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EFFECTS OF FOCUS STRATEGY ON CUSTOMER LOYALTY AMONG PHARMACEUTICAL COMPANIES IN NAIROBI COUNTY, KENYA

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Abstract:
Competitive strategy is about being different. This means deliberately performing activities differently and in better ways than competitors. Customer loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations. Customer loyalty is very difficult to be achieved with more and more unique ways being adopted to meet the ever changing nature of the pharmaceutical industry. The study objective was to assess the effect of focus strategy on customer loyalty among Pharmaceutical companies in Nairobi County. The research was carried using descriptive survey design. This design refers to a set of methods and procedures that describe variables. It involves gathering data that describes events and then organizes, tabulates, depicts and describes the data. The research targeted 119 pharmaceutical firms and the sample size was computed using 30% of the target population which gives a sample size of 35. The study used questionnaires as an instrument of collecting data. It was found that all the measurers of focus strategy were found to have effect on the customer loyalty among pharmaceutical firms in Nairobi County. The constructs were found to be of good reliability that allowed the researcher to proceed to the actual data collection. The focus strategy variable was found to have a positive and a statistically significant effect customer loyalty. This meant that increase in focus strategy facilitated the increase in customer loyalty among pharmaceutical firms in Nairobi County. It was recommended that adequate resources should be allocated for sales and marketing.

Keyword: effects, focus strategy, customer loyalty, pharmaceutical companies

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1. Background of the Study

In today's highly competitive environment, companies need an extra edge to enhance their competitiveness. Many organizations are putting more focus on attracting and retaining customers. The competitive global marketplace has compelled organizations to transform themselves in the way they conceptualize and conduct business. Modern firms must operate within a new business paradigm that has only limited resemblance to the superseded business models (Doz & Hamel, 2008). Pharmaceutical firms have been forced to think and act as global enterprises as they face the economic, technological, and market challenges of the modern era. It should be noted that some firms tend to see sustainable competitive advantage as the enabler of superior profitability, (Christensen, 2010). Barney, (2008) defines competitive advantage as being sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. In an attempt to answer the perennial strategy question on why some firms perform better than others, Ritala and Ellonen (2010) hold the cause is related to the existence of the sustained superior performance, existence of specifiable causes and these causes are tied to the concept of competitive advantage. Hence, for a firm to have any chance of thriving in today's turbulent and increasingly competitive world, businesses need sustainable competitive advantage and how they get it is a crucial component of management approach. Ritala and Ellonen (2010) describe competitive advantage as the ability of a firm to outperform its industry and earn higher rate of profit than the industry norm.

1.1 Statement of the Problem

According to Porter (2010), competitive strategy is about being different. This means deliberately performing activities differently and in better ways than competitors. Customer loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations. Mayer et al. (2013) claims that the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Customer loyalty is very difficult to be achieved with more and more unique ways being adopted to meet the ever changing nature of the pharmaceutical industry. Martina (2009) studied customer loyalty in Ireland tourism Industry and recognized that the underpinning critical success for the tourism industry is in building customer loyalty through the creation of total customer experience. The study results indicated that, value and quality perceptions were important in contributing to customer loyalty, while enhancing the tourism experience to build customer loyalty was identified as a key strategic success driver in creating a stronger customer loyalty.

1.2 Objectives of the study

To assess the effect of focus strategy on customer loyalty among Pharmaceutical companies in Nairobi County.

1.3 Research Question

What is the effect of focus strategy on customer loyalty among Pharmaceutical companies in Nairobi County?

1.4 Scope of the study

The study targeted 35 pharmaceutical firms in Nairobi County, dealing with manufacturing and distribution of drugs as listed in the Kenya medical directory. The study captured three main independent variables that included cost leadership strategy, differentiation strategy and focus strategy all as competitive strategies that have an influence on the customer loyalty among pharmaceutical companies in Nairobi County. This research was limited to the study of pharmaceutical companies in Nairobi County. The limit in scope has provided for future studies that encompass a larger geographical area.

2. Theoretical Review

2.1 Game theory and Strategic conflicts in strategic choice.

The origins of game theory can be traced back to the study of war. The dominant idea is that the strategist has to anticipate the reactions of competitors. The assumption in the game theory is that to a greater or lesser extent competitors are aware of the interdependencies that exist and of the sorts of move that competitors could take, **(**Exploring Corporate Strategy 6th Edition, Johnson & Scholes pg. 341). In evaluating competitive forces and the context within which a company operates, choice of strategy can indeed seem like a search for a numberless forces pushing and pulling an organization to change and little by way of established values to determine what the choice should be.

However, the choice of strategy is important to a company for a number of reasons. First, choice made in a positive logic instills a focus and fundamental direction for the organization. The growth of a leadership style which focuses one's purpose on the future vision of services, rather than the accidents and designs of the past, provides powerful incentive for individuals, teams and the pervasive managers themselves. Second, choice provides a basis for expressing the value systems in the organization. As Peters and Waterman (1999) say about vision and organizational behavior, "one all-purpose bit of advice for management figures out your value system. Decide what it stands for". Positive choice will help to articulate the value base in the organization and this should be real to individuals and the team working within it. Further, strategy choice provides a direction to survival in some form in the future.

Recent studies seem to indicate that organizations fail regularly because of a lack of effective strategic direction, the failure to concentrate on core business, and the lack of robust management systems and processes to deliver the core business and the values on which they are based. The fourth reason for importance of strategy choice is that it will affect inseparably the management process and systems by and with which the association chooses to manage. Therefore, the effective choice of strategy, when considered in these circumstances, should become a central focus of company's boards (Peters & Waterman, 1999). The choice of strategy will be influenced heavily by stakeholders' views, the competitive forces in the market and the context within which the company considers itself in the market (Johnson & Scholes, 1993).

There are fundamentally three choices obtainable to company's in terms of the strategy to pursue. First, a strategy which aims to place the organization so it can guard itself against the competitive forces surrounding it. This approach tends to undertake market structure as given, and the key is to focus the organization on areas where competitive burdens are weakest. Conversely, the organization can influence the balance of competitive forces it faces through the careful implementation of strategic moves which reinforce its position. This second approach depends on the ability of the organization to really change the forces it faces. Finally, the third strategic choice is where the organization can assume a strategy which is appropriate to the perceived changes in the causes of competition and exploit these changes to its own ends. In considering these approaches, a company has a number of choices which will radically influence the values, nature and management processes within the organization and the market structure within which they operate (Caulkin, 1999**).**

2.2 Empirical Literature

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select niche market, customer group, product range, geographical area, or service line (McCracken, 2002). It is based on adopting a narrow competitive scope within an industry. Market Segmentation is a competitive strategy that is also of great importance that will intend to satisfy customer and lead to customer loyalty, Salami and Adewoye, (2006). A narrow market scope influence customers to be loyal and plays an important role in determining the customer loyalty, Sable (2013). A successful focus strategy according to Porter (1980) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Focus Strategies are effective when consumers have distinct preferences and when the niche has not been pursued by rival firms Nzioka, (2012).

The risks associated with focused strategy are several. One is the chance that competitors will find effective ways to match the focused firm in serving the narrow target market. A second is the potential for the niche buyer preferences and needs to shift towards the products attributes desired by the market as a whole. A third is that the segment becomes so attractive it is soon inundated with competitors, causing segment profits to be splintered. (Kimono, 2011). Focus aims at growing market share through operating in niche market or in markets not attractive. This strategy targets a narrow segment of a market not served well by cost leadership or differentiation strategies and tailors its products to the needs of that specific segment to the exclusion of others (Johnson et al., 2011). It is also employed when it is not appropriate to apply the broad cost leadership or differentiation (Porter, 1985), by offering a limited range of services/products, serving specific markets only or having special product/service for specific type of customers (Allen & Helms, 2006; Hahn and Powers, 2004; 2010). Della Bitta, Monroe and McGinnis (2012) argued that marketers promoting lower prices must therefore decide how much to reduce the price as well as how to communicate the price reduction to their customers.

Nzioka (2012), highlighted that a firm can choose to focus on a certain customer group, product range, geographical area, or service line. A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market.

According to Hunt (2005), a market segment is simply a group of present or potential customer with some common characteristics that are relevant in explaining their response to suppliers' market stimuli. Sable (2013), viewed market segmentation as a homogenous group of customers each reacting differently to promotion, distributional communication, pricing and other variables in marketing mixes. Firms choose focused strategy when they want their core competencies to serve the needs of a particular industry segment. According to Thompson (2006), this entails concentrating on a narrow buyer segment and out competing rivals on the basis of lower cost. According to Lateen and Toppinen (2006), the focuser selects a segment of group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve competitive advantage in its target segments even though it does not possess competitive advantage overall. Focus also is based on adopting a narrow competitive scope within an industry. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. For example, some service firms focus solely on the service customers (Sable, 2013).

3. Research Methodology

The research will be carried out through descriptive survey design. This design refers to a set of methods and procedures that describe variables. It involves gathering data that describes events and then organizes, tabulates, depicts and describes the data. This survey method specifies the nature of given phenomena and also involves direct contact with a population or sample (Dada & Idowu, 2006). The research targeted 119 pharmaceutical firms in Nairobi County, dealing with manufacturing and distribution of drugs as listed in the Kenya medical directory.

The sample size was computed using 30% of the target population which gives a sample size of 35. These 35 were randomly selected from the list of 119 pharmaceutical companies.

The study used questionnaires as an instrument of collecting data. The data generated from the administration and adequately filled and retrieved questionnaires was checked, coded and analyzed using the Statistical Package for the Social Sciences

(SPSS), so as to obtain descriptive statistics such as frequencies and percentages. The data analysis provided easy, clear and understandable data presentation. Various relationships were discussed using tables, frequencies and percentages since the study was largely descriptive. Finally, the researcher drew conclusions and recommendations from the information obtained from the findings of the study in an attempt to answer the research questions. Inferential statistics was used to determine the effect of the independent variable on the dependent variable. The multiple regression analysis model specification was as follows:

$$\mathbf{Y=\alpha+\beta 1X1 + \varepsilon.}$$

Where:
Y= is the dependent variable, customer loyalty
X1= Focus strategies
ε= error term
β=coefficient of independent variable.
α= constant
The data was presented by the means of tables, graphs and pie charts.

4. Research Findings and Discussion

The respondents were required to give information on the effect of focus strategies on customer loyalty. The researcher tried to assess the effect of focus strategies on customer loyalty among Pharmaceutical companies. Table 1 shows the responses to this regard and is summarized on table 1

Table 1: Descriptive statistics regarding focus strategy

Opinion Statement	MEAN	STD DEV
Our company targets a specific Niche market	3.9226	0.9941
We exploit cost behavior in specific market segment	4.0612	0.7832
We tailor our market mix to specialized markets	3.6378	0.9511
Our focus strategy rests on choice of narrow competitive scope	4.0624	0.8539
We develop unique low cost products for niche market	3.6881	0.9045
We exploit the special needs of buyers in specific markets	2.2867	1.1697
Average	3.6098	0.9428

The results presented in table 4.8 show on a scale of 1 to 5 (where 1= strongly disagree and strongly agree=5) for the means and standard deviations. A majority of the respondents with the highest mean of 4.0624 agreed that their companies focus strategy rests on choice of narrow competitive scope. The lowest mean of 2.2867 was observed with the respondents agreeing with the statement that their company exploits the special needs of buyers in specific markets. The highest standard deviation was observed as 1.1697 which showed that there was greater viability in the response that the firms exploit the special needs of buyers in specific markets. The respondents agreed that their company targets a specific niche market segment (mean 3.9226), that their company exploits cost behaviour specific market segments (mean 4.0612), that they tailor their market mix to specialized markets segments (mean 3.6378) and that their company develops unique low cost products for the niche market (mean 3.6881). Thus a majority of the respondents agreed that pharmaceutical companies pursue focus strategy as shown in table 4.8 above. The results show that focus strategy influences customer loyalty to a great extent but not as much as differentiation since the average mean of 3.6412 is greater than that of focus at 3.6098. The above study revealed that companies that succeed with focus strategy understand the dynamics and unique customer need of their market niche. As a result of developing and promoting "niche" products and services, the company can attract a higher share of loyal customers in that market segment than competitors. The findings concur with David (2012) who points out that the advantages of focus strategy include having control over customers as the firm could be the only supplier, thus customer loyalty is as well enhanced hence cushioning the firm against entry of new competitors and substitutes. A successful focus strategy (Porter, 2001) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors.

4.1 Coefficient of Determination

Multiple regression analysis was conducted as to determine the relationship between the customer loyalty of the pharmaceutical companies and the three variables. As per the SPSS generated table below.

The equation

$$\mathbf{Y=\alpha+\beta 1X1 + \beta 2X2+ \beta 3X3 + \varepsilon.}$$

Where:
Y= is the dependent variable, customer loyalty
X1= focus strategies
ε= error term
β=coefficient of independent variable.
α= constant
Y= 1.147 + 0.487X3+e

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
Focus Strategy	0.487	0.3425	0.054	3.724	0.0269

According to the regression equation above, taking all other independent variables at zero, a unit increase in focus strategy will lead to a 0.487 increase in customer loyalty among the pharmaceutical companies in Nairobi county The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between focus strategy and customer loyalty among the pharmaceutical companies in Nairobi CountyThe coefficient was positive and also statistically significant with a t-statistic value of 3.724. The p-value was found to be 0.000. This meant that the t-value had achieved the maximum value. The variable was also found to be the third most influential variable on the customer loyalty. These finding support those of Lynch (2011) that a good focus strategy with developed unique products in a niche market, with the right product mix achieves and sustains customer loyalty.

These finding support that of Stone (2013), that when the niche markets are defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, the customers are loyal. According to Martin (2008) and Johnson et al. (2012), a firm can choose to focus on a certain customer group, geographical group, product or service line that's not well served by cost leadership or differentiation and acquire loyal customers. The Nairobi County Pharmaceutical firms should therefore consider the effect of differentiation strategy as to retain loyal customers.

5. Summary, Conclusion and Recommendation

From the results, all the measurers of focus strategy were found to have effect on the customer loyalty among pharmaceutical firms in Nairobi county implementation as depicted by the various responses from the respondents that were presented using a table where the responses were in percentages, mean and standard deviations. The constructs were found to be of good reliability that allowed the researcher to proceed to the actual data collection. The focus strategy variable was found to have a positive and a statistically significant effect customer loyalty. This meant that increase in focus strategy facilitated the increase in customer loyalty among pharmaceutical firms in Nairobi County.

5.1 Conclusion

Focus strategy had a positive effect on customer loyalty and it was good indicators that increase in focus strategy improves the customer loyalty among pharmaceutical firms in Nairobi County. This meant that there is need for pharmaceutical firms to devise ways and means of raising sufficient funds that can be channeled to research and development of new innovative ways focus as to increase customer loyalty in the pharmaceutical industry. Thus it is the responsibility of the key players in industry who should make sure that funds are in place for the implementation of the market focus strategy.

5.2 Recommendation

Focus strategy was found to be a key determinant in customer loyalty, thus adequate resources should be allocated for sales and marketing .The study also recommends that the pharmaceutical firms in Nairobi County should focus on markets which will enable market sustainability. As the markets become dynamic and consumers more irregular and fickle, pharmaceutical firms pursuing this strategy need some form of market segmentation to efficiently satisfy the market needs.

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