How Business Rivalry is Influencing Competitiveness of Hardware Stores in South Imenti Sub-County, Meru County, Kenya

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Abstract: Business rivalry has occasioned a cut-throat competition which is threatening the growth of hardware stores in South Imenti sub-county. The intensive competition may have been heightened by the increased constructions of commercial houses to meet the rising demand for housing in the region. The competitive rivalry may likely curtail creation of a stable employment and can be a deterrent to affordable housing which is one of national agenda 4. The purpose of this study was to assess the influence of rivalry on the competitiveness of hardware stores in South Imenti sub-county. It hypothesized that business rivalry has no significant influence on the competitiveness of hardware sector in South Imenti sub-county. The porters five competitive model was significant in guiding this study. Descriptive survey design was adopted. Data was collected from the registered hardware stores in South Imenti using a structured questionnaire. Census sampling technique was used since the population was small. Content and construct validity ensured data quality, while cronbach’s alpha was used to test the reliability of the research instruments. Mean, standard deviation, and linear regression analysis were used in analyzing research data. Results indicated that business rivalry positively and significantly affect the competition of hardware stores. The study concluded that there is intensive business rivalry among hardware stores in Imenti South. This has occasioned price wars among the hardware owners and a scramble for the market share, hence the unsystematic expansion and growth. The study recommends collaborations of business associates and introduction of differentiated products in the market.

Keywords: Hardware, Competitiveness, Rivalry, Small and Medium-sized Enterprises, South Imenti

1. Introduction

Competitiveness is the ability of a firm to offer products and services of high quality standards locally and internationally, at competitive prices which provides progressive returns for both employed and consumable resources (Teece, 2010). Markets depend on many times on effective competition, available products range, and can be harmed by inappropriate government policies, legislations and by the anti-competition authority (Indiatsy, Mwangi, Mandere, Bichanga & Gongera, 2014). Ideally, competitiveness arguments started in the 1980s, complementing the theories of Adam Smith, who was among the founding fathers of the classical economics. In the book titled, the competitive advantage, Michael Porter identifies the source of prosperity sustainability of global modern economy in the competitiveness (Porter, 2008). Despite its significance, competitiveness can be worsened by rivalry among players in a given industry; a situation that may lead to diminished bottom line and low turnover. Notably, trade liberalization in Kenya is intensifying competitiveness among SMEs.

1.1 Statement of the Problem

The Kenya vision 2030 is the country’s long-term development blueprint which aims to create internationally competitive and prosperous country’s economy; a key telnet that is transforming Kenya into an industrialized country. Some of the key foundations for national transformation under the economic pillar are infrastructure, urbanization and housing (Kenya vision 2030); which are largely served by small and medium hardware enterprises (Kenya National Bureau of Statistics, 2017). However, the competitiveness in these enterprises has continued to intensify to an extent of threatening their growth. In Imenti South sub-county, hardware stores, like other enterprises are witnessing intensified competition which is threatening the growth of SMEs. This further curtails creation of a stable employment and can be a deterrent to affordable housing – one of National agenda 4. Consequently, the established hardware dealers are seeking to grow their market share while the new entrants are seeking to penetrate the sector and enjoy returns thereof. The situation is diminishing the wealth among the hardware owners hence forcing some of them to close doors. This may amounts to poverty due to loss of employment. If the above problem is not addressed in time, the growth of hardware in Imenti South will decline and ultimately drag the desired economic development. None of the reviewed studies for example, Muteshi and Awino (2018), and Ngothi (2015) focused on hardware sector hence leaving a remarkable knowledge gap in terms of the context which this study sought to address.

1.2 Purpose of the Study

The purpose of this study was to assess the influence of rivalry on the competitiveness of small and medium hardware enterprises in South Imenti Sub-county, Meru County.
1.3 Research Hypothesis

H₀: Business rivalry has no significant influence on the competitiveness of hardware sector in South Imenti sub-county.

2. Competitive Rivalry

Competitive rivalry refers to the strength of competition in the industry (Porter, 2008). Indicators of competitive rivalry are: number of competitors, capacity of competitors, quality differences, switching costs, customer loyalty, undifferentiated products or services, market attractiveness and business size (Barasa, 2010). It occurs when competitors sense the pressure or act on an opportunity to improve their market segment. The intensity of rivalry differs across industries, and is one of the key determinants for success of SMEs as they struggle to gain sectorial prerogatives over the large companies (Piatkowski, 2012; Zaridis & Mousioli, 2014). Their main focus therefore is to attain distinctive and sustainable competitiveness, long-term profitability and financial stability. Morrison (2012) stated that the principle behind Michael Porter’s ideas of profit came from two sources namely: operating in an industry with an attractive structure and having a sustainable competitive advantage.

McGrath (2013) argued that competitive advantage have to be transient rather than sustainable. McGrath describes the creative economy of companies by identifying the needs of people and their willingness to pay for them, through better experiences designs and value. McGrath concludes that sustaining competitiveness is counterproductive rather than ineffective.

There are numerous studies on firms’ competitiveness spreading across various industry and sectors, both globally and locally which have investigated different aspects of competitiveness. For example, Moreno-Izquierdo, Ramón-Rodriguez and Perles-Ribes (2016) conducted a study on pricing strategies of the European low-cost carriers as explained using Porter’s five forces model. Moreno-Izquierdo, Ramón-Rodriguez and Perles-Ribes’s analysis revealed that the cost of flight’s increased as the day of the departure becomes closer.

According to Rachapila and Jansirisak (2013), competitive rivalry may leads to decrease of market shares, war on prices hence lower profit margins. Rachapila and Jansirisak (2013) examined factors characterizing the competitive magnitudes in Thailand sweet corn industry. Their study focused on variables such as number of competitors, relative size of competitor, industry growth rate, fixed costs verses variable costs, product differentiation, capacity augmented in large increments, switching costs, density of competitors, exit barriers, and strategic stakes. They found that the number of competitors had an effective score of 0.92; possibility score of 4.75; and weighted score of 4.35. They further noted that most players had a shared market and competed fiercely. Also reported was that relative size of competitors had an effective score of 0.50, possibility score of 2.83, and weighted score of 42. There was an attempt for an industry cluster for players, use of alliance strategy in the large medium, and small players. Industry growth rate had an effective score of 0.75; possibility score of 4.42; and weighted score of 3.31. There was decrease of exportation of products caused by the lack of products, while fixed costs verses variable costs had an effective score of 0.92; possibility score of 4.50; and weighted score of 4.13. These included the value of machines, location and area; the manufacturing capacity needed to maintain high production to reach the best value. However, they noted that it was highly risky if the demand of products decreases which would causes an oversupply. This would further cause a price war and definitely force product differentiation.

Shariff (2014) examined the degree of rivalry among existing insurance companies in Kenya and found that switching cost scored a mean of 3.27, industry growth 3.76, number and size of firm 3.67, exit barriers 3.48, product differentiation 3.49, prices 4.27 and excess capacity 3.21. Shariff concludes that price was the strongest determinant for competitiveness in the insurance industry. This indicates that a number of small and medium sized enterprises are maintaining their size in order to be more competitive. It was also clear that competitive advantage in small and medium sized enterprises was derived from the organization structure and policies. The discussion has also shown that competitive rivalry may results to a decreased market share, price wars and subsequent lowering of profits. Minimal differentiation of products in the market has also been noted as the reason for high competitiveness hence the competitors who are weak may not survivor in the market (Moreno-Izquierdo, Ramón-Rodriguez and Perles-Ribes, 2016). Strategic analysis in business strategy by Thuong (2017) further indicated a relationship between rivalry among established firms and competitive advantage as was demonstrated by use of multiple regressions.
specifically, linear regression analysis was used in analyzing data using SPSS version 22. Analyzed information was presented using tables and in other cases, descriptive statements were used.

4. Results and Discussion

4.1 Response rate and profiles of respondents

A total of 83 questionnaires were distributed to the owners of hardware shops. Out of the 83 questionnaires, 71 were returned which indicated 85.5% response rate. The results indicated that most of the SMEs hardware stores in South Imenti sub-county are in Nkubu and Igoji market centers. It was noted that twenty five (35.20%) of the hardware owners had a college level of education while twenty one (29.6%) had a University level education, eighteen (25.4%) had secondary level education, and seven (9.9%) had a primary level education. This implies that most hardware owners have requisite education and are therefore literate. This provides them with basic numeracy skills that are necessary in running a hardware store.

The results further indicated that majority of hardware shops (46.5%) had been in operations between 6 and 10 years while approximately a quarter, 18 (25.4%) had been in operation as from 11 years and above. Only 20 (28.2%) had operated 5 years and below. These findings show that hardware shops in Imenti South Sub-county have been growing slowly and have high survival rates, something that contradict report by Kenya National Bureau of Statistics (2017) which showed that majority of small and medium enterprises hardly go for more than five years. Despite fairly large asset value, an overwhelming majority 67 (94.4%) of the hardware shops in Imenti South Sub-county have less than 10 employees. Only 4 (5.6%) hardware shops have employed between 11 and 50 employees. This reinstates the general characteristics of SMEs in employing few employees as noted by Saleemi (2009).

The competitiveness of the SMEs hardware in Imenti South Sub-county was the dependent variable in this study. Respondents were asked to indicate their level of agreement with the varied questions in a 5-level Likert rating scale (Strongly agree – 5; Agree – 4; Neutral – 3; Disagree – 2; Strongly Disagree – 1). The statements largely focused on: quality issues, ability to buy products at low cost, ability to deliver products to customers at the specified time, competitive prices on products, ability to maintain optimum stocks, flexibility in the operations, and responsiveness to customers’ complaints. The descriptive results of specific aspects under investigation are shown in Table 1.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our level of quality is acceptable to our customers</td>
<td>4.63</td>
<td>.638</td>
</tr>
<tr>
<td>We respond to complaints from our customers immediately</td>
<td>4.63</td>
<td>.849</td>
</tr>
<tr>
<td>Our level of responsiveness is high</td>
<td>4.62</td>
<td>.781</td>
</tr>
<tr>
<td>We are normally very keen on quality</td>
<td>4.59</td>
<td>.904</td>
</tr>
<tr>
<td>We only store quality products</td>
<td>4.51</td>
<td>.876</td>
</tr>
<tr>
<td>We are reducing wastages in our operations</td>
<td>4.49</td>
<td>.772</td>
</tr>
<tr>
<td>We are always keen with what is happening in our business environment</td>
<td>4.35</td>
<td>.719</td>
</tr>
<tr>
<td>We are very keen on how we source our products</td>
<td>4.34</td>
<td>.506</td>
</tr>
<tr>
<td>We are able to buy our products at low cost</td>
<td>4.31</td>
<td>1.090</td>
</tr>
<tr>
<td>We are able to deliver our products to customers at the specified time</td>
<td>4.30</td>
<td>.962</td>
</tr>
<tr>
<td>We are able of offer our customers products at competitive prices</td>
<td>4.25</td>
<td>.751</td>
</tr>
<tr>
<td>We are flexible in the way we operate</td>
<td>4.20</td>
<td>.786</td>
</tr>
<tr>
<td>Our firm has a proper planning and control system</td>
<td>4.14</td>
<td>1.046</td>
</tr>
<tr>
<td>We always maintain optimum stocks of our products</td>
<td>4.07</td>
<td>.915</td>
</tr>
</tbody>
</table>

The results in Table 4.4 indicate that the majority of hardware owners, (62, 87.8%), with a mean aggregate score of 4.39, agreed with the various assertions that aimed to determine the competitiveness of the hardware shops in Imenti South Sub-county. This indicates that the sector (SMEs hardware in Imenti South Sub-county) is highly competitive. Specifically, the respondents agreed with the following top three statements (the ones with highest mean scores) in describing the competitiveness of SMEs hardware: our level of quality is acceptable to our customers (mean = 4.63), we respond to complaints from our customers immediately (mean = 4.63), and, our level of responsiveness is high (mean = 4.62). The results are showing that the competitiveness of the SMEs hardware in Imenti South Sub-county is largely characterized by issues related to quality of products, ability to deliver products to customers at the specified time, responsiveness to customers’ complaints among others. It seems that the high quality of products, the high the profitability levels matters to both hardware shops and the manufactures. The results are contrary to Indiatsy, Mwangi, Mandere, Bichanga and Gongera (2014) findings which indicated that sales triggered rivalry in a market. Ahmedova (2015) also noted that competitiveness is determined by its high resource productivity.

To ascertain the nature of rivalry, hardware owners were asked to indicate their level of agreement with the various statements in a 5-level Likert rating scale (Strongly agree – 5; Agree – 4; Neutral – 3; Disagree – 2; Strongly Disagree – 1). The statements sought to know whether there are many competitors in the sector, existence of price wars; whether hardware products are highly differentiated, the costs of switching from hardware business to other businesses, exit costs, underlying fixed costs as well as the storage costs. Results are summarized in Table 2.
show the Durbin-Watson value, which was more than 1. This indicates that no autocorrelation was found hence the model was relevant in the analysis.

Table 4: Influence of rivalry on Competitiveness hardware SMEs: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>2.138</td>
<td>1</td>
<td>2.138</td>
<td>14.085</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>10.472</td>
<td>69</td>
<td>.152</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12.610</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ANOVA Table 4 shows the significance of the model in predicting the variations in dependent variable. The relationship or the effect of predictor variable is regarded significant if P<0.05. Results show that competitive rivalry (X1) is statistically significant in accounting for the variations in the dependent variable (Y), that is, competitiveness in the SMEs hardware in Imenti South.

Table 5: Influence of rivalry on Competitiveness hardware SMEs: Regression Weights

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>2.995</td>
<td>.374</td>
<td>8.004</td>
<td>.000</td>
</tr>
<tr>
<td>X1</td>
<td>.352</td>
<td>.094</td>
<td>.412</td>
<td>3.753</td>
<td>.000</td>
</tr>
</tbody>
</table>

The Table 5 shows a VIF value of 1 for rivalry as a predictor, which helps to rule out multi-correlations among the study variables hence the model was fit for data analysis and interpretations as guided by Salmerón Gómez, García Pérez, López Martín and García (2016). The results also show the coefficient values (regression weights) and the corresponding level of significance. The unstandardized B-coefficients values rather than the beta coefficients values were used in each case because all the valuables of the predictor had identical Likert scales, and also considering that the constant value in each model was significant.

3.2 Hypothesis testing on the Effect of Rivalry on Competitiveness of Hardware Sector in South Imenti, Meru County

The null hypothesis (H₀) predicted that rivalry has no significant effect on the competitiveness of hardware sector in South Imenti, Meru County. In testing this hypothesis, data for the independent variable business rivalry (X1) was regressed on the dependent variable, competitiveness (Y), and the results is summarized in Table 3, 4 and 5.

Table 3: Influence of rivalry on Competitiveness of hardware SMEs: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>.412</td>
<td>.170</td>
<td>.157</td>
<td>.38957</td>
<td>2.175</td>
</tr>
</tbody>
</table>

Table 3 shows the rivalry as a predictor of competitiveness in SMEs hardware in Imenti South sub-county. The results also show the Durbin-Watson value, which was more than 1. This indicates that no autocorrelation was found hence the model was relevant in the analysis.
Similarly, Lad (2015) used ANOVA to analyse the effect of strategy implementation on competitive advantage for small and medium enterprise in Nairobi. Lad found a positive significant relationship between the elements of organization structure and competition. In the same vein, Njambi (2015) found a similar finding using chi-square tests with P-value of 0.359, hence rejecting the null hypothesis.

5. Conclusion

The study concludes that there is intensive business rivalry among the existing and new hardware stores in Imeniti South Sub-County, Meru County in Kenya. This is negatively affecting the manner in which hardware SMEs are competing and growing. The practice is dangerous because it threatens the existence of many small hardware stores since they are forced to lower their prices for survival. This practice has affected the sector in terms of growth and employability.

6. Recommendation

The hardware owners should form an association to promote growth and solidarity of players. This approach will foster collaborations among business associates and is significant in scaling down business rivalry among hardware owners. The study further recommends introduction of innovative products that are highly differentiated in order to minimize unwanted competitive rivalry in this sector. The findings of this study have enormous implications on business practices, pricing strategies and challenge the manufacturing companies to differentiate their hardware products in terms of the value they add. It is noted that hardware sector is essential in contributing towards achievement of affordable housing that is pursued in the big 4 agendas that are sought by national government in Kenya.

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