketing is thus a marketing approach that recognizes and reconciles the scope and complexities of marketing activities. The alcoholic beverage companies are no exempt, they must embrace holistic marketing concept and know that everything they undertake to do matters. Four components of holistic marketing and relationship marketing (discussed earlier), integrated marketing, internal marketing, and social responsibility marketing. The diagram (see Figure 2) depicts this relationship.

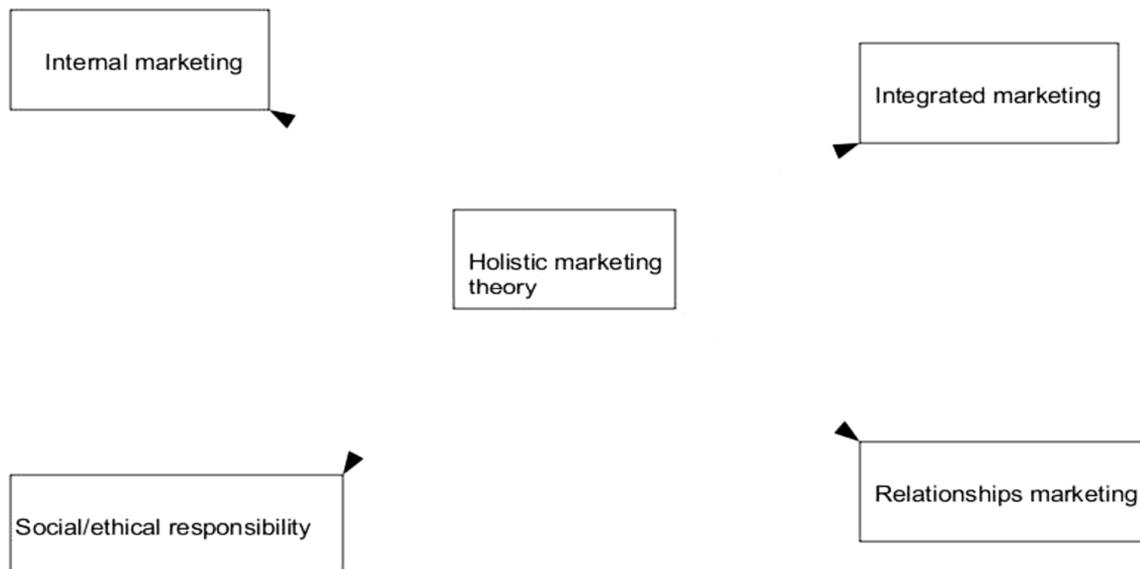


Fig. 2 Holistic Marketing Theory relationship.

Source: Researcher 2011

### 2.2.4 Integrated Marketing Theory

The marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate and deliver value for consumers. The marketing program consists of decisions on value-enhancing marketing activities to use. The marketing activities can be depicted in terms of the marketing mix variables or the Ps of marketing (Brassington & Pettit, 1997; Kotler & Keller, 2006).

### 2.2.5 Internal Marketing Theory

Internal marketing ensures that everyone in the organization embraces appropriate marketing principles. Internal marketing is the task of hiring, training, and motivating able employees to serve the customers well. Internal marketing must be embraced in all departments within an organization. They must all 'think customer'. Marketing thinking must be pervasive throughout the company. Alcoholic Beverage companies can embrace internal marketing by recognizing the importance of customers, providing superior customer care and employing people who are customer oriented (Kotler & Keller, 2006).

### 2.2.6 Social Responsibility Marketing Theory

The social responsibility concept incorporates the broader concerns and the ethical, environmental, legal, and social context of marketing activities and programs. The cause and effects of marketing clearly extends beyond the company and the consumer to society as a whole. Social responsibility also requires that marketers carefully consider the role that they are playing and could play in terms of social welfare (Kotler & Keller, 2006). Industry players have a number of social responsibility activities which can enhance their image in the society. EABL for instance has been promoting safe environment through such activities like tree planting, cleaning of Nairobi river among other activities

## 2.3 Application of Marketing Theories in Kenyan Perspective

This section tabulates a theoretical analysis as summarized from each theory/model that has relevance for a marketing framework for Alcoholic beverages and other firms in the Kenya. Alcoholic beverage companies such EABL should adopt this as a strategy of building sustainable competitive advantage.

CONCEPT	PURPOSE	APPLICATION
The marketing concept theory	Identification of customers needs (decide which needs to meet)	This framework should assist alcoholic beverage companies to understand their customers' needs/wants and decide the best way to meet the needs
The marketing orientation theory	Effectiveness in creating, delivering and communicating superior customer value than competitors	The players in this industry should understand their competitive advantages in creating, delivering and communicating superior customer value
The relationship marketing theory	Cultivating long term profitable relationships with the right customers	Companies should develop long lasting profitable relationships with their customers
The holistic marketing theory Have a more complete, cohesive approach in the practice of marketing	Everything matters.(integrated marketing)	The Alcoholic beverage companies should have a broad integrated perspective in their marketing activities
Integrated marketing theory	Have fully integrated marketing programs to create, communicate and deliver customer value	Beer companies should recognize the marketing activities and deliver superior customer value
Internal marketing theory	Everyone in the organization should 'think customer'	Firms recognize the importance of customers, provide superior customer care and employ people who are customer oriented. This can also be enhanced through Training of employees.
Social responsibility marketing theory	Broader concerns and ethical, Environmental, legal and social context of Marketing activities and programs	Companies through their associations, can engage in a number of social responsibility activities

Table.1. Application of Marketing Concepts in Alcoholic Beverage Industry

Source: Researcher 2011

### **2.3.1. Challenges of application of marketing Theories in Alcoholic Beverage Industry**

Lack of enough capital affects this industry due to the huge capital required. In deed this is a strong barrier of entry to small upcoming companies. This is a barrier to product innovation as well. These theories require financial investment and management commitment .Unpredicted changes in customer preferences, many substitute products, and lack of investing in new products. Other barriers considered not severe included poor financial controls, failure to cope with competition, lack of clear vision and goals, failure to respond to changes, lack of storage and preservation facilities, security, transportation and employees wanting higher pay.

Three areas that are vital for the successful execution of a relationship strategy are: the interaction process as the core of relationship marketing, the planned communication process supporting the development and enhancement of relationship and the value process as the output of relationship marketing.

Large and small alcoholic beverage companies are now developing strategic partnerships with suppliers in order to deliver the right product to the alcoholic beverages at the right time. These changes are partly the advances in the information technology and the relatively the increasing power of large alcoholic beverages. Not only must the alcoholic beverage companies and the supplier agree on the price and the amount of merchandise to be bought or sold, but the terms of sale and the terms of payment must be agreed on as well (Hasty and Reardon, 1997).

Today, many organizations are fast changing to cope with the needs of the dynamic environment. However, the focus of their effort is often day to day management and dealing with the current issues or crisis. While many small firms survive and prosper this way, to establish a secure business and develop the capability to grow significantly requires some long term thinking in form of a strategy. The importance of developing a strategy that is sufficiently proactive to drive a small firm not only to achieve long term success, but to be flexible enough to cope with the continual change in the environment is paramount. A strategy is needed by any organization that is faced with intelligent opposition that can affect the organizations desired outcome. To operate in environments that are potentially vulnerable to competitive actions and so they need a strategy to determine the way in which they intend to compete in the market place

Mintzberg (1994) suggests that a strategy is about making plans for the future, based on a set of objectives, policies and plans that, when taken together, define the scope of the enterprise and how it intends to survive and achieve success. There must be a strategic fit of the many activities that are intertwined to provide competitive advantage and ultimately, sustainability for the organization. Several key strategies are needed at every stage in the lifetime of an enterprise (Storey, 1994). Secondly is the ability of a firm to identify market segments or niches where they can build customer bases founded on their distinctive advantages. Thirdly is the ability to exploit non-price competitive advantages using relevant technologies and being innovative. The concept of strategy is essential to organizations in that it helps in;

1. Defining the organization's business, mission and goals;
2. Identifying and framing organizations growth opportunities;
3. Formulating marketing strategies;
4. Budgeting, marketing, financial and production resources; and
5. Developing reformulation and recovery strategies.

Marketing orientation is firstly customer focused. Becoming customer oriented requires finding out what values buyers' want to help satisfy their needs. According to Becherer et al., (2003), Blankson et al.(2006), market orientation requires a culture in which organizations strive to create superior value for their customers (and superior performance for the business) by focusing on customers' needs and long term profitability. Secondly, a marketing oriented organization recognizes the importance of understanding its competitors as well as the customers. Thirdly, a market oriented organization is effective in getting all business functions working together to provide superior customer value. Lastly, organizations that are market oriented begin strategic analysis with a penetrating view of the market and competition.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research design

This chapter will contain the steps necessary in execution of the study to fulfill the study objectives. These are research design, target population, the sampling frame, and sampling technique, sampling size, Data collection method research procedures and method of data analysis

The proposed study is modeled on a descriptive design. According to Cooper (1996), a descriptive study is concerned with finding out who, what, where and how of a phenomenon which was the concern of the study. The study intends to determine factors influencing marketing in alcoholic beverages , where and how the alcoholic beverages companies in Kenya have adopted and whether they led to a sustainable competitive advantage, which fits into the design. Njoroge (2003), Mazrui (2003), Kamanu (2004) and Mukule (2006) used descriptive study in the related studies. In this research descriptive research will be used to determine the effects of human resource information system on organizational performance. Descriptive studies are not only restricted to facts findings but may often result in the formulation of important principles of knowledge and solutions to significant problems other researches e.g. Saleemi (2000) have used this design in the past successfully.

#### 3.2 Target Population

Mugenda and Mugenda (1999) describe the target population as the complete set of individual case or object with some common characteristics to which the researchers want to generalize the result of the study. The study will target the following departments: Management& administration, Human resource department, Accounts, and marketing.

Department	Number of Employees	50%
Marketing	20	10
Accounts	16	8
Management & Administration	8	4
Human resource	6	3
Total	50	25

Source: Researcher (2011)

### 3.3 Sample design and procedure

Census method will be used in the study. The target population will be divided into stratum on the basis of division. This method will be preferred because the population of the reference will be small. A sample of 50% will be drawn from each stratum which the responded will be randomly picked

### 3.4 Data collection instruments and procedure

Data will be collected both form primary and secondary source. The major instrument will be questionnaire. Secondary data shall be collected through desk studies, from publication and honorary. The questionnaire will be hand delivered and collected after a few days. Both open- ended and closed questions will be used. Questions will be clearly phase in order to make clear dimension along with respondent to analyze. In open ended question space will be provided for respondent to express their feeling. Closed ended questions will be used to ensure that the given answers will be relevant.

### 3.5 Data analysis procedure

The information will be codified and entered into a spreadsheet and analyzed using SPSS (statistics package for social science). The data will be analyzed using correlation regression analysis. This involves creating descriptive statistics namely percentages and frequencies. The data will he presented by use of tables and charts.

## CHAPTER FOUR

### DATA ANALYSIS

#### 4.1 Introduction

This section presents the analysis and findings from the primary data that was gathered from the respondents. The questionnaires were taken by hand and sufficient time was provided for filling in the questionnaire. All completed questionnaires were edited for completeness and consistency.

#### 4.2 Demographic Profiles of the Respondent

The study used a sample of 25 questionnaires which were sent out to various respondents. The demographic profile of the respondents was shown below.

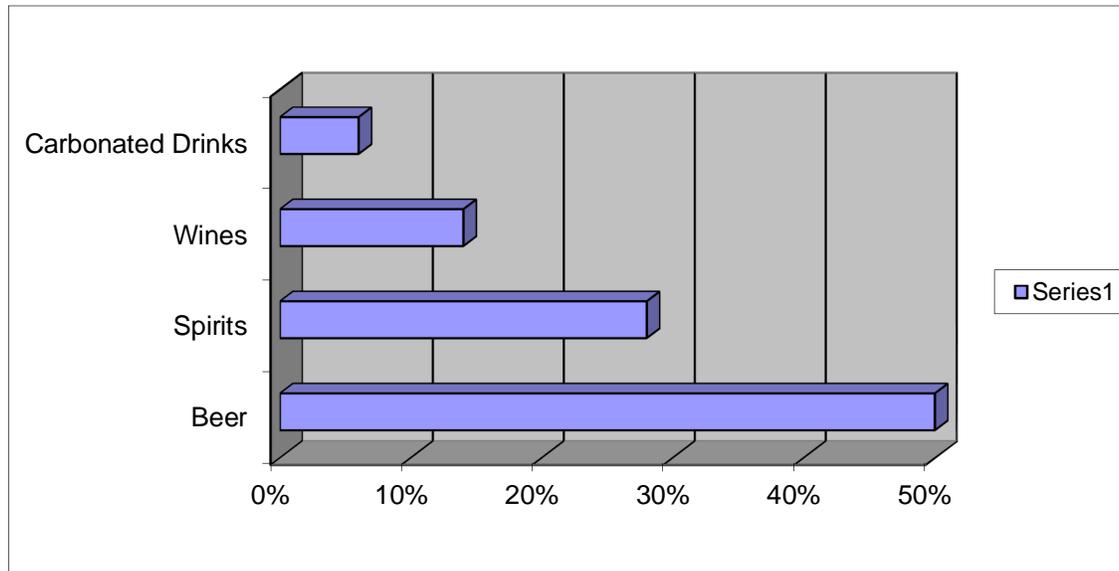
**Table 4.1 Position in the company**

Department	Frequency	Percentage
Marketing	10	40
Accounts	8	32
Management & Administration	4	16
Human resource	3	12
Total	25	100

Source: Researcher, 2011

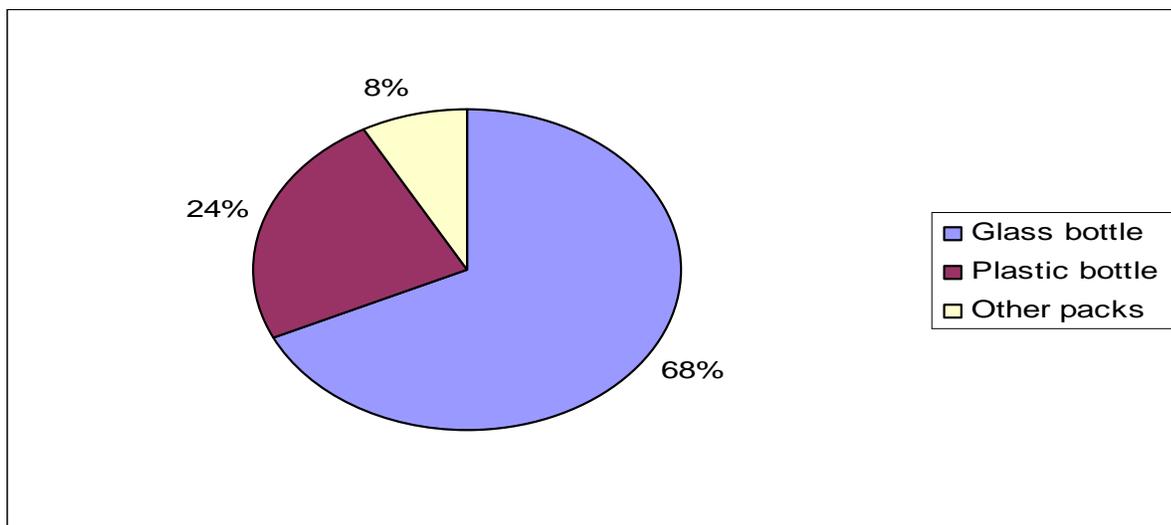
Results presented in table 4.1 revealed that majority of the respondents were in marketing department comprising 40 percent, 32 percent were in accounts department, 16 percent were in management & administration while 12 percent were in human resource department.

**Figure 4.2 Business Company is in**



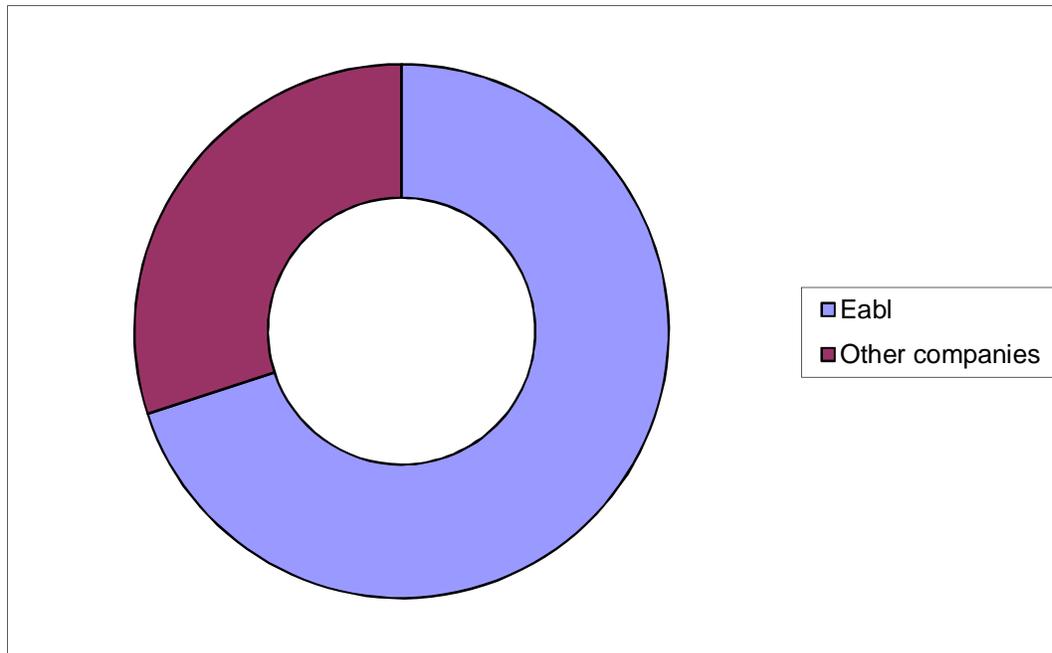
Results revealed that majority of the respondents felt that 50% of the business is in beer,, 28% of the businesses in spirits, 14% in wines business while carbonated drinks took 6% of East African Breweries business.

**Figure 4.3 Type of packaging used to bottle your products**



Data presented in figure 4.2 revealed that majority of the businesses used bottles to package their products comprising 68 percent while 24 percent used plastic containers to package their products. 8 percent used tetra packs to package their products.

**Figure 4.4 Market share**



Source: Researcher, 2011

There was general consensus among the respondents that East African Breweries commands over 70% market share while competitors enjoyed slight about 30%.

#### **4.3 Brands East African Breweries specialize in**

Data from the study showed that East African Breweries specializes in more than 10 brands.

#### **4.3 Factors influencing marketing of your products**

The study inquired on the extent the company had done various activities in pursuit of adoption of marketing strategies. This section used scale of 1-5 below, in which;5- To a very large extent.4- To a large extent.3- To some Extent.2- To a small extent.1- To no extent. Data was presented in mean and standard deviation.

**Table 4.2 Extent the company had done various activities in pursuit of adoption of marketing strategies**

		Mean	Standard deviation
i.	Have loyalty programs with its customers	2.304	.394
ii.	Uses telephone to market and sell to its customers	2.944	.236
iii.	Company reps calling on customers and prospects	1.204	.756
iv.	Profile customers by family lifecycle i.e. Teens, young, old	1.234	.545
v.	Profile their customers by gender (Male or Female)	1.344	.937
vi.	Profile customers based on loyalty status (high, low& none)	1.344	.353
vii.	Give samples to its customers	1.384	.937
viii.	Charge high prices for goods with high perceived value	1.503	.756
ix.	Prices and quality is maintained to lock out some customers	1.564	.236
x.	Company reps answering calls from customers	1.857	.545
xi.	Classify based on attitude i.e.+ve,-ve, enthusiast, indifferent	1.944	.394
xii.	Uses e-mails to sell its products to its customers	1.944	.747
xiii.	Uses mails to reach or sell to its customers	1.997	.937
xiv.	Have products for different customer clusters(based on need)	2.192	.545
xv.	Have billboards	2.304	.394
xvi.	Provide products different levels of benefit offerings	2.345	.236
xvii.	Profile their customers by Age i.e.13-19, 20-29, 30-40, 45+	2.433	.747
xviii.	Classify based on readiness stage(aware, unaware, ready etc)	2.445	.573
xix.	Communicates to its customers through package inserts	2.944	.236
xx.	Engages in lotteries, games and contests	2.948	.394
xxi.	Have sales meetings with customers	3.022	.353
xxii.	Uses posters and leaflets to ensure good visibility for the co.	3.045	.545
xxiii.	Uses display signs	3.102	.937
xxiv.	Have incentives programs in place to its customers	3.103	.573
xxv.	Creates awareness through brochures & booklets	3.125	.756
xxvi.	Carry out sales presentations with customers	3.204	.236
xxvii.	Have different pack offerings i.e. Glass and PET's	3.223	.937
xxviii.	Profile their customers by usage rate-light, medium & heavy	3.233	.756
xxix.	Clear product differentiation based on brand characteristics	3.234	.545

xxx.	Have appointed distributors who distributes to the retail	3.292	.394
xxxi.	Have point of purchase displays	3.445	.573
xxii.	Committed to the retail strategy	3.454	.353
xxiii.	Distributes directly from the manufacturer to the retail	3.495	.573
xxiv.	Have audio visual presentations	3.495	.573
xxv.	Have ads in print or broadcast	3.545	.353
xxvi.	Have a coherent retail strategy	3.554	.236
xvii.	Participates in demonstrations and road shows	3.564	.545
xviii.	Give rebates to its customers	3.844	.756
xxix.	Take part in special events taking place in its region	3.892	.434
xl.	Participates on social corporate responsibility	3.945	.455
xli.	Efficient, flexible and superior technical operations	3.958	.353
xlii.	Uses logos and symbols to position their products	3.968	.747
xliii.	Participates in fairs and trade promotions	3.988	.747
xliv.	Have trucks that go round selling to individual retailers	4.023	.937
xlv.	Continuous product innovation based on customer needs	4.029	.756
xlvi.	Advertisements put on the outside cover of products	4.103	.353
xlvii.	Have rural and urban splits	4.234	.573
lviii.	Have regional splits e.g. Nairobi and Nakuru sales regions	4.234	.394
xliv.	Have brand/ line extensions customized to satisfy the needs	4.234	.747
i.	Offer low priced products with higher quality	4.239	.747
ii.	New products produced based on customers feedback	4.633	.236

Source: Researcher, 2011

Results depicted in table 4.3 revealed that East African Breweries Limited has new products produced based on customers feedback (4.6), offer low priced products with higher quality (4.2), has brand/ line extensions customized to satisfy the needs (4.2), has regional splits e.g. Nairobi and Nakuru sales regions (4.2), has no rural and urban splits , has advertisements put on the outside cover of products (4.2), has continuous product innovation based on customer needs (4.1) , has no trucks that go round selling to individual retailers but uses distributors to do so, participates in fairs and trade promotions (4.0).

The study cited activities the company has done in pursuit of adoption of marketing strategies were having loyalty programs with its customers such as scratch and win, Bambua ushinde, Tusker na milli among other programs. On using telephone to market and sell to its customers and the company reps calling on customers and prospects it was established that the company has very strong customer relationship program and this is a strong barrier of entry strategy to deter competitors and substitutes.

**Table 4.4 Extent to which various environmental factors have prompted strategic move within the last five years**

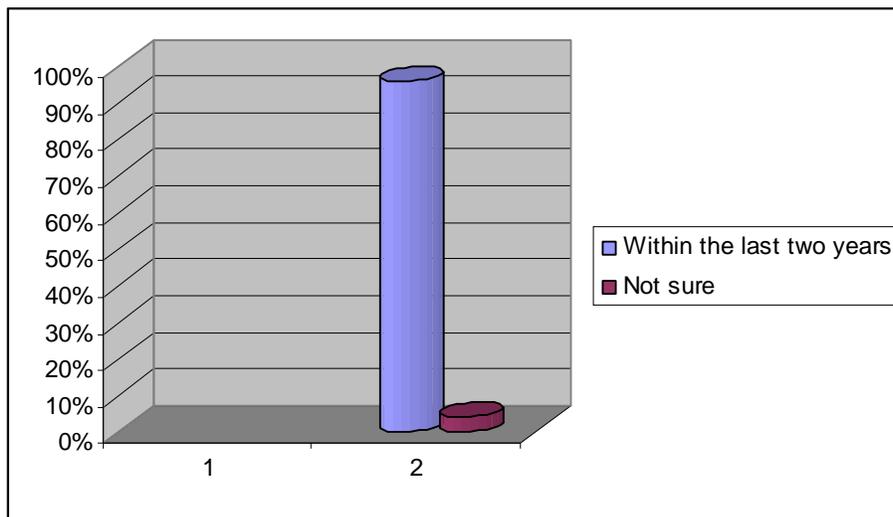
This study used a scale of 1-5 below, in which;5- To a very large extent.4- To a large extent.3- To some Extent.2- To a small extent.1- To no extent. Data was presented in mean and standard deviation.

Environmental factors	Mean	Standard deviation
Environmental factors	2.945	.586
Social factors	3.069	.967
Diversification	3.293	.545
Political factors	3.586	.475
Economic changes	4.334	.485
Competition	4.394	.657
Technological changes	4.697	.766

Source: Researcher, 2011

The results revealed that the major environmental factors have prompted strategic move within the last five years were technological changes (4.6), competition (4.3), economic changes (4.3) and political factors (3.5).

**Figure 4.4 Situation that best describes when your organization did a retail consumer research**



Source: Researcher, 2011

Results in figure 4.4 revealed that East African Breweries has been doing a retail consumer research every two years with 96% while Only 4% were not very sure if the company had done retail consumer research in every two years.

#### 4.4 Competitive advantage

Extent of agreement on various statements concerning the Competitive Advantage the company has enjoyed as a result of adopting the marketing. This section employed a likert scale of 1=Strongly Agree, 2= Fairly Agree, 3= Agree, 4=Disagree, 5=Fairly Disagree, 6=Strongly Disagree

**Table 4.5 Extent of agreement on various statements concerning the Competitive Advantage**

	Mean	Standard deviation
a) Command a bigger market Share	1.945	.586
b) We command a successful market niche	2.069	.967
c) We enjoy low cost advantage	3.293	.545
d) We have developed strong marketing ability	1.586	.475
e) We have developed strong capability in research	1.334	.485
f) Have reputation in product and service quality	1.394	.657
g) Acquired a strategic position in the market	2.697	.766
h) Have reduced migration to substitutes	2.945	.586
i) Have an aligned retail performance measure	2.945	.586
j) Clear product differentiation	1.069	.967

Source: Researcher, 2011

Most of the respondents agreed to a great extent that competitive Advantage the company has enjoyed as a result of adopting the marketing had led to a clear product differentiation, strong capability in research, good reputation in product and service quality, strong marketing ability and had commanded a bigger market Share as was shown by low means of 1..5, 1.9, 2.0 and 2.6 respectively.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

The study revealed that a majority of the respondents were in marketing department comprising 40 percent, 32 percent were in accounts department, 16 percent were in management & administration while 12 percent were in human resource department. Further, a majority of East African Breweries businesses is in beer (50%), 28% of the businesses were in spirits business while 14% were in wines business. In addition, majority of the packaging is bottles comprising 68 percent while 24 percent used plastic containers to package their products. 8 percent used other packs such as dispensers to package their products for example Senator Keg. The company enjoys over 70% market share. The study further established that East African Breweries Limited has more than 10 brands.

Results depicted in table 4.3 revealed that East African Breweries Limited has new products produced based on customers feedback (4.6), offer low priced products with higher quality (4.2), has brand/line extensions customized to satisfy the needs (4.2), has regional splits e.g. Nairobi and Nakuru sales regions (4.2), has no rural and urban splits, has advertisements put on the outside cover of products (4.2), has continuous product innovation based on customer needs (4.1), has no trucks that go round selling to individual retailers but uses distributors to do so, participates in fairs and trade promotions (4.0).

The study cited activities the company has done in pursuit of adoption of marketing strategies were having loyalty programs with its customers such as scratch and win, Bambua ushinde, Tusker na milli among other programs. On using telephone to market and sell to its customers and the company reps calling on customers and prospects it was established that the company has very strong customer relationship program and this is a strong barrier of entry strategy to deter competitors and substitutes

On the areas of the extent to which various environmental factors have prompted strategic move within the last five years, the study showed that the major environmental factors which have prompted strategic move within the last five years were technological changes (4.6), competition (4.3), economic changes (4.3) and political factors (3.5).

Results in figure 4.4 revealed that East African Breweries has been doing a retail consumer research every two years with 96% while Only 4% were not very sure if the company had done retail consumer research in every two years.

On the issue of the Competitive Advantage the company has enjoyed as a result of adopting the marketing, most of the respondents agreed to a great extent that competitive Advantage the company has enjoyed as a result of adopting the marketing had led to a clear product differentiation, strong capability in research, had reputation in product and service quality, strong marketing ability and had commanded a bigger market Share as was shown by low means of 1..5,1.9,2.0 and 2.6 respectively.

### **5.2 Conclusion**

The study concludes that company had new products produced based on customers feedback, offering low priced products with higher quality, having brand/ line extensions customized to satisfy the needs, having regional splits e.g. Nairobi and Nakuru sales regions, having rural and urban splits, advertisements put on the outside cover of products, continuous product innovation based on customer needs, participating in fairs and trade promotions while using strong distributors who have trucks who deliver to both rural and urban. The study further established that the delivery trucks have established routes.

The study further concludes that there were various strategies that had been adopted by East African Breweries ltd. These were having done a retail consumer research, better packaging, improved brands and tastes and vigorous marketing.

The study concludes that the adoption of these strategies had given the East African Breweries a competitive advantage. It had led to a clear product differentiation, strong capability in research, had reputation in product and service quality, strong marketing ability and had commanded a bigger market Share.

### **5.3 Recommendations**

The study recommends that for East Africa Breweries to overcome the challenges in faces from the external environment due to liberalization competition and legislation , there is need to have loyalty programs with its customers through reward schemes like Bonga points whereby customers can redeem by getting extra beers. This will ensure more sales. Using telephone and internet the study further recommends East African Breweries to explore Digital Marketing as a very cost effective strategy to communicate the product benefits.

*On coping up with increased competition and threat of substitutes, this study strongly recommends full exploitation of use of sorghum as an alternative raw material. This raw material grows in arid and semi arid areas and currently it is not very much affected by the harsh effects of global warming. Utilization of this raw material will ensure that East African Breweries remains very competitive especially during these hard economic times.*

Environmental effects and uncertainty due high turbulence is a crucial factor in remaining very competitive. This company needs to continuously scan the environment and use both emergent and planned strategies to develop strategies to ensure that the company remains competitive.

East African Breweries needs to pursue strong business relationships with its distributors to ensure that the company does not lose out these distributors who have strong links with the retailers to any inducements by the new entrants as it happened when Castle Brewing pounced on Karume investments leading to big loss in market share in that particular region.

On legislation, the company should design communication messages to advise its customers on the need to adhere to the prescribed Act to ensure both the outlet and the consumers are safe from the wrong hands of the law. To cushion the effects of sales lost due to early outlet closure, the company should pursue home drinking as an alternative sales strategy.

#### ***5.4 Area of further research***

This study focused on the challenges East Africa Breweries faces from the external environment due to liberalization competition and legislation. There is need to carry out a research on other companies and institutions to bring out a comparative effect.

A specific study should be carried out on why Castle Brewing closed its doors and when its Chief executive Castle brewing managing director Andre Parker noted that beer consumption in Kenya was less than what it should be. He observed that with health competition broader choice of products advertisement promotions and improved levels of customer service Kenya has great potential market for beer (Daily Nation 24<sup>th</sup> April 1997). This study will among other things establish what new strategies Castle Brewing is going to focus on after their re-entry in September 2011.

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