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COMPETITIVE STRATEGIES OF LICENSED COCOA BUYING COMPANIES. THE CASE OF FEDERATED COMMODITIES (FEDCO) LIMITED.

BY:

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DECLARATION

I hereby declare that, this submission is my own work towards the award of Master of Business Administration Degree and that, to the best of my knowledge, it contains no material previously published by another person nor materials which have been accepted for the award of any other degree of the University except where due acknowledgement have been made in the text.

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ABSTRACT

To plan effective competitive strategies, there is the need for strategic managers to consider not only the needs of target market, but also the strategies of competitors. The competition in the licensed cocoa buying companies in Ghana is becoming tougher and taking on international dimension. Designing a viable strategy for a firm requires a thorough understanding of the firm's industry and the nature of competition. Generally, this research looked at competitive strategies of licensed cocoa buying companies using Federated Commodities (FEDCO) Limited as the test case. Cluster and purposive sampling techniques were used to enable the study achieve the research objectives. Questionnaire was the main instrument used in the data collection. The findings indicated that FEDCO had been able to improve on the levels of satisfaction, which is evident from the number of years that cocoa farmers had been with the company. In addition, although, the study revealed that FEDCO had implemented so many competitive strategies aimed at gaining competitive edge in areas such as turnaround time strategies, prompt payment strategies, logistics supply strategies, social relations strategies, corporate social responsibility strategies and network strategies. The turnaround time strategies had not been effective. It was recommended that management of FEDCO should endeavour to improve or speed up their secondary evacuation system. Since turnaround time or speed is one of the critical success factors within the industry, hence, there is the need for the company to improve upon the turnaround strategies.

DEDICATION

This thesis is dedicated to my parents and all those who believe in the richness of learning.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

The greater intensity of competition that has taken place throughout the world in recent times has led to many managers developing an interest in models of business warfare with a view to identifying any lessons that might be learned and applied to business. Management would have to largely determine its major competitors through prior decisions on customer/suppliers targets, distribution channels, and marketing mix strategy (Boylaud et al. 2001). Under strategic concept, companies succeed by designing offers that satisfy target market needs better than competitors' offer. Thus, competitive strategies must consider not only the needs of target market, but also the strategies of competitors. This paper looks at competitive strategies of licensed cocoa buying companies using Federated Commodities (FEDCO) Limited as the test case. This section looks at the background of the study; statement of the problem; objectives of the research; research questions, overview of the research methodology, the significance of the study and how the study was organized.

1.2 Background of the Study

In substantial body of literature on competitive strategies, various approaches assert that superior organisational performance is derived from a firm's ability to seek a defensible competitive position in an industry (Porter, 1985, Porter, 1980; Boylaud et al.2001). Market intelligence covers both customers/supplier and competitors and adopting competitive strategies have attracted a significant amount of academic and practitioners' interest in the current marketing literature (Datamonitor, 2005); and (Murray, 1988).

In the licensed cocoa buying environment until 1992/1993, the market was solely state-owned institution and as such could ignore their competitors. In the early 1980s, as part of the governments economic recovery programme, measures were put in place to restructure the cocoa industry in an attempt to arrest its declining production trend at the time. The cocoa sector reforms which were implemented through the Cocoa Rehabilitation Programme (CRP) and the Agricultural Sector Adjustment Programme (AGSAC) resulted in several major policy changes. Among the changes were the following: The staff level of over 100,000 in the early 1980 s was reduced to 10,400 in 1995 - the staff position of the Board as at May 2003 was 5,140; all the 92 publicly owned coffee and cocoa plantations were divested; Liberalized the internal and external marketing of coffee and sheanut and allowed market forces to determine their producer prices (Laven, 2007).

Drawing from the experiences of the liberalized coffee and sheanut markets, the internal marketing of cocoa was liberalized during the 1992/93 cocoa season. Private companies were licensed to compete in the internal marketing system. In the early 1990s, Cocobod continued to liberalize and to privatize cocoa marketing (Amezah, 2003). The board raised prices to producers and introduced a new system providing greater incentives for private buyers. In particular, Cocobod agreed to pay buyers a minimum producer price as well as an additional fee to cover the buyers' operating and transportation costs and to provide some profit. Cocobod still handles overseas shipment and export of cocoa to ensure quality control. During the years, Licensed Buying companies have realized that sales gains would have to come from wrestling market share away from competitors due to the nature of the completion within the industry. With liberalization, countries such as Nigeria, Cameroon and Côte d'Ivoire have fully privatized their internal and external marketing structures while Ghana has introduced competition in domestic marketing by allowing private licensed agents to purchase cocoa from farmers (Laven, 2007). Under this system there are many private agents that participate in the marketing chain. Government involvement is usually centered on quality control, taxation, regulation and supervision. Due to competition and the non-intervention of the government, producers usually receive a much higher percentage of the FOB price. In fact, Ghana's cocoa sector is particularly interesting because of its unique marketing arrangement, which combines elements of privatization with a strong government presence, which confirms the central role of the export crop in Ghana's political economy (Zeitlin, 2005). As in other tropical commodity producing countries, the full control that the Ghana Cocoa Board (COCOBOD), the state marketing board, had over both domestic purchases ended in Ghana in the early 1990s. (COCOBOD, however, retained major regulatory role.) Since 1992 a number of private companies have been licensed to purchase cocoa beans from farmers alongside the Produce Buying Company (PBC), the former purchasing arm of the Cocoa Board. In the last fifteen years, the number of traders actively buying in all cocoa growing regions has increased from the initially licensed six to over twenty-five (Ghana Cocoa Board Handbook ,2000)

Two major constraints, however, limit the actual margin within which these companies operate and compete with each other. First, companies only sell cocoa forward to the state owned Ghana Cocoa Marketing Company at a given fixed price. Secondly, private buyers are licensed to purchase from farmers at a minimum price set at the beginning of the main cocoa season by the Producer Price Review Committee (PPRC). This structure means that all managerial decisions regarding prices (and profits) are made between an institutionally set selling price and a minimum buying price that must be offered to all producers. Thus companies cannot compete through price differentiation but rather seek a variety of other sources of competitiveness.

To plan effective competitive strategies, Licensed Buying companies need to find out the competitive positions and strategies of their competitors. According to Appiah (2004) the competition in the licensed cocoa buying companies is becoming tougher and taking on international dimensions. Designing a viable strategy for a firm requires a thorough understanding of the firm's industry and the nature of the competition. Perhaps the most vulnerable result of analyzing the operating environment is the understanding of a firm's suppliers that this provides. Developing a profile of a firm's present and prospective suppliers improves the ability of its managers to plan strategic operations, to anticipate changes in the size of markets, and to reallocate resources so as to support forecast shifts in demand patterns. Firms evaluate and choose strategies that will make their business successful. Businesses become successful because they possess some advantage relative to their competitors.

The two most prominent sources of competitive strategies can be found in the business's cost structure and its ability to differentiate the business from competitors (Walker, 2006). Firm's have several unique, distinct features that differentiate it from competitors whilst others too offer a low cost structure that result in a competitive advantage over most competitors (Walker, 2006). Businesses that create competitive advantages from one or both of these sources usually experience above average profitability within their industry. Various studies have proven that businesses that do not have either form of competitive advantage perform the poorly among the peers, while businesses that possess both forms of competitive advantage enjoy the highest levels of profitability within an industry. In addition, companies can launch more precise attacks on its competitors as well as prepare stronger defenses against attacks. However, if the competitive strategies are to teach the marketing or business strategists anything at all, it has to be that some of these strategies are likely to be far less successful than others.

1.3 Statement of the Problem

There are some industries whose strategic innovations are easier and faster to replicate because the products are mostly commodities, one of such industries is the licensed cocoa buying companies. Companies face a very difficult, if not almost impossible task developing competitive strategies based on differentiation or low cost strategies. The main reason is that competitors match or, even overtake innovations and costs reductions in a very short period. For instance, many companies identify their competitors from the industry point of view which offer services that are close substitutes for each other whilst others too identify competitors from a market point of view where competitors are companies that satisfy the same supplier need. The competition is such that licensed buying companies do not have control over pricing. The producer price is determined by Cocobod who doubles as the customer for the LBC's and regulatory body.

From an industry point of view FEDCO might see its competitors as PBC, Adwumapa, Kuapa Kokoo Ltd, Olam, Armejaro,etc. From a market point of view, however, the supplier really wants quality service delivery, and convenience. There is therefore the need for FEDCO to specifically design and tailor-made new services and strategies to suit suppliers within the cocoa industry. This will enable the company increase its market share, profitability, customer retention and loyalty. In other words, there is the need for FEDCO to adopt strategies that differentiate its products and services from competitors' offerings .However, whereas studies and literature abound in the agronomics, agric economics, economics, history and other areas of cocoa, there is lack of research into the operations of the LBCs. This failure is encapsulated in the words of professor Twum when in a report to a committee of inquiry into malpractices in the cocoa industry, he said: *"the movement of crop from the farmer to the Board has however been neglected except when the system has broken down, and a commission of inquiry set up, obviously under the conditions of official inquiry only partial analysis is ever done".*

For instance, the period between 1993 till date has seen a form of competition in the internal marketing of the industry. However, an evaluation would have enabled us identify the operational strategies and differences among participating LBCs. Such an analysis will help identify market leaders and laggards, and why the industry structure is so.

1.4 Objectives of the Study

A competitor's objectives, strategies, strengths and weaknesses go a long way towards explaining its likely action and its reactions to competitors' moves such as a promotion increase, and a new product introduction. Generally, the study intends to look at competitive strategies in the licensed cocoa buying companies using FEDCO as the case study. Specifically, the objectives for the research work are as follows:

- To identify the strategies adopted by FEDCO Ltd in gaining competitive advantage.
- To find out how these strategies have helped in improving the company's performance in terms of purchases, market share and profit margins.
- To assess the attractiveness of the cocoa industry.
- To find the key success factors of the cocoa industry.
- To find out whether the strategies are sustainable.

- To identify how FEDCOs competitive strategies are formulated.

1.5 Research Questions

Based on the above objectives the following research questions are put down in order to find answers to:

- What are the strategies adopted by FEDCO Ltd in gaining competitive edge?
- To what extend has these strategies helped in improving FEDCO' organizational performance?
- Is the cocoa industry attractive to the Licensed Buying Companies?
- What are the key success factors of the internal marketing of the cocoa industry?
- Are FEDCO's competitive strategies sustainable?
- How are FEDCO's competitive strategies formulated?

These among other questions will be posed in order to achieve the objectives of the study.

1.6 Significance of the Research

The study is expected to impact on marketing practitioner, management of the internal buying companies, academia and the general public. The research and its findings are expected to help inform decision making in the area of competitive strategies. The outcome of this study is to augment the existing store of knowledge on the subject and serve as a catalyst for further research on innovative ways of gaining competitive advantage for the over all academic well-being of the nation. The study will be useful to the licensed cocoa buying companies, as a framework for effective study and strategies management in the sector. In otherwords, it will serve as input for policy formulation to regulate and supervise the industry. The study will also be useful to other researchers interested in the area which could be used as a reference point. The outcome of this research will serve as a base for academicians who want to conduct studies in competitive strategies. The study will help the researcher gain a thorough insight into how competitive strategies work in licensed cocoa buying industry.

1.7 Limitations of the Study

Among the limitations that the study encountered were the willingness of management of FEDCO and its major suppliers to release information that would help enrich the study in order to help establish a strong validity and reliability. However, the study came out with ways of overcoming such challenges during the data collection.

1.8 Organization of the Study

Basically, the study will be organized into six (6) chapters.

Chapter one looked at the introduction of the research and highlights the background of the study, problem statement, purpose of the research, research questions, significance of the research, overview of the research methodology limitations of the study as well as the organization of the study.

Chapter two provided a review of existing theoretical and empirical literature whiles chapter three will deal with the research methodology and talked about the population and sampling as well as sampling methods employed and also how data collected will be analyzed.

Chapter four points out how the results of the research were presented whilst the fifth chapter will discussed and analyzed the data presented.

Chapter six finalizes the project with the researcher's conclusions and recommendations.

1.9 Overview of Research Methodology

The research is exploratory in nature, designed to find out competitive strategies in the licensed cocoa buying companies using FEDCO limited as the case study. The population of the study was made up of some major stakeholders of FEDCO Ltd. which included management, staff, suppliers as well as some selected personnel from Cocobod. Cluster and purposive sampling techniques were used to enable the study achieve the research objectives. Also, the study made an extensive use of both primary and secondary data. Interview and questionnaire were the main data collection instruments. Computer software such as Microsoft Excel was used to run the data which were presented in the form of frequency distribution and percentages.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The second chapter of the research paper is the literature review. According to Saunders et al, (2007) the literature review should be thorough and exhaustive and must bring out the various issues involved in the research studies and establish the importance of the exercise being undertaken. The various materials from the various sources were logically structured together in order to present a clear picture of the problem so as to place the investigation in a proper context. The research brought out the relationship existing between the various sources, indicating where they agree and where they differ and thereafter shows the gaps or weaknesses in the existing literature that has necessitated the present study. Thus, the empirical literature brought to the fore the conceptual framework within which the problem being investigated exists.

2.2 Competitive Strategies

A basic premise of thinking about strategy concerns the inseparability of organization and its environment (Porter, 1980). According to Chaffee (1985), "Theorists who segment the strategy construct implicitly agree that the study of strategy includes both the actions taken, or the content of strategy, and the process by which actions are decided and implemented. They agree that intended, emergent, and realized strategies may differ from one another."Intended strategy can be viewed as linear strategy. According to the linear strategy view, "strategy consists of integrated decisions, actions, or plans that will set and achieve viable organizational goals" (Chaffee, 1985). In this view, the management has much authority and influence over the direction of the organization, and the environment is mostly regarded as a necessary nuisance consisting mostly of competitors. Emergent strategy on the other hand is viewed as adaptive strategy. According to this model, the organization is in constant interaction with its environment and it continually assesses both internal and external conditions holistically. Management is still considered to be in a key role, but authority and responsibility are both dispersed, and the management's main function is to ensure alignment of the organization with its environment. According to Chaffee (1985), the key notion is: "Rather than assuming that the organization must deal with the environment, the adaptive model assumes that the organization must change with the environment." In the last model, realized strategy can be viewed as interpretive strategy. According to Chaffee (1985), strategy in the interpretative model can be defined as: "Orienting metaphors or frames of reference that allow the organization and its environment to be understood by organizational stakeholders." The fundamental ideology is that the organization and its environment constitute an open system, and that reality is socially constructed through cooperative agreements entered into by individuals with free will. The organization's existence thus relies on its "ability to attract enough individuals to cooperate in mutually beneficial exchange" (Chaffee, 1985).

Miles and Snow (1978) identified three problems of organizational adaptation (what they named the adaptive cycle): the entrepreneurial, engineering, and administrative problems.

The entrepreneurial problem refers to the selection of a specific product or service and a target market which the firm selects to serve. The engineering problem involves the creation of a system which puts management´s solution to the entrepreneurial problem into actual operation. The administrative problem is primarily that of rationalizing and stabilizing those activities which successfully solve problems faced by the organization during the entrepreneurial and engineering phases. Miles and Snow, (1978) proposed four types of paradigms by which organizations frame the three problems described. The authors propose that firms can be classified within one of the following four types of organizational adaptation or paradigm: defenders, prospectors, analyzers and reactors.

Defenders are organizations that have narrow product market domains. Top managers in this type of organization are highly expert in their organization´s limited area of operation but do not search outside of their domains for new opportunities. As a result of this narrow focus, these organizations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead, they devote primary attention to improving the efficiency of existing operations.

Prospectors are defined as organizations that almost continually search for market opportunities and which regularly experiment with potential responses to emergent environmental trends. Thus, these organizations are the creators of change and uncertainty to which their competitors must respond. However, because of their strong concern for product and market innovation, they usually are not completely efficient.

Analyzers operate on two types of product market domains: one relatively stable, the other changing. In their stable areas, these organizations operate routinely and efficiently through the use of formalized structures and processes. In their more turbulent areas, top managers watch their competitors closely for new ideas and then rapidly adopt those which appear to be the most promising.

Reactors are the organizations in which top managers frequently perceive change and uncertainty occurring in their organizational environments but are unable to respond effectively. Because this type of organization lacks a consistent strategy-structure relationship, it seldom makes adjustments of any sort until forced to do so by environmental pressures.

According to Miles and Snow, firms choose one type rather than another according to the perception they have of their environment. The first three types can be considered along a continuum, expected to enhance organizational performance. The prospector strategy is at one end of the continuum, and the defender, at the other end. The analyzer strategy is a combination of the two. The reactor strategy is excluded from the continuum since it represents an organization having no specific strategy identified. This last type is expected to impede organizational performance.

Organizations opting for the prospector strategy wish to have access to the largest possible market. They are characterized by their repeated efforts to innovate and bring about changes in their industry. Organizations selecting the defender strategy have a restricted market and stress production efficiency. They emphasize the excellence of their products, the quality of their services, and their lower prices. Organizations choosing the analyzer strategy do all of the above, but in moderation. Finally, organizations having reactor strategy do not ignore new opportunities, nor can they maintain markets already acquired or take true risks.

The main problem in business strategy literature is to explain why firms differ in performance. For as long as firms have competed, entrepreneurs, managers, and researchers alike have thrived towards a unified framework for evaluating and comparing different business strategies in an attempt to answer this problem. In this process, two fundamental lines of thought have emerged: First, is the industrial organization theory, and second, the resource based view.

The main argument of industrial organization economics is that the structural characteristics of industries are the primary determinants of performance (Porter, 1980). The main unit of analysis is the industry. Advocates of the resource based view on the other hand argue that firms differ in performance because they are comprised of heterogeneous resources and capabilities that are accumulated through time and are unique, inimitable, and nontransferable (Wernerfelt, 1984; Barney, 1991). Sustained financial performance is subsequently a function of the differences in these resources and capabilities, thus building the premises of sustained competitive advantage (Barney, 1991). According to the resource based view, the main unit of analysis is the firm.

In this Chapter, an attempt is made to present these two main competitive strategy paradigms as well as to discuss some contemporary ones that have been considered relevant in the context of this study. The narrative has been structured in a linear time fashion, starting with industrial organization theory, advancing to resource based view , and working its way towards dynamic capabilities theory and the contemporary notion of social capital and intellectual capital as a source of organizational competitive advantage. Furthermore, an attempt has been made to highlight the relationships and linkages between the main competitive strategy theories.

2.2.1 Industrial organization theory

The main argument of industrial organization economics is that the structural characteristics of industries are the primary determinants of a firm's financial performance (Porter, 1980). Presented by Porter (1980) in Competitive Strategy, the preferred economic model is the structure-conduct-performance (SCP) model, which proposes that a deterministic relationship exists between market structure and profitability. According to this assertion, the structural characteristics determine the behavior and strategies of firms within an industry, which in turn determines the industry-specific differences in financial performance between firms. Put simply, the most important decision that managers need to make is the choice of industries in which they choose to compete. As a significant landmark in competitive strategy literature, the SCP model lead to the unanimous choice of industry as the unit of analysis. Choosing industry as the unit of analysis enabled the development of one of "the best known, and most widely applied, strategic management frameworks ever created – the 'five forces' framework" (Barney, 2002).

Despite the logic and obviousness of the paradigm, the main problem with the industrial organization view is that it fails to explain the intra-industry differences in performance between firms (Wernerfelt, 1984). In an effort to solve this problem, several attempts have been made. One such effort within the industrial organization paradigm was the concept of strategic groups that classified firms based on dimensions of competition. According to this approach, differences in profits between groups are sustained due to the presence of conditions that create barriers to entry and exit between groups. Although the notion of strategic groups was used to explain some of the differences, the fundamental question still remained much unanswered. The first real breakthrough in explaining inter-industry differences in performance was the introduction of the resource based view of the firm (Wernerfelt, 1984). It proposes that the differences between firms result from the heterogeneity of accumulation and efficiency in use of firm specific unique resources that are the source of competitive advantage (Wernerfelt, 1984; Barney, 1991). Although the contemporary trend in management research inclines towards the resource based view, Barney (2001) reflects on Porter's (1980) influence saying: "At one level, no one can disagree with the assertion that the industry within the firm operates should have a huge impact on the strategies that a firm pursues, and on returns to those strategies".

Moreover, no one can disagree with expanding the definition of competition to include a variety of individuals and institutions in an industry that seek to appropriate any superior performance of firms in that industry" (Barney, 2002) .Yet, if all firms had the same information available to them, were presented with the same set of choices, and they would all apply the 'five forces' frameworks equally, then there could logically not be any source of competitive advantage for any of them.

Despite this, firms do differ in performance even within an industry. Although the industrial organization paradigm may seem inappropriate to describe the source of competitive advantage of contemporary knowledge intensive firms, the model does provide good insight into why certain firms are better equipped to compete in certain markets than in others. However, increasing reliance on joint ventures, strategic alliances, and other forms of cross organizational cooperation combined with the blurring of boundaries between industries and markets on one hand, and customers, competitors, and suppliers on the other, argue for other paradigms to explain firm performance than the industrial organization view (Aaker,2001).

2.2.2 Resource based view

According to Barney (1991), understanding sources of sustained competitive advantage has become a key research in strategic management. Despite Porter's (1980) influential Competitive Strategy and numerous subsequent contributions by many acclaimed scholars in the field of strategic management under the industrial organization paradigm, the theory still somewhat fails to explain why firms differ in performance within an industry. This question has prompted many scholars to look inside firms rather than industries for explanation, resulting in the emergence of the resource based view of the firm as an explanation to why firms vary in performance even within an industry. First introduced in 1984 by Wernerfelt, the resource based view looks at firms in terms of their resources rather than in terms of their products or the markets in which they compete. A fundamental underlying premise is the notion of "acquisition of resources in imperfect markets" by competing firms (Wernerfelt, 1984). According to this notion, firms can build resource barriers that act partially analogous to entry barriers because not all resources are homogeneously available to all firms. Subsequently, firms that are able to build such resource barriers can potentially gain a source of competitive advantage over competitors from these resources (Wernerfelt, 1984).

More contemporarily, the ideology behind the resource based view has developed into firms not being viewed as black boxes in a given market structure, but rather as collections of specific tangible and intangible resources and capabilities that give rise to performance differences. Yet, perhaps the most significant difference to industrial organization theory is the unit of study being the firm, not the industry. For the purpose of this study, firm resources are defined as including all assets, capabilities, organizational processes, firm attributes, information, technology, and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Kogut et al.,2003). Amit and Schoemaker (1993), describe resources as "stocks of available factors that are owned or controlled by the firm." In this study, capabilities refer to: "A firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end. They are information based, tangible or intangible processes that are firm-specific and are developed over time through complex interactions among the firm's resources" (Amit and Schoemaker, 1993).

For this study, the study adopt the definitions of competitive advantage and sustained competitive advantage presented by Barney (1991): "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy." Although the definition of sustained competitive advantage implies that for something to be a source of sustained competitive advantage it has to be immune to duplication efforts by competitors, this does not mean that such sustained competitive advantage will last forever when attained (Barney, 1991). The basic underlying assumption of the resource based view is that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime. Furthermore, four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be identified. According to Barney (1991), these are "value, rareness, imitability, and substitutability." When compared against the industrial organization paradigm that draws heavily on transaction cost economics (Williamson, 1991), the resource based logic "turns neo-classical price theory upside down by altering one major assumption – that certain kinds of firm resources and capabilities are inelastic in supply" (Barney, 2002). Thus, the resource based view argues against the notion of first mover advantage (Grant, 1991, Johnson & Scholes, 2002, Chaharbaghi et al., 1999) as a fundamental source of competitive advantage in technology driven markets.

Lieberman and Montgomery (1988) write: "First-mover advantages arise from three primary sources: (1) technological leadership, (2) preemption of assets, and (3) buyer switching costs." Despite these, Barney (1991) argues: "If competing firms are identical in the resources they control, it is not possible for anyone to obtain a competitive advantage from moving first." This does not mean that there could not be situations in which firms attain competitive advantage from being first movers, it is simply implied that "for there to be a first mover advantage, firms must be heterogeneous in terms of the resources they control" (Barney, 1991). This notion is also strongly supported by the authors of First-Mover Advantages (Lieberman and Montgomery, 1988).

In their later reflective retrospective paper (Lieberman and Montgomery, 1998), the authors conclude: "There is no guarantee that these potential first-mover advantages of pioneers will be sufficient to ensure a strong position as the market evolves. Early entrants are often overtaken by competitors with more potent resources or capabilities (Lieberman and Montgomery, 1998). The central argument behind barriers to entry is that if there exist strong barriers to entry, then firms can gain sustained competitive advantage from belonging to an industry with strong such barriers, compared to firms that are not within the industry. The entry barriers thus protect these firms from the threat of new entrants (Porter, 1980). Barriers to entry have also been studied from the perspective of capital as a barrier to entry (Crook et al., 2008), economies of scale as a barrier to entry (Pearce and Robinson, 2003), and contracts as a barrier to entry (Hill et al., 2002). More recently, Priem et al., (2001) has comprised what has been previously written about entry into a series of stylized facts and stylized results about what drives entry and how it affects markets and firms in them. Quite contrary to Porter (1980) and many others, Barney (1991) on the other hand argues that for such barriers to exist in the first place, the firms that benefit from such barriers must have some heterogeneous resources that other do not for the creation of such barriers. "Barriers to entry and mobility only exist when competing firms are heterogeneous in terms of the strategically relevant resources they control" (Barney, 1991). Implicitly, from a resource based view, for a barrier to entry to provide a source of sustained competitive advantage, it must be based on some firm specific, valuable, rare, inimitable, and non-substitutable resource or capability. From this perspective, membership in an industry per se cannot provide its members a valuable barrier to entry that would be a source of sustained competitive advantage.

Furthermore, Barney (1991) argues that due to the complex relationship between a firm's resources and competitive advantage, it is not implausible for firms to not fully understand the source of their competitive advantage. Examples of such complex resources are a firm's culture, organizational behavior, human resources, its reputation among customers, suppliers, and partners, and various forms of strategic alliances and partnerships (Chaharbaghi et al.1999, Barney, 1991, Aaker, D.A. 2001). To make distinguishing such complex sources of competitive advantage even more difficult, most such resources are social, interpersonal or interorganizational, and at least partially tacit.

Intrinsically linked to the resource based view of the firm is the concept of core competences as a source of sustained competitive advantage. Prahalad and Hamel (1990) define core competence as: "The collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of knowledge. Core competence is communication, involvement, and a deep commitment to working across organizational boundaries. It involves many levels of people and all functions. A further key characteristic of a core competence is that it does not diminish with use like physical assets (Prahalad and Hamel, 1990). In the core competence paradigm, a firm is viewed as a collection of competencies rather than a collection of businesses. According to Prahalad and Hamel (1990), for a resource to be a core competence, it needs to provide potential access to a wide variety of markets, it should make a significant contribution to the perceived customer benefits of the end product, and it should be difficult for competitors to imitate. Core competencies and the knowledge on which they built are the basis of a firm's competitive advantage. They are what the firm must do better than any of their competitors to achieve financial returns in excess of their competitors (Prahalad and Hamel, 1990). In viewing competitive strategy from the resource based perspective, the most essential issue is to focus on whether the resources and capabilities (also termed core competencies) fulfill the two underlying basic assertions of the resource based view. First, the resources and capabilities possessed by firms are valuable and heterogeneously distributed among firms, and second, that these differences are imperfectly mobile (Ray et al., 2004). If a resource complies with the first assertion, it may be a source of competitive advantage. For a resource to provide a source of sustained competitive advantage, it must fulfill both assertions.

2.2.3 Dynamic capabilities theory

Dynamic capabilities theory draws inspiration from Schumpeter's innovation based model of competition (1942), the notion of firm specific core competencies (Prahalad and Hamel, 1990), and the resource based view of the firm (Wernerfelt, 1984; Barney, 1991). It views the ability to create new forms of competitive advantage as dynamic capabilities, arguing that the resource based view does not adequately apply to dynamic and turbulent markets (Teece et al., 1997). According to Prahalad and Hamel (1990), core competencies result from the collective learning of the organization concerning coordination and integration of diverse streams of knowledge and technology. Consequently, Teece, et al. (1997) refers to dynamic capabilities as "A firm's capacity to renew its competencies to achieve congruence with the changing environment" (Teece et al., 1997). They emphasize the role of strategic management in appropriately adapting, integrating, and reconfiguring unique organizational processes (internal and external) that are path-dependent, and result from the history if the firm (Teece et al., 1997). Thus, dynamic capabilities view emphasizes the need for adjustment to high-velocity markets. Whereas the resource based view is mostly concerned with the firm's resources, dynamic capabilities theory focuses mostly on "distinctive managerial and organizational processes shaped by its (specific) asset position and the paths available to it" as a source of competitive advantage (Teece et al., 1997).

However, as Cravens et al., 2002 point out, the pattern of effective dynamic capabilities depends on market dynamism. In high-velocity markets, dynamic capabilities need to be simple, enabling managers to focus on broadly important issues instead of constraining their examination on past experiences. The idea is to enable the formation of situation-specific knowledge that can be applied punctually. In moderately dynamic markets, dynamic capabilities bear a resemblance to routines in that they are more analytic and stable in nature, with predictable outcomes (Teece et al., 1997).

2.2.4 Social capital and intellectual capital

The term social capital highlights the central importance of networks and strong personal relationships developed over time that provide the basis for trust and cooperation. According to

(Nahapiet and Ghoshal, 1998), social capital not only influences the development of intellectual capital, but also strongly affects the economic performance of firms. In short, social capital can be defined as: "The sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghoshal, 1998). Social capital thus comprises both the network and the assets that may be mobilized through that network. Nahapiet and Ghoshal (1998) define the term intellectual capital as: "The knowledge and knowing capability of a social collectivist, such as an organization, intellectual community or professional practice." Intellectual capital thus represents a valuable resource and a capability for actions based in knowledge and knowing.

The central notion of social capital is that networks of relationships constitute a valuable resource by providing its members with trust (Nahapiet and Ghoshal, 1998). Barney and Hansen (1994) define a partner or a firm trustworthy "when it is worthy of the trust of others." This trust or trustworthiness makes it easier for members of that network to locate and approach new potential business partners as well as strengthens existing business relationships. It also reduces the threat of opportunistic behavior (Williamson, 1991; Adler et al., 2002) and may provide a source of competitive advantage over rivals (Chaharbaghi et al, 1999). Organizations aid knowledge, and with most technology based firms, the economic and producing power of the firm lies more in its intellectual and service capabilities than in its 'hard' assets, such as land, manufacturing facilities, and other equipment. The creation of intellectual capital takes place through two generic processes, combination and exchange (Nahapiet and Ghoshal, 1998). In addition, a more radical approach – innovation – is also possible. However, it should be noted that this process is also incremental and based on the allocation and recombination of existing knowledge. Furthermore, Nahapiet and Ghoshal (1998) argue: "Social capital is influential in the development of new intellectual capital and that organizations are institutional settings conducive to the development of social capital." They continue by arguing that it is because of their more dense social capital that firms, within certain limits, have an advantage over markets in creating and sharing intellectual capital. They write: "It is the co evolution of social and intellectual capital that is of particular significance in explaining the source of organizational advantage" (Nahapiet and Ghoshal, 1998).

In general, it can be said that organizational advantage is what makes certain firms more successful than others. According to Nahapiet and Ghoshal (1998), organizational advantage can be seen as accruing from the particular capabilities organizations have for sharing and creating knowledge. To conclude, a firm can be understood as a social community specializing in the efficiency, creation, and transfer of knowledge (Nahapiet and Ghoshal, 1998). Strategically this means a shift towards value creation instead of pure production of products and services. Differences between firms, including differences in performance, may represent differences in their ability to create and exploit social capital. Moreover, according to Nahapiet and Ghoshal (1998), at least regarding the development of intellectual capital, those firms developing particular configurations of social capital are likely to be more successful.

2.3 Identifying the Company's Competitors

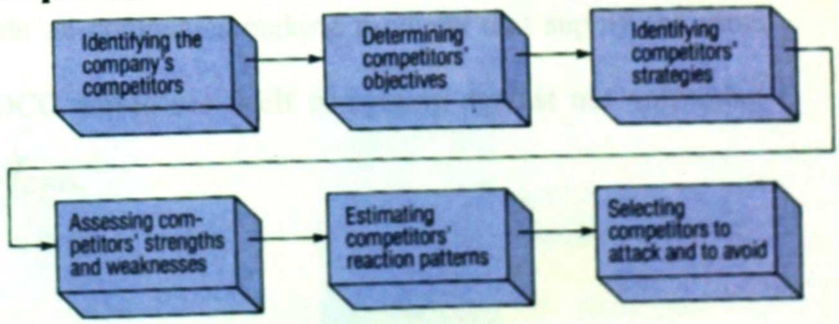


FIG 1

Source: Pearce and Robinson, (2007)

Normally, it would seem a simple task for a company to identify its competitors. At the most obvious level, a company can define its competitors as other companies offering a similar product and services to the same customers at similar prices. Kotler et al., (2004), proposed that assessing a firm's competitive position improves its chances of designing strategies that optimize its environmental opportunities. Development of competitor profiles enables a firm to more accurately forecast both its short-and long-term growth and its profit potentials.

Once appropriate criteria have been selected, they are weighted to reflect their importance to a firm's success. Then the competitor being evaluated is rated on the criteria, the ratings are multiplied by the weight, and the weighted scores are summoned to yield a numerical profile of the competitor (Meek et al., 2001). This type of competitor profile is limited by the subjectivity of its criteria selection, weighting, and evaluation approach. Nevertheless, the process of developing such profiles is of considerable help to a firm in defining its perception of its competitive positions. Moreover, comparing the firm's profile with those of its competitors can aid its managers in identifying factors that might make the competitors vulnerable to strategies the firm might choose to implement. However, authorities such as Boylaud, et al, (2001); Kotler et al, (2004), and Dobson, (2001) further argue that companies actually face a much broader range of competitors. More broadly, the company can define competitors as all firms making the same product or class of products. Even more broadly as perceived by Dobson, et al, (2001), indicated that competitors might include all companies making products that supply the same service or products. In this case FEDCO would see itself competing against not only other LBC's but also against other subsidiary firms.

In furtherance to this, marketing researchers such as Özcan, (2001), observed that finally, and still more broadly, competitors might include all companies that compete for the same consumer. Based on these arguments scholars such as Mazzarotto, (2001), argued that a company is more likely to be "buried" by its latent competitors than its current rivals and advised companies to avoid being competitor myopia. The more one firm's strategy resembles another firm's strategy, the more the firms compete. In most industries, the competitors can be sorted into groups that pursue different strategies. A Strategic group is a group of firms in an industry following the same strategy.

According to McNamara et al., (2003) companies need to examine all of the dimensions that identify strategic groups within the industry. It needs to know each competitor's product quality, features, and mix; customer services; pricing policy; distribution coverage; sales force strategy; and advertising and sales promotion programs. And it must study the details of each competitor's R&D, manufacturing, purchasing, financial and other strategies. According to Özcan, (2001), many companies identify their competitors' from two (2) dominant views namely: the Industrial point of view and the market point of view.

2.3.1 The industry point of view

Many companies identify their competitors from the industry point of view (Özcan, 2001). An industry is a group of firms which offer a product or class of products that are close substitutes for each other. In a given industry, if the price of one product rises, it causes the demand for another product to rise. In the beverage industry, for example, if the price of coffee rises, this leads people to switch to tea or cocoa drinks. Thus coffee, tea, cocoa, and soft drinks are substitutes, even though they are physically different products. A company must strive to understand the competitive pattern in its industry if it hopes to be an effective player in that industry.

2.3.2 The market point of view

Instead of identifying competitors from the industry point of view, the company can take a market point of view. In that case, competitors are companies that are trying to satisfy the same customer need or serve the same customer group. From an industry point of view, FEDCO might see its competitors as Kuapa, Produce Buying Company, Olam, and other LBCs. From a market point of view, however, the supplier really wants better offer. This need can be satisfied by providing better quality service, promotions, good CRM practices, etc. In general, the market concept of competition opens the company's eyes to a broader set of actual and potential competitors, and it leads to better long-run market planning. However, many researchers argue that the key to identifying competitors is to link industry and market analysis by mapping product/market segments (Sayman, et al, 2004).

2.4 Determining Competitors Objectives

The marketer might at first assume that all competitors simply want to maximize their profits and choose their actions accordingly (Sayman, et al, 2004), Johnson et al., 2007). But companies differ in the weights they put on short-term versus long-term profits (Togan, and Taymaz, 2005). And some competitors might be oriented toward "satisfying" rather than "maximizing" profits. They have target profit goals and are satisfied in achieving them, even if more profits could have been produced by other strategies. Thus, marketers must look beyond competitors' profit goals. Each competitor has a mix of objectives, each with differing importance. The company wants to know the relative importance that a competitor places on current profitability, market share growth, cash flow, technological leadership, service leadership and other goals. Knowing a competitor's mix of objectives reveals whether the competitor is satisfied with its current situation and how it might react to different competitive actions. For example, a company that pursues low cost leadership will react much more strongly to a competitor's cost-reducing manufacturing breakthrough than to the same competitor's advertising increase. A company must also monitor its competitors' objectives for attacking various product/market segments. If the company finds that a competitor has discovered a new segment, this might be an opportunity. If it finds that competitors plan new moves into segments now served by the company, it will be forewarned and, hopefully, forearmed. A competitor's objectives, strategies, and strengths and weaknesses go a long way toward explaining its likely actions, and its reactions to company moves such as a price cut, a promotion increase, or a new product introduction (Anderson et al., 2000) and Boylaud, et al, (2001). In addition, each competitor has a certain philosophy of doing business, a certain internal culture and guiding beliefs. Marketing managers need a deep understanding of a given competitor's mentality if they want to anticipate how the competitor will act or react.

In some industries, competitors live in relative harmony; in others, they fight constantly. Knowing how major competitors react gives the company clues on how best to attack competitors or how best to defend the company's current positions (Meek et al., 2001).

2.5 Designing the Competitive Intelligence System

In gaining competitive advantage companies must be able to come out with the main types of information that company decision makers need to know about their competitors (Pearce and

Robinson, 2007). This information must be collected, interpreted, distributed, and used. While the cost in money and time of gathering competitive intelligence is high, the cost of not gathering it is higher (Thompson and Strickland, 2005). The competitive intelligence system identifies the vital types of competitive information and the best sources of this information for collection. Next the system checks the information for validity and reliability, interprets it, and organizes it in an appropriate way. Finally, it sends its best information to relevant decision makers, and responds to inquiries from managers about competitors. With this system, company managers will receive timely information about competitors in the form of phone calls, bulletins, newsletters, and reports

2.6 Competitive Strategies

Having identified and evaluated the major competitors, the company must now design broad competitive marketing strategies that will best position its offer against competitors. No one strategy is best for all companies. Each company must determine what makes the most sense given its position in the industry and its objectives, opportunities, and resources. Even within a company, different strategies may be required for different businesses or products.

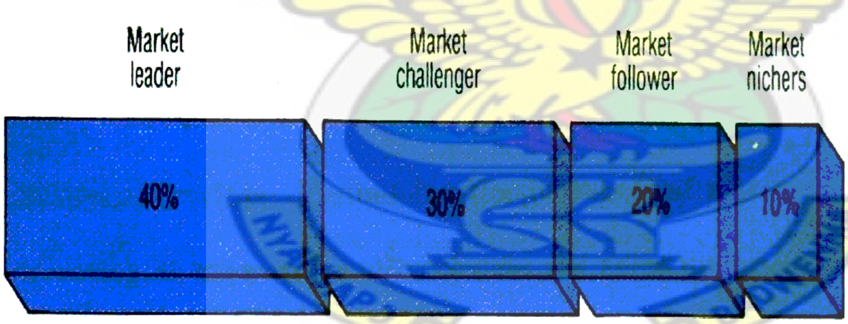
2.6.1 Competitive positions

Firms competing in a given target market will, at any point in time, differ in their objectives and resources. Some firms will be large, others small. Some will have great resources; others will be strapped for funds. Some will be old and established others new and fresh. Some will strive for rapid market share growth, others for long-term profits. And the firms will occupy different competitive positions in the target market (Johnson & Scholes, 2002).

Michael Porter (1980) suggests basic competitive positioning strategies that companies can follow. They include: overall cost leadership; Differentiation; and Focus strategies. Companies that pursue a clear strategy – one of the above – are likely to perform well. The firm that carries off that strategy best will make the most profits. But firms that do not pursue a clear strategy will get stuck in the middle – do the worst. Middle-of the roaders try to be good on all strategic counts, but end up being not very good at anything. As argued by Boylaud, et al, (2001) and Sayman, et al, (2004), companies must adopt a different classification of competitive positions, based on the role firms play in the target market – that of leading, challenging, following, or niching.

Suppose that an industry contains the firms shown in the figure below.

FIG. 2: Competitive positions



Source: Kotler and Armstrong, (2002)

Forty percent of the market is in the hands of the market leader, the firm with the largest market share. Another 30 percent is in the hands of a market challenger, a runner-up that is fighting hard to increase its market share. Another 20 percent is in the hands of a market follower, another runner-up that wants to hold its share without rocking the boat. The remaining 10 percent is in the hands of market nichers, firms that serve small segments not being pursued by other firms. The current research examined specific marketing strategies that are available to market leaders, challengers, followers, and nichers. In the sections that follow, it should be remembered that the classifications of competitive positions often do not apply to a whole company, but only to its position in a specific industry.

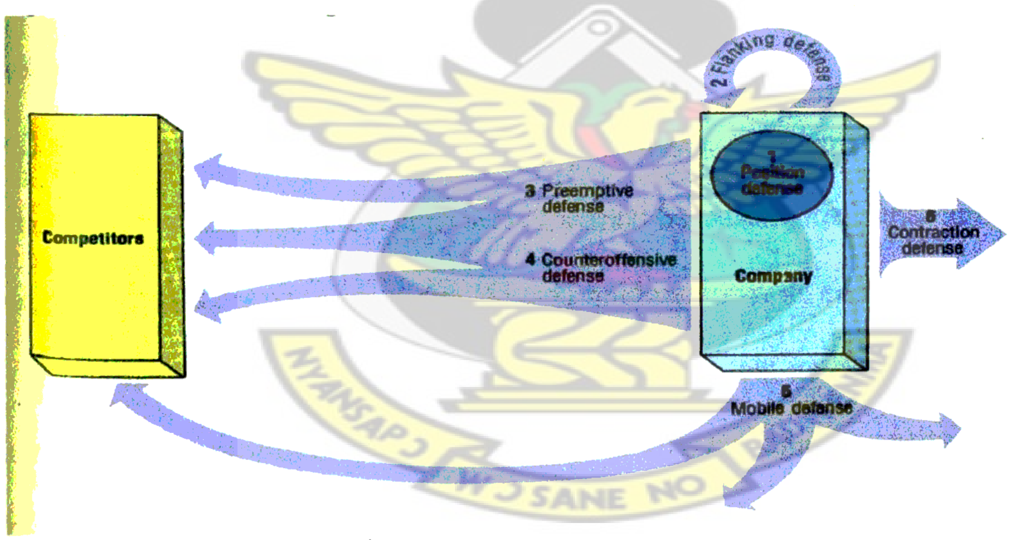
It was emphasized by Cravens et al., (2002) that while trying to expand total market size, the leading firm as part of its competitive strategies must constantly protect its current business against competitor attacks. To buttress this Pearce and Robinson, (2003) indicated that for companies to gain competitive advantage they must prevent or fix weaknesses that provide opportunities for competitors. It needs to keep its cost down and its price in line with the value the customers see in the brand (Kaplan and Norton, 1996). The leader should 'plug holes' so that competitors do not jump in. But the best defense is a good offense, and the best response is continuous innovation. However it was argued by authors such as Belch & Belch, (2004) that the market leader should refuse to be content with the way things are and leads the industry in new products, customer services, distribution effectiveness, and cost cutting which will in the end keep on increasing its competitive effectiveness and value to customers and takes the offensive, sets the pace, and exploits competitors' weaknesses. Increased competition in recent years has sparked management's interest in models of military warfare. Leader companies have been advised to protect their market positions with competitive strategies patterned after successful military defense strategies.

Position Defense: The most basic defense is a position defense in which a company builds fortifications around its current position (Kotler et al, 2002). But simply defending one's current position or products rarely works as perceived by Hitt et al., (2001). These brands must be improved and adapted to changing conditions, and new brands must be developed.

Flanking Defense: The market leader should watch its weaker flanks closely when guarding its overall position. Smart competitors will normally attack the company's weaknesses. Thus, the application of the flanking defense as identified by Kotler et al, (2002) will successfully enable companies enter the small market because competitors would leave a gaping hole in that submarket. This was also observed by Meek et al., (2001) that using a flanking defense will enable companies to carefully check its flanks and protects the more vulnerable areas.

Six defense strategies that a market leader can use are shown in Figure 3

FIG. 3 Defense strategies of market leader



- Expanding Market Share

Market leaders can also grow by increasing their market shares further. In many markets, small market share increases result in very large sales increases (Palmer, 2001). Many studies have found that profitability rises with increasing market share. Cravens et al., (2002), businesses with position or products rarely works as perceived by Hitt et al., (2001). These brands must be improved and adapted to changing conditions, and new brands must be developed.

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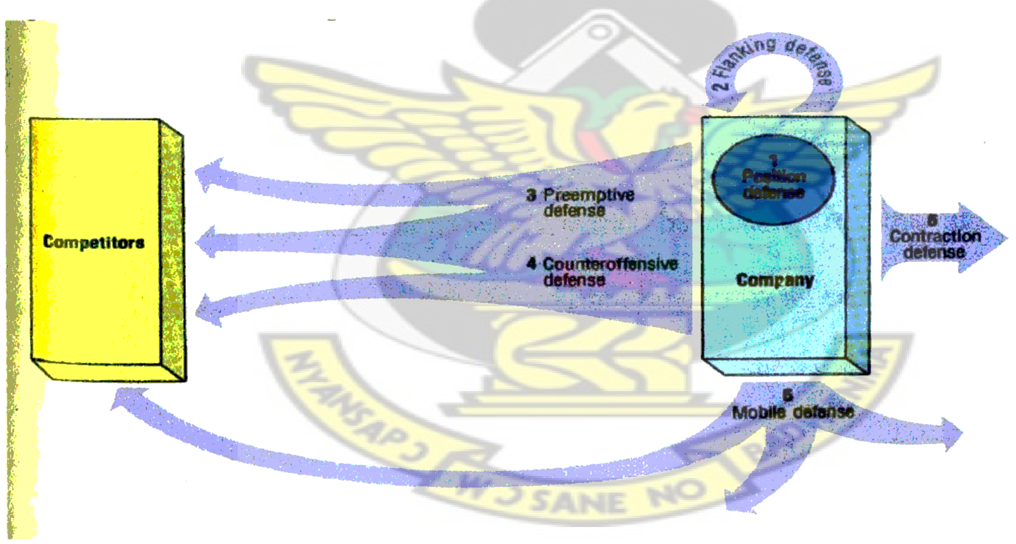


- Expanding Market Share

Market leaders can also grow by increasing their market shares further. In many markets, small market share increases result in very large sales increases (Palmer, 2001). Many studies have found that profitability rises with increasing market share. Cravens et al., (2002), businesses with very large relative market shares averaged substantially higher returns on investment. Because of these findings, many companies have sought expanded market shares to improve profitability. Other studies have found that many industries contain one or a few highly profitable large firms, several profitable and more focused firms and a large number of medium-sized firms with poorer profit performance (Meek et al., (2001). The large firms tend to address the entire market, achieving cost advantages and high market share by realizing economies of scale. The small competitors reap high profits by focusing on some narrower segment of the business and by developing specialized approaches to production, marketing, and distribution for that segment (Johnson, & Scholes, 2002). Ironically, the medium-sized competitors often show the poorest profit performance (Meek et al., (2001). They are trapped in a strategic "No Man's Land." They are too large to reap the benefits of more focused competition, yet too small to benefit from the economies of scale that their larger competitors enjoy (Anderson et al., 2000). Thus, it appears that profitability increases as a business gains share relative to competitors in its served market. And it has achieved this high share in its served market because it does other things right, such as producing high quality, giving good service, and holding down its costs. From the observations of Kim & Oh, (2004), companies must not think, however, that gaining increased market share an industry improves profitability. Much depends on their strategies for gaining increased share. Many high-share companies endure low profitability, and many low-share companies enjoy high profitability. The cost of buying higher market share may far exceed the returns. Higher shares tend to produce higher profits only when unit costs fall with increased market share or when the company offers a superior quality product and charges a premium price that more than covers the cost of offering higher quality.

2.6.2 Market-challenger strategies

Firms that are second, third, or lower in an industry are sometimes quite large (Kotler & Keller (2007). These runner-up firms can adopt one of two competitive strategies. They can attack the leader and other competitors in an aggressive bid for more market share (market challengers). Or they can play along with competitors and not rock the boat (market followers). We now focus on competitive strategies for market challengers.

- Defining the Strategic Objective and Competitor

A market challenger must first define its strategic objective. Most market challengers seek to increase their profitability by increasing their market shares. But the strategic objective chosen depends on the competitor. In most cases, the company can choose which competitors to challenge. The challenger can attack the market leader, a high-risk but potentially high-gain strategy which makes good sense if the leader is not serving the market well. To succeed with such an attack, a company must have some sustainable competitive advantage over the leader – a cost advantage leading to lower prices or the ability to provide better value at a premium price (Aaker, 2001). When attacking the leader, a challenger must also find a way to minimize the leader's response. Otherwise its gains may short live. The challenger can avoid the leader and instead attack firms its own size, or smaller local and regional firms. Many of these firms are underfinanced and will not be serving their customers well. Several of the major beer companies grew to their present size not by attacking large competitors, but by gobbling up small local or regional competitors (Meek et al., 2001). Thus, the challenger's strategic objective depends on which competitor it chooses to attack. If the company goes after the market leader, its objective may be to wrest a certain market share. If the company goes after a small local company, its objective may be to put that company out of business. The important point remains: the company must choose its opponents carefully and have a clearly defined and attainable objective (Kim & Oh, 2004).

- Choosing an attack strategy

"How can the market challenger best attack the chosen competitor and achieve its strategic objective?" as put forward Kotler et al., (2004).

Five possible attach strategies as shown in Figure 4.

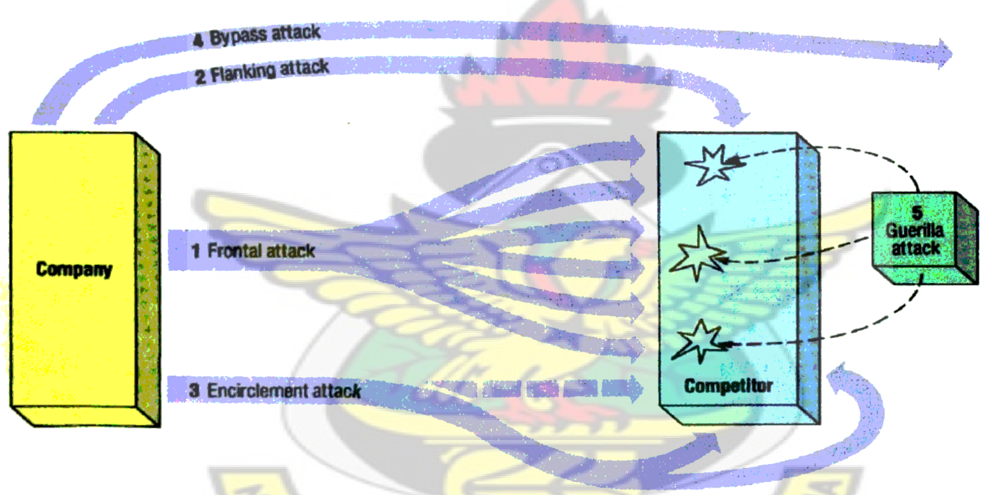


FIG. 4

Source: Kotler and Armstrong, (2002)

Frontal Attack: In a full frontal attack, the challenger matches the competitor's product, advertising, price, and distribution efforts. It attacks the competitor's strengths rather than its weaknesses. The outcome depends on who has the greater strength and endurance. Even great size and strength may not be enough to successfully challenge a firmly entrenched and resourceful competitor. If the market challenger has fewer resources than the competitor, a frontal attack makes little sense.

Flanking Attack: Rather than attacking head on, the challenger can launch a flanking attack. The competitor often concentrates its resources to protect its strongest positions, but it usually has some weaker flanks. By attacking these weak spots, the challenger can concentrate its strength against the competitor's weakness. Flank attacks make good sense when the company has fewer resources than the competitor (Kotler and Armstrong, 2002).

Encirclement Attack: An encirclement attack involves attacking from all directions, so that the competitor must protect its front, sides, and rear at the same time. The encirclement strategy makes sense when the challenger has superior resources and believes that it can quickly break the competitor's hold on the market (Kotler and Armstrong, 2002).

Bypass Attack: A bypass attack is an indirect strategy. The challenger bypasses the competitor and targets easier markets. The bypass can involve diversifying into unrelated products, moving into new geographic markets, or leapfrogging into new technologies to replace existing products. Technological leapfrogging is a bypass strategy used often in high-technology industries. Instead of copying the competitor's product and mounting a costly frontal attack, the challenger patiently develops the next technology. When satisfied with its superiority, it launches an attack where it has an advantage (Kotler and Armstrong, 2002).

Guerrilla attack: A guerrilla attack is another option available to market challengers, especially the smaller or poorly financed challenger. The challenger makes small, periodic attacks to harass and demoralize the competitor, hoping eventually to establish permanent footholds. It might use selective price cuts, executive raids, intense promotional outburst, or assorted legal actions. Normally, guerrilla actions are taken by smaller firms against larger ones. But continuous guerrilla campaigns can be expensive, and they must eventually be followed by a stronger attack if the challenger wishes to "beat" the competitor. Thus, guerrilla campaigns are not necessarily cheap.

- Market-Follower Strategies

Not all runner-up companies will challenge the market leader. The effort to draw away the leader's customers is never taken lightly by the leader. If the challenger's lure is lower prices, improved service, or additional product features, the leader quickly matches these to diffuse the attack. The leader probably has more staying power in an all-out battle. A hard fight might leave both firms weakened. Thus, the challenger must think twice before attacking. Therefore, many firms prefer to follow rather than attack the leader.

A follower can gain many advantages. The market leader often bears the huge expenses involved with developing new products and markets, expanding distribution channels, and informing and educating the market. The reward for all this work and risk is normally market leadership. The market-follower, on the other hand, can learn from the leader's experience and copy or improve on the leader's products and marketing programs, usually at a much lower investment. Although the follower probably will not overtake the leader, it can often be as profitable (Hill, 2007).

The market-follower firms fall into one of three broad types. The cloner closely copies leader's products, distribution, advertising, and other marketing moves. The cloner originates nothing – it simply attempts to live off the market leader's investments. The imitator copiers some things from the leader but maintains some differentiation in terms of packaging, advertising, pricing, and other factors. The leader doesn't mind the imitator as long as the imitator does not attack aggressively. Thee imitator may even help the leader avoid the charges of monopoly. Finally, the adapter builds on leader's products and marketing programs, often improving them. The adapter may choose to sell to different markets to avoid direct confrontation with the leader. But often the adapter grows into a future challenger, as many Japanese firms have done after adapting and improving products developed elsewhere

- Market-Nicher Strategies

Almost every industry includes firms that specialize in serving market niches. Instead of pursuing the whole market, or even large segments of the market, these firms target segments within segments, or niches. This is particularly true of smaller firms because of their limited resources. But smaller divisions of larger firms may also pursue niching strategies. Nichers try to find one or more market niches that are safe and profitable. An ideal market niche is big enough to be profitable and has growth potential. It is one that the firm can serve effectively. Perhaps most importantly, the niche is of little interest to major competitors. And the firm can build the skills and customer goodwill to defend itself against an attacking major competitor as the niche grows and becomes more attractive. The key idea in nichemanship is specialization. The firm must specialize along market, customer, product, or marketing mix lines.

Niching carries a major risk in that the market niche may dry up or be attacked. That is why many companies practice multiple niching. By developing two or more niches, the company increases its chances for survival. Even some large firms prefer a national reputation in the three areas of mergers and acquisitions, bankruptcies and prospectus development, and do little else.

2.7 Conceptual Framework

According to Johnson and Scholes, (2002), the competition in business is about gaining the advantages over competitors. There are many factors in the business environment which influence the competition. Michael E. Porter (1998,) classified those factors into five categories, which are often referred as the five forces framework, to help people identify the sources of competition in an industry. These five forces, as shown in the diagram below are: Threat of Entrants; Buyers' Bargaining Power; Threat of Substitutes; Suppliers' Bargaining Power and competitive rivalry.

Porters five force framework was used as a point of reference for this research. In other words, it is the building stone upon which this research was conducted. The conceptual framework was presented purely on theoretical framework; however, its practicability in the cocoa industry has been thoroughly elaborated in the analysis in page 76-87

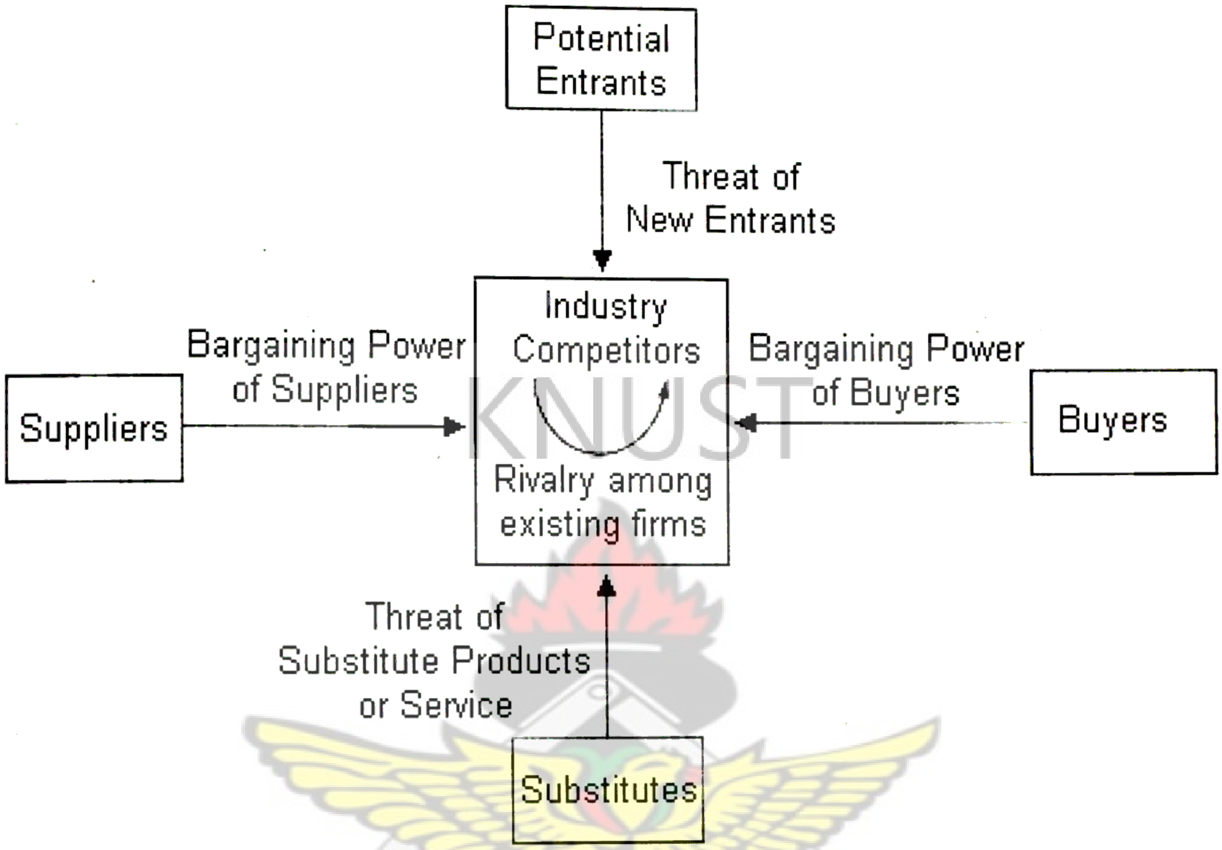


Fig. 5 Potter's Five Forces Model

Source: Porter, 1988.

2.8 Summary of Chapter

The chapter reviewed various literatures on the subject which included competitive analysis with the aim of reviewing how companies plan to effectively adopt competitive marketing strategies. The study also tried to identify company's competitors, which Ozcan, (2001) argued that companies identify their competitors from two dominant views specifically from the industrial point of view and market point of view. It also appraised competitors' objectives and identified how each objective induces companies to react. In addition, it assessed how companies design competitive intelligence system as part of its strategies of gaining competitive edge. Having identified and evaluated competitive strategies, the study reviewed broad competitive marketing strategies and also evaluated how companies could balance customers and competitors' orientations.

CHAPTER THREE

RESEARCH METHODLOGY

3.1 Introduction

This research work is exploratory in nature, designed to find out competitive strategies in the licensed buying companies of the cocoa industry. The study will provide a clear description of how data will be collected. The Methodology included the background of the study area and the justification for choosing the study area, population, sampling, sources and types of data, research instruments used and how data were analyzed, presented and discussed.

3.2 Background of FEDCO

Federated Commodities Limited (FEDCO) was formed in March, 1997 in response to the internal liberalization of the cocoa industry. The initial owners of the company were Alhaji Adamu Iddrisu and Mr. Don Arkah. Alhaji Adamu is the owner of Global Haulage Company Limited. FEDCO was established to service this haulage company. Global Haulage used to haul PBCs cocoa. At a point, PBC also re-strategized by acquiring lots of haulage trucks. This resulted in the loss of business to Global haulage Company. To ensure that this haulage company does not collapse, FEDCO was formed to feed his haulage company. FEDCO was one of the few indigenous private licensed buying companies to be formed. In the year 1998, FEDCO was the second largest company in the industry. But despite certain uncontrollable forces that befell the company in the 2004/5 crop season, it has been able to increase its market share to about 9.3%. Currently, FEDCO is the fourth largest company in the industry.

The company operates throughout the cocoa growing regions in Ghana. The head office is in Accra while the operations office is in Kumasi. The company operates under eight zonal areas. Under each zone, there are various districts. In all, there are seventy operating districts. Meanwhile, the company started with ten districts which have expanded to almost all the cocoa districts in Ghana.

FEDCO is the 4th largest Lbc in the industry with a market share of 9.3%. The company has lots of depots and continues to build new ones. In terms of finances the company is not doing badly. The remaining companies are of Ghanaian origin, and a large number of these are owned by former transport groups which used to be contracted by the PBC under the previous system. One major example of this is given by Global Haulage, a former transport company now the key shareholder in all business purchases carried out by three local companies: Federated Commodities, Transroyal, and Cocoa merchant (Laven, 2007).

FEDCO's Organogram

FIG. 6

SOURCE: FEDCO ADMINISTRATION (2008)]

3.3 Justification for Choosing FEDCO

Although, there are so many LBC's in Ghana, prominent among them include Kuapa Cocoa, Akuafo Adamfo Ltd ,Olam, Adwumapa, Amajero, Transroyal, Cocoa Merchant, FEDCO, Among others FEDCO was choosing as the study area for the study. This is so because, looking at the industry, FEDCO's market share has been appreciating steadily (Cocobod Bulleting, 2006), which calls for studies to find out reasons for attaining that height looking at the intensity of the competition. This will also provide the necessary recommendations on competitive strategies in order to improve its future market share. In addition, FEDCO was selected because of proximity and access to data. What is more, some of the LBCs started on good note but could not face the competition, hence, their exit. Notable among them include Cashpro and Premus. FEDCO was therefore, selected to find out the strategies they had adopted that has enhanced their competitiveness.

3.3.1: Population and Sampling Design

The population of the study was made up of all the stakeholders of FEDCO Ghana Ltd which comprises management, staff, suppliers as well as some selected personnel from Cocobod which the study sees as a complete set of individual having common observable characteristics in which the research is interested in studying. The staff and management of FEDCO constitute two hundred and fifty (250). As a result of inadequate resource, time constraint, studying the whole universe is not possible and may not even offer significant benefits to the study. An intelligible idea about the parameters of the population can help the study to determine the types of sampling design. Since samples are expected to be representative of population, the sample for this study was chosen by sound methodological principles such as: choosing sample in systematic and objective manner in order to avoid biases; sample units were not interchangeable, the same units were used throughout the study and once selected, units were not discarded and the sample units were clearly defined and identified; and the sample units were independent of each other, uniform and the same size and appeared only once in the population.

Cluster, and purposive sampling techniques were used to enable the study achieve the research objectives. The cluster sampling is the technique whereby the researcher selects a group of units from groups of similar units as a first stage in sampling (Neuman, 2000). In this study the population is such that there is the need to adopt cluster sampling because the researcher identified areas inhabited by people from the same socio-economic background within different selected districts in the Ashanti region. The study selected Nkawie district when interviewing the suppliers which was thought to be the only station where suppliers are dominant and competition remains intense. Most of the districts stations (societies) had areas where the suppliers of the cocoa beans were concentrated which were identified as a cluster. In using this technique, therefore, all the suppliers were identified and through the simple random sampling method specific areas were selected. After the selection of the areas, the researcher decided to use all the houses in the areas. The selection of the respondents would be based on the total residents within each station and within each area. In all, the suppliers of FEDCO within Nkawie were estimated to be around six hundred (600) out of which one hundred and ninety (190) were selected and interviewed. In addition, all the fourteen (14) management of FEDCO were selected and interviewed. The total sample size therefore was two hundred and four (204).

Purposive sampling was also chosen with the intention of getting first hand information about the study at the preliminary stages of the study. This was achieved by selecting resource personnel who were experienced in the cocoa sector. Four (4) respondents were selected from the Cocobod who were thought to be experienced in the industry for not less than fifteen (15) years each. In addition, the entire strategic managers who take decisions on competitive strategies, and the purchasing clerks within the Nkawie district were purposively interviewed.

3.3.2 Type and sources of data

The type of data that were gathered included information on competitive strategies, service delivery, etc. The study made an extensive use of both primary and secondary sources of data. According to Saunders et al. (2007) data may be collected as either primary or secondary. In this study, both primary and secondary data (official records) were used. According to Kumekpor, (2002), in social research we collect data from the social world. The researcher develops field strategies to enable him to find answers to research questions. The primary sources of data included information gathered from the questionnaires that were administered to respondents. The advantage of using the primary sources of data is that, they are more reliable since they come from original sources and are collected for the purpose of the study.

3.3.3 Secondary data

In addition to the primary data, secondary sources of data were used to obtain additional information to buttress responses gathered from the questionnaire. A number of published materials on competitive strategies including magazines, journals and articles were obtained. Readings were made from libraries of Kwame Nkrumah University of Science and Technology, Kumasi, the British Council and journals from the Cocobod. The data collected from the secondary sources significantly assisted in the development of primary data collection and the interpretation of the results.

The rationale for these sources of information was that they were cheaper and easily accessible and also helps in finding out whether the current study is consistent with other publications of authorities or not.

3.3.4 Data Analysis and Presentation

According to Twumasi, (1986), when the scientist returns from the field he must settle down to analyse the data. The process (of data analysis) is a continuous one involving many stages. The stages are editing, tabulation, coding, and computer processing. The process of data analysis requires skills, patience and thoroughness. After collecting the data, it will be examined for consistency of responses by reading through all the data in order to determine whether all the questions have been answered properly. Ten (10) of the questionnaires administered to suppliers were not returned. This indicates the suppliers' response rate was 94.7% which means that the questionnaires were responded and returned. The remaining 5.3% of the questionnaires were not returned. After which the data were reduced and coded. In this regard, from the editing stage, the study starts to classify and tabulate the main information. After this the use of computer softwares such as the Statistical package for the Social Scientists was used to run the data and transformed into graphs and tables.

Descriptive statistics was used to summarize and present the information in a form of frequency distribution and percentages.

3.4 Research Instrument

The most commonly-used methods in social research are questionnaire, interviewing, direct observation, participant observation, case studies, life history, the use of documentary evidence, letters, personal memoranda, etc, Kumekpor, (2002) argues that, there is no protocol to be followed in the use of any one of these procedures; the procedure should be adapted to its circumstances and guided by judgment of its propriety and fruitfulness. In this study, questionnaires, interview and observations were the main instruments used. Formal questions were framed and written down for the respondents to provide the answers. According to Twumasi, (1986) as a method of data collection, the questionnaire is an efficient way to collect statistically quantifiable information. It is an efficient method in the sense that many respondents can be reached within a short space of time. Numerous questions were framed for both staff and suppliers; some were closed-ended whilst others were open-ended questions. In addition, five likert scale questions ranging from strongly agree to strongly disagree were factored in the questionnaire. Personal observations were also made in order to find answers to the research question and observed the social-economic characteristics of the study area. The feedbacks were very resourceful to the study.

3.5 Pilot Survey/Pre-Survey

It was necessary for the study to conduct a pilot survey in order to know a suitable methodology to be adopted. This enabled the study set a preview of the study area, the target group and the characteristics of the population to be studied. The information served as a guide in preparing a suitable questionnaire for the study.

The pilot study also helped in vetting and editing of the questionnaires in line with what Yeboah (2002) referred to as common sense rule of questionnaire, interview design which suggest the following:

- Be straight forward

- Get the questions right
- Give clear instructions
- Do not make unrealistic demands of respondents
- Use simple and concise language
- Make layout easy to follow

After it has been tested on some LBC's in different vicinity, it then became clear from the response rate that the respondents understood all the questions.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

From the prior literature and the information gathered based on the questionnaires sent out, a list of eighteen (18) variables were obtained from the suppliers of the cocoa beans to FEDCO whilst fourteen (14) variables were obtained from the questions administered to staff of FEDCO. The questionnaires comprises of closed ended and open ended questions whilst a five point scale was also adopted because it was felt that more numerous response categories would exceed the respondents ability to discriminate with the likelihood that "noise" rather than more precise data would result. From the view point of Twumasi, (1986), when the scientist returns from the field he must settle down to analyse the data. The process (of data analysis) is a continuous one involving many stages. At every stage, the researcher must ask questions relating to his objectives in order to obtained meaningful answers. In this regard, the principal concepts in the study's objectives must be used to examine the data. The stages are editing, tabulation, coding, and computer processing.

Table: 4.1 Gender Compositions of the Cocoa Farmers

Responses	Frequency	Percent	Cumulative Percent
Male	175	92	92
Female	15	8	100
Total	190	100	

Source: Researcher's Own Data, June, 2009.

The field data generated from the questionnaire provided information about farmers. It was found out from the study that majority of the farmers were males. This constituted ninety-two percent (92%) of the farmers interviewed in Nkawie.

Table 4.2 Gender Composition of Management of FEDCO

Responses	Frequency	Percent	Cumulative Percent
Male	14	100	100
Female	0	0	100
Total	14	100	

Source: Researcher's Own Data, June, 2009.

Table 4.3 Educational Status of the Cocoa Farmers

Responses	Frequency	Percent	Cumulative Percent
Tertiary	5	3	3
Secondary	65	34	37
Elementary	103	54	91
Others	17	9	100
Total	190	100	

Source: Researcher's Own Data, June, 2009.

The educational status of the cocoa farmers was very important. It was revealed from the study that majority of the cocoa farmers were school drop-out and their level of education ranges dominantly from no formal education to elementary form four (4). This was true as fifty-four percent (54%) of the cocoa farmers had elementary certificates. This was followed by thirty-four percent (34%) of them who had secondary school certificates.

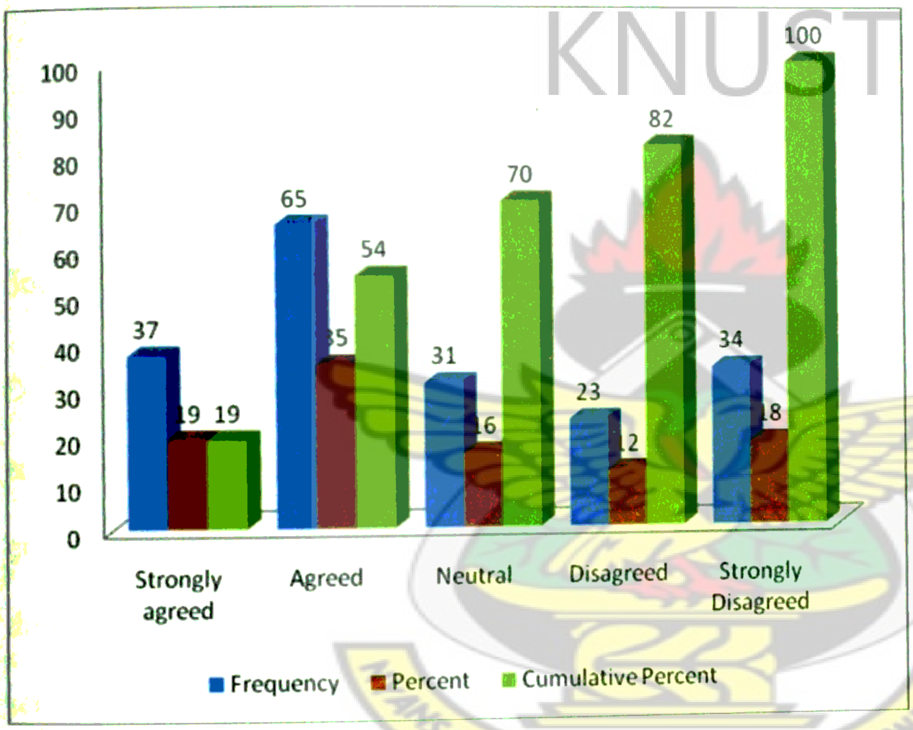
Table 4.4: Number of Years with FEDCO

Responses	Frequency	Percent	Cumulative Percent
Less than 5 years	85	44	44
5-9years	102	53	98
Above 9 years	3	2	100
Total	190	100	

Source: Researcher's Own Data, June, 2009.

Here, the study intended to find out the number of years respondents had transacted business with FEDCO and it was revealed that fifty-three percent (53%) of farmers had been with FEDCO between 5-9years. This was followed by forty-four percent (44%) of the farmers who had been with FEDCO for less than 5 years; only two percent (2%) of them had been with FEDCO for more than 9years.

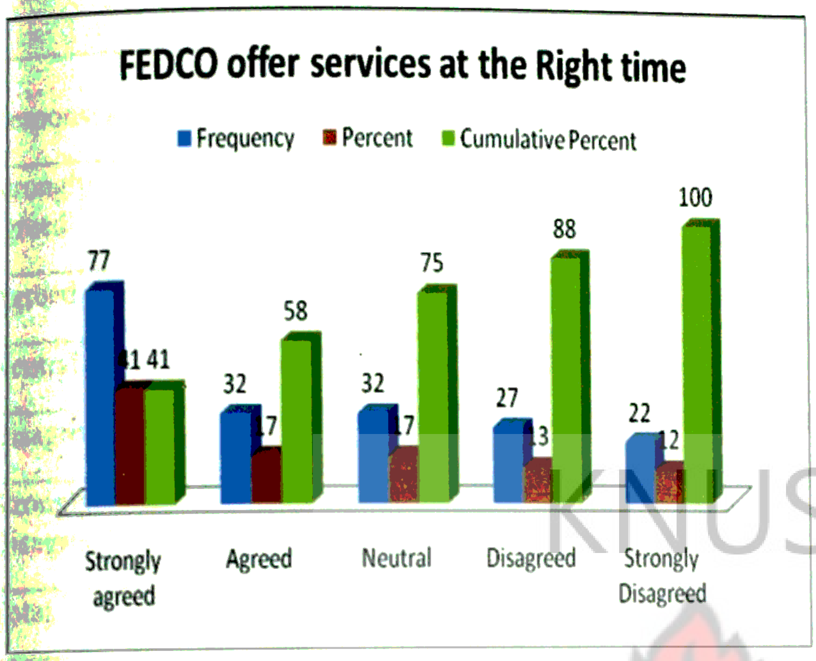
Graph 4.1: A graph showing how Cocoa farmers Rated service Offering in FEDCO as at 2009.



Source: Researcher's Own Data, June, 2009.

When a supplier makes an evaluation of any service encounter, he is satisfied if the pivotal attributes are achieved, but as the service is used more frequently the core and peripheral attributes may begin to gain importance. A question was posed to find out how FEDCO deliver its services and it was revealed that fifty-four percent (54%) of the farmers sampled agreed with the statement. However, thirty percent (30%) of the respondents did not agree to the statement.

Graph 4.2: A graph showing how Farmers rated FEDCO Prompt delivery of services



Source: Researcher's Own Data, June, 2009.

Delivering quality service is considered to be essential strategy for success in today's competitive environment. Licensed Buying companies that offer superior service achieve higher-than-normal growth in market share and increased profits through higher market share and this is achieved through higher volume of purchases. A question was posed to find out whether FEDCO offer services to suppliers at the right time and it came to light that about fifty-eight percent (58%) were in favour of the statement. What it means is that out of one hundred and ninety (190) suppliers interviewed in the Nkawie district,one hundred and two (102) of them were content with FEDCO's promptness in service delivery.

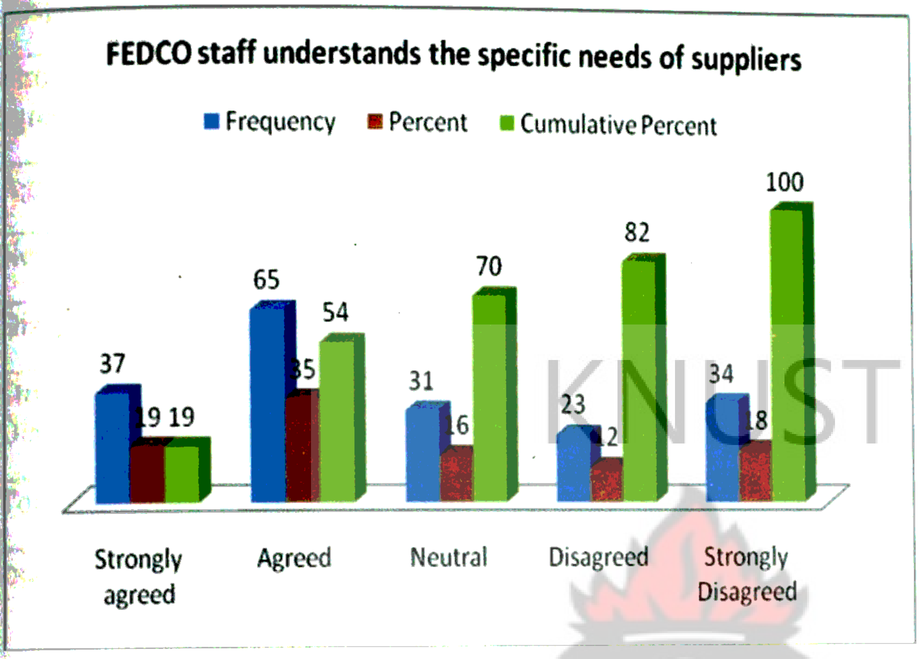
Table 4.5 FEDCO Solves Complaints By The Scheduled Date.

Responses	Frequency	Percent	Cumulative Percent
Strongly agreed	41	21	21
Agreed	75	40	61
Neutral	27	14	75
Disagreed	19	10	85
Strongly Disagreed	28	15	100
Total	190	100	

Source: Researcher's Own Data, June, 2009.

Frequent customer complaints could result in lower supply growth which will have a long-run repercussion on profitability. In finding out how suppliers perceived FEDCO'S reactions to complaints, most of the respondents indicated that their complaints were resolved. This represents sixty-one percent (61%) of suppliers' response; however, a significant number of them also disagreed to the assertion. This as well shows twenty-five percent (25%) of them.

Graph 4.3: A graph exhibiting how Suppliers rated FEDCO staff understanding on their specific needs.



Source: Researcher's Own Data, June, 2009.

According to Barney, (1991) in order to withstand new wave of competition in the cocoa industry, FEDCO should invariably call on management to improve on their current position in the industry. This could be done by adopting strategies aim at improving and attending to the needs of its suppliers. The findings show that whilst fifty-three percent (53%) of the suppliers interviewed agreed to the statement; twenty-six percent (26%) remained neutral. In addition, twenty-one percent (21%) of the suppliers did not support the statement.

Table 4.6: Security with FEDCO

Responses	Frequency	Percent	Cumulative Percent
Strongly agreed	77	41	41
Agreed	53	28	69
Neutral	48	25	81
Disagreed	12	6	87
Strongly Disagreed	0	0	100
Total	190	100	

Source: Researcher's Own Data, June, 2009.

It was revealed from the study that more than thirty percent (30%) of the respondents indicated that they were not secured with their dealings with FEDCO more especially with free and trustworthy scales. This indication is that this might lead to customer/suppliers defection since they were not content probably with their dealings with FEDCO; however, sixty-nine percent (69%) of the respondents felt secured with their dealings with FEDCO.

4.2 Supplier Switching

Before, company begins to focus on strategizing policies aimed at reducing customer switching, the following foundation must be laid: customer/suppliers satisfaction; careful market segmentation and targeting, and continuous monitoring of customers/suppliers. The major factors outlined by the cocoa farmers that will propel them to switch to other LBCs included prompt cash payment system, proximity to the LBC, incentives packages such as farm inputs and awards, good measuring scale, etc Mittal and Kamakura (2001) have shown strong, albeit non linear, effect of customer satisfaction on repurchase behaviour, such that the functional form relating satisfaction to repurchase is marginally increasing. Gustafson et al (2005) have recommended the control of the heterogeneity in satisfaction – retention relationship reducing customer turnover. They have suggested the inclusion of prior churn in customer satisfaction analysis to enable relationship managers to understand the effects of customer satisfaction and relationship commitment on retention beyond inherent differences in customers' propensity to churn. They observed that not only are some customers predisposed to stay or to change but also more or less sensitive to changes in customer satisfaction. Zeithaml and Bitner (2000) have stressed that the firm need not be the very best among competitors but it must be competitive however and frequently better than that.

4.3 Analysis of Responses from Management of FEDCO

This section looks at the feedbacks from management of FEDCO with the intention of finding answers to the research objectives set out in chapter one. Among the variables to be considered here are: How FEDCO generates the future needs of suppliers; Detecting Changes to Suppliers Preference; Resolving Complaints; Policy Review etc

Table 4.7 Generating the future needs of Suppliers

Responses	Frequency	Percent	Cumulative Percent
Very often	3	21	21
Often	5	35	57
Neutral	2	14	71
Sometimes	4	29	30
Not at all	0	0	100
Total	14	100	

Source: Researcher's Own Data, June, 2009.

It could be revealed that whilst twenty-nine percent (29%) of the staff indicated that FEDCO sometimes generate and develop product lines that are tailored towards the future needs of the farmers; only fourteen percent (14%) of them remained neutral. The remaining respondents indicated that most of the time, management of FEDCO develop competitive strategies which are tailor made or towards the needs of the farmers.

Table 4.8 Detecting Changes to Suppliers Preference

Responses	Frequency	Percent	Cumulative Percent
Strongly agreed	7	50	50
Agreed	4	29	79
Neutral	2	14	93
Disagreed	1	7	100
Strongly Disagreed	0	0	100
Total	14	100	

Source: Researcher's Own Data, June, 2009.

The study also intended to find out how often management of FEDCO is able to detect changes to suppliers preference and it was revealed that only seven percent (7%) disagreed to the statement. Fourteen percent (14%) however, remained neutral on the issue. The majority of them strongly agreed to the statement.

Table 4.9.Resolving Complaints

Responses	Frequency	Percent	Cumulative Percent
Strongly agreed	6	43	43
Agreed	5	36	79
Neutral	3	21	100
Disagreed	0	0	100
Strongly Disagreed	0	0	100
Total	14	100	

Source: Researcher's Own Data, June, 2009.

In finding out how staff the number of times staff pursued customer complaints/ forty-three percent (43%) of the staff strongly agreed to the statement. Only thirty-six percent (36%) agree to the statement. However, none (0) disagreed to the statement whilst the remaining percent remained neutral on the issue.

Table 4.10 Policy Review

Responses	Frequency	Percent	Cumulative Percent
Very often	3	21	21
Often	6	43	64
Neutral	2	14	78
Sometimes	3	22	100
Not at all	0	0	100
Total	14	100	

Source: Researcher's Own Data, June, 2009.

Reviewing policies are also another important factor in the quest to assessing both competitors' strength and farmers' needs. It was realized that twenty-two percent (22%) indicated that such policy review were not done often; whilst fourteen percent (14%) of them remained neutral on the issue. Sixty-four percent (64%) of them indicated that issues pertaining to competitive strategy were not reviewed often.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

To plan effective competitive strategies, LBCs' need to find out all they can about their competitors. A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor and when other firms are unable to duplicate the benefits of this strategy. This chapter looks at the analysis and discussion of data based on the presentation of chapter four. A total of two hundred and four (204) responses were study, out of which one hundred and ninety (190) were administered to the cocoa farmers whilst the remaining fourteen (14) were administered to management of FEDCO. The district manager and the purchasing clerks in the study area (Nkawie district) were interviewed. The study was purely descriptive and the use of frequencies and percentages were used which were exhibited in the form of tables and graphs.

Among the major findings of the study were;

It was found out from the study that majority of the farmers were males. This constituted ninety-two percent (92%) of the farmers interviewed in Nkawie. This shows that generally speaking the cocoa industry is a male dominated one. Cocoa farming is male dominant in nature and even where females owed the cocoa farm; it is being supported by either their husbands or their relatives. This is due to the nature of the farming operations which requires much energy and efforts unless it is capital intensive where the female farmers could hire the services of laborers, agric extension officers among others. The gender imbalance in the industry was not only limited to the farmers but to FEDCO as well as it was revealed from the study that there was no female in the management team of FEDCO. However, at the staff level there were few females mostly at the head and operations offices and few as purchasing clerks.

It was revealed from the study that majority of the cocoa farmers were school drop-out and their level of education ranges dominantly from no formal education to elementary form four (4). This was true as fifty-four percent (54%) of the cocoa farmers had elementary certificates. This was followed by thirty-four percent (34%) of them who had secondary school certificates. However, few of the farmers had tertiary qualifications ranging from higher national diploma to university degrees. One thing to be noted is that some of the questionnaires were not responded by the owners of the farm; however, their caretakers were in the position to provide feedbacks on behalf of the owners of the farms. One thing to be noted is that the nature of the farming business is not a strict requirement for one to attain a higher level of education before he could start the business; however, those with reasonable education will enable them get a deep sense of understanding in the cocoa business.

It was revealed that fifty-three percent (53%) of farmers had been with FEDCO between 5-9years. This was followed by forty-four percent (44%) of the farmers who had been with FEDCO for less than 5 years; only two percent (2%) of them had been with FEDCO for more than 9years. Strategic managers in FEDCO are focusing on creating lifelong suppliers (captive suppliers) hence maintaining cocoa farmers for more than five (5) years implies that FEDCO is doing everything possible to retain suppliers' loyalty. This could achieve through quality relationship and service delivery which requires an understanding from the customers'/suppliers perspective as suggested by Hansen and Bush, (1999). In an atmosphere of heavy competition, it is dangerous for businesses to be a non-customer oriented company. It is a common end assertion among strategic management that customer retention is essential to business success. The finding suggests that FEDCO has been able to improve on the level of satisfaction, which is evidential by the number of years that cocoa farmers had been with them. In other words, the long existence of the suppliers shows that FEDCO had been able to retain most of its suppliers.

It was revealed that fifty-four percent (54%) of the farmers sampled agreed that FEDCO deliver its services as promised. However, thirty percent (30%) of the respondents did not agree to the statement. Rendering services as promised aimed at building long lasting, sustainable trust between companies and suppliers so that suppliers would only want to deal with that particular company. Few studies have noticed that, continuous monitoring of factors that affect customer satisfaction constitutes invaluable information for businesses. Companies equipped with customer information and knowledge have greater potential to make correct decisions, produce desirable products or services, and deliver true value for customers. The study is consistent with Barney (1991) who indicated that, a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor and one of such value creation is trustworthiness which most LBCs' must replicate especially in the era of the liberalisation.

A question was posed to find out whether FEDCO offer services to suppliers at the right time and it came to light that about fifty-eight percent (58%) were in favour of the statement. What it means is that out of one hundred and ninety (190) suppliers interviewed in the Nkawie district, one hundred and two (102) of them were content with FEDCO's promptness in service delivery. Notable among the services offered to suppliers were prompt payment; quick response to credit needs, promise inputs, etc. This phenomenon might influence their decision to join the company. This re-enforces Chaffee (1985),"who segment the strategy construct implicitly agree that the study of strategy includes both the actions taken, or the content of strategy, and the process by which actions are decided and implemented at the right time. It also reduces the threat of opportunistic behavior and may provide a source of competitive advantage over rivals in the industry as suggested by Barney and Hansen, (1994). In general, the current study opines that organizational advantage is what makes certain firms more successful than others. Therefore performing services at the promised time, providing services at the promised time, maintaining error-free records and keeping customers informed as to when service will be performed constitute reliability.

In finding out how suppliers perceived FEDCO'S reactions to complaints most of the respondents indicated that their complaints were resolved. This represents sixty-one percent (61%) of suppliers' response; however, a significant number of them also disagreed to the assertion. This as well, shows twenty-five percent (25%) of them. This calls for an immediate attention to be addressed by FEDCO as positive feedbacks could lead to customer satisfaction and a negative feedback leads to customer dissatisfaction. Oliver (1980) contends that satisfaction is said to have occurred when the product positively meet consumer's expectation by performing better than expected and when the product confirms consumers' favorable pre – purchase expectations. Dominant among the complaints were delays in the provision of farm inputs and sometimes inability of LBCs to provide farm inputs such as fertilizers, insecticides, spraying machines, cutlasses. However, management explained that the company takes corrective measures when suppliers are unhappy with some of these services. In order to attract and retain suppliers, management of FEDCO responds to some of these feedbacks in the form of awards which are organized annually. Among the means through which suppliers express their grievances were through the purchasing clerks and the district managers. These were personally observed during the fieldwork.

The findings show that whilst fifty-three percent (53%) of the suppliers interviewed agreed that FEDCO understood their specific needs; twenty-six percent (26%) remained neutral. In addition, twenty-one percent (21%) of the suppliers did not support the statement. In the fight for market share, competition is not manifested only in the other players. Rather, competition in an industry is rooted in its underlying strategies, and competitive forces exist that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry. Therefore, a market driven business should be able to develop a comprehensive understanding of the customers business and how customers perceive value of the services offered. Emphasizing on suppliers expectations could nourish FEDCO delivery service, retention and by so doing could enhance their effort in improving its market share. In the marketing literature, service quality, customer satisfaction and customer loyalty are three distinctive elements that firms offering services should strive for. The interactive nature of the service process results in the consumer's evaluation of quality immediately after the provision and performance of that service. This is so because, it could be deduced that although FEDCO is doing well, it still has a lot of work to do if it is to improve on its market share, profit margins and shareholders' value.

According to Grönroos, (2000), any strategy adopted in gaining competitive advantage is dependent to a greater or lesser extent upon the degree of trust and security among suppliers, producers, consumers and other stakeholders. If competitive strategies are about meeting suppliers/customer needs, the establishment and management of relationships with suppliers/customers, and the delivery of promises (either explicit, for example in terms of delivery dates or fitness for purpose of the product; or implicit, for example in branding and positioning), then security and trust forms part of the major element in the course of improving service delivery. It was revealed from the study that more than thirty percent (30%) of the respondents indicated that they were not secured with their dealings with FEDCO most especially with free and trustworthy scales. This indication is that this might lead to customer/suppliers defection since they were not content probably with their dealings with FEDCO; however, sixty-nine percent (69%) of the respondents felt secured with their dealings with FEDCO. Competitive strategies does not only aimed at gaining competitive advantage but also building long lasting, sustainable trust between companies who are the providers of the service and customers who are the receiver of the services, so that the customer would only want to deal with that particular company. FEDCO in its quest in gaining competitive advantage, should, however, be careful to target this strategy at the right time.

The major factors outlined by the cocoa farmers that will propel them to switch to other LBCs include prompt cash payment system, proximity to the LBC, incentives packages such as farm inputs and awards, good measuring scale, etc, Mittal and Kamakura (2001) have shown strong, albeit non linear, effect of customer satisfaction on repurchase behaviour, such that the functional form relating satisfaction to repurchase is marginally increasing. Farese et al (2003) have recommended the control of the heterogeneity in satisfaction – retention relationship reducing customer turnover.

In generating the future needs of suppliers, there is the need to consider most importantly the needs of the farmers. The company has some needs but also a process whereby FEDCO fulfils these needs is of paramount important in strategizing effective policies aimed at gaining competitive edge. Hence, it is not enough to understand the needs of the cocoa farmers, but also know how they strive to achieve the results required to fulfill these needs. It could be revealed that whilst twenty-nine percent (29%) of the staff indicated that FEDCO sometimes generate and develop product lines that are tailored towards the future needs of the farmers; only fourteen percent (14%) of them remained neutral. The remaining respondents indicated that most of the time, management of FEDCO develop competitive strategies which are tailor made or towards the needs of the farmers. It was identified that FEDCO was able to generate some of these market intelligence reports through purchasing clerks and district managers who were constantly in touch with the farmers. This can be labeled the customer's/suppliers value-generating process as suggested by Gronroos, (2002). Moreover, one must know the value systems of the suppliers that guide this internal need-fulfilling and value-generating process. If FEDCO does not understand this aspect of the farmers value systems and value-generating processes, products, services, information and other elements of the interaction process cannot be developed and offered in a satisfactory way, and value for the farmers cannot be created successfully.

The study also intended to find out how often management of FEDCO is able to detect changes to suppliers preference and it was revealed that only seven percent (7%) disagreed to the statement. Fourteen percent (14%) however, remained neutral on the issue. The majority of them strongly agreed to the statement. This is a true reflection as the penetration of LBCs will increase competition in the industry and for FEDCO to maintain and improve its position it needs to detect changes in its suppliers preference as it will enable FEDCO come out with policies and better measures in formulating strategies. This shows that FEDCO is really concerned about the needs of the suppliers as majority of them supported the statement.

The LBCs have various levels of staff force who take daily operation decisions; the management (takes strategic and; and the purchasing clerks and the district managers who take the functional and tactical decisions and are always in contact with the cocoa farmers. Hence, the implementations of management strategies are carried out by the purchasing clerks and district

Turnaround time Strategy: Here the company's source of capital are obtainable from the banks which attracts huge bank charges such as commitment fee, interest on loans and commission on turnover. The company's ability to turnaround the funds quickly is therefore critical for cost minimization hence the formulation of such strategy. However, some of the strategic managers interviewed indicated that the turnaround time strategy had not been efficient because of delay in secondary evacuation of the stocks or produce to take over points.

Prompt Payment strategy: The intensity of the competition in the industry is such that the ability of the LBCs to pay farmers for their produce in time is a critical factor for constant supply of cocoa beans. This had enabled management to strategize an efficient way of paying cocoa farmers promptly. Prior to this, management was paying the farmers through Akuafo cheque. According to management, some of the cocoa farmers were reluctant to accept the Akuafo cheque as a mode of payment because of the concomitant or associated problems that go with it, such as proximity to banks and the urgency at which the farmers needed the money. As a result, management had strategized by paying the cocoa farmers either by Akuafo cheque or by cash depending on the supplier's choice.

Logistics supply as a strategy: For efficient operations, management had strengthened its logistics supply to various operational centres at the right time and in the right quantity.

Weighing scale strategy: Generally speaking, the farmers always complained of purchasing clerks adjusting their weighing scales to cheat on them. To this end their commitment and loyalty dwindles. As a result of this, FEDCO had developed a strategy to ensure that purchasing clerks measuring scales are trustworthy. This was done by ensuring that officers went round periodically to inspect the machines.

Selection criteria as a strategy: Here, purchasing clerks were selected from within the community or the society. This is so because most of the time the cocoa farmers prefer community member to be the purchasing clerk because of their communal way of living and the social ties attached. This had yielded a lot of results according to feedbacks from management.

Corporate social responsibility strategy: As a way of prospecting for new suppliers and maintaining existing ones, FEDCO has been supporting community funded projects such as KVIPs, bridges, schools, community and health centre. In addition, FEDCO has been providing machines such as Pick-Up truks and other farm inputs and machineries to the national organizing committee during farmers' day celebrations. In the year 2000, FEDCO donated two (2) brand new Pick-Ups to the government of Ghana for onward delivery to the military patrol at the Ghana-Ivory coast border to check smuggling of cocoa. All these according to management were strategies to lift the image of the company.

Incentives strategies: According to management the company periodically organized awards for deserving farmers and hard working purchasing clerks to serve as motivation for them.

Purchasing clerks are given specific targets to achieve or exceed which attracts a reward of cash bonuses, motor bikes and bicycles.

Networking Strategy: The cocoa business involves various stakeholders' participation such as banks, Quality Control division of Cocobod, cocoa marketing Company, haulers and main cocobod. Having good networking with these various stakeholders ensures smooth operations and avoidance of sabotages.

In 2002, it was revealed from the findings that FEDCO implemented major strategies especially on prompt payment strategy and the weighing scale strategy which improved FEDCOs performance in the areas of market share, and profit margins. In 2000, FEDCO market share was 6.2% and net profit after tax stood at 800 million cedis. In 2002, the company's market share increased to 7.5% whilst net profit after tax was 3.1 billion cedis. In 2008, the company's market share and net profit after tax had improved from 7.5% to 9.3% in market share whilst the net profit after tax was 12.2 billion cedis.

5.3 Sustainability of FEDCOs' Competitive Strategies

The study revealed that whilst some of the strategies adopted by FEDCO were long term, others were short-terms. Some were also "one of" and it was just aimed at raising cocoa farmers' confidence. To sustain some of these strategies, management implemented better monitoring systems and periodic review on the cost benefit analysis of some of these strategies.

5.4 Critical Success Factors in the Cocoa Industry

Among the critical success factors provided by management are outlined below:

- Sound financial base /Cash flow
- Volume of transactions (purchases)
- Speed (turnaround time)
- Depots and logistics
- Farmers loyalty
- Competent and dedicated staff
- Business networking with the various stakeholders

5.5 Industry Attractiveness

The study revealed how the industry is affected by Porter's five forces model. The cocoa industry inarguably, is also shaped by these five forces but of different intensities. The discussions below show how the five forces shape the cocoa industry.

5.5.1 The Threat of entry

In reality, very lucrative industries possess characteristics that inhibit additional rivals from entering the market and thereby protect the high profits in those industries. These are termed barriers to entry. Entry barriers seek to reduce the rate of new firms and thus maintain a level of profits for those already in the industry. Barriers exist whenever it is hard for a newcomer to break into a market and/ or the economics of the business put a potential entrant at a price or cost disadvantage relative to its competitors. Barriers can be created or exploited to enhance a firm's competitive advantage. Some of the sources of barriers to entry identified in the cocoa industry are discussed below:

In the cocoa industry and for that matter Lbcs' environment, entry barriers are high. It is not as if the industry is protected from entry but rather there are entry requirements that create a barrier for new entrants. Some of the sources of entry barriers in the industry are:

Regulatory requirements: - There are regulatory requirements that one must meet in order to gain entry to the cocoa industry. Such regulatory requirements are set by Cocobod who is the regulatory body. One must first and foremost obtain a license from the regulator. The firm applying for an entry must demonstrate its ability and the capacity to buy. Facilities such as tools of trade as well as sheds and depots have to be provided and must meet quality control standard before one would be allowed to operate. Also new entrants are required to satisfy rigid quality standards with regard to depot size, materials use to construct the depots and other quality parameters set by the quality control division (Q.C.D) of the Cocobod. Cocobod, the governmental agency mandated to regulate the internal marketing of cocoa can limit entry into the cocoa industry by controlling licenses and operating permits. These elaborate procedures and quality standards serve as entry barriers for new entrants.

Capital requirements: - The need to invest large financial resources in order to compete creates a barrier to entry, especially if the capital is required for risky or unrecoverable up-front cost (Dess et al 2005). A huge capital outlay is needed to start up a licensed buying company. At the very onset, quite a substantial amount of money would be required to purchase the needed logistics (tools of trade) such as empty jute sacks, jute twine, tarpaulins, gratings, weighing scales, testing stones and the necessary inventories for administration. Additionally, quite a colossal amount of money must go into the construction of depots and also to purchase trucks which would be used hauled the produce from the farm gate to the depots. Other unavoidable cost which are not immediately recoverable are those related to advertising and promotions to establish a farmer and purchasing clerks clientele base to accept the new entrant. Also, large amount of funds are needed for construction of depots, trucks and pickup truck for monitoring and supervision. To establish your presence in the industry, the Lbc in question will have to undertake and organize work from society to society, district to district and from region to region. This involves a lot of mobilization in order to announce your presence in the various operational areas and the concomitant expenses that go with undertaking such an exercise.

The initial seed fund needed to buy cocoa cannot go unmentioned. Even though COCOBOD advances seed fund to firms in the cocoa industry for their operations, this seed fund is totally inadequate vis-a-vis the tonnage or volumes the ''serious'' companies would want to buy. Besides the inadequacy of the seed fund, it also delays in coming. This gives false starts to firms which cannot borrow money from the commercial banks at the existing interest rate. This requires that Lbcs would have to rely on the financial institutions for additional funds to operate. To obtain such a facility, there is the need to provide or have enough collateral facilities or security in order to obtain a seed fund guarantee from the participating banks. These costs which are not immediately recoverable serve as barriers for potential entrants into the cocoa industry. Capital is necessary not only for fixed facilities but also for customer credit, inventories and absorbing start up losses. The larger the total amount of investment needed to enter the market successfully, the more limited the pool of potential entrants.

Economies of scale: The high entry cost in the cocoa industry means that potential entrants should be able to purchase substantial volumes or tonnage in order to reach the minimum efficiency scale (MES) - the point at which unit costs for production are at a minimum. The huge cost incurred in the construction or acquisition of depots, tools of trade and other related costs means that firms must of necessity purchase a certain significant quantity on entering the marketplace .Failing to do so will lead to cost disadvantages for the firm. Potential entrants would not have to satisfy the requirement of increased volumes alone to stay competitive, but also to embark on large scale advertising and promotion to attract farmers and experienced purchasing clerks from rival licensed buying companies to sell their produce to them. Important scale economies deter entry because they compel potential entrants to enter on a large-scale basis which is costly and perhaps risky or accept a cost disadvantage and thereby get lower profits. Besides, Lbcs do not compete on price, rather on the volume of purchases which translate into market share. Hence, one needs to undertake both economies of scale and scope to become competitive. This confirms Pearce &Robinson, (2007) assertion that, when incumbent companies enjoy cost advantages associated with large scale operation, outsiders must either enter on a large scale or accept a cost disadvantage and consequently lower profitability.

Access to operational and distribution channel as well as competent and dedicated staff is another factor that creates threat for the new entrant(s). The nature of the operation involves handling of funds. This means that one needs to have competent and trusted purchasing clerks. Trust then becomes a very crucial factor in the industry. Also having access to such an operational channels such as district and societies involves a lot of work. Besides, one needs to have enough knowledge and information about the terrain of the operational areas.

Cost disadvantages independent of size: Well established Lbcs may have cost advantage which may not be available to potential rival or entrant in the industry. This may stem from experience. New firms are put at a disadvantage because they may be competing with players who have in-depth knowledge about the industry. Experience has shown that some cocoa districts close to the Ivorian borders are very "slippery" area to operate. It takes a lot of experience, to select purchasing clerks, district managers, depot keepers and other field staffs. This trend of exploitation of companies scares potential entrants and consequently serves as a barrier for new entrants to operate in these areas although production is high in such areas.

Brand preferences and customer loyalty: Buyers normally have some attachments to existing brands. High brand and customer loyalty means that new entrants into a market must expend a lot of money on advertising and promotions to overcome customer loyalties and build its own clientele. Most farmers and purchasing clerks are glued to one firm or the other. It is extremely difficult for these farmers and purchasing clerks to switch to a new firm. Produce Buying Company which is the major competitor in the cocoa industry has an unlimited number of loyal cocoa farmers and purchasing clerks who would not sell their produce to any other company when Produce Buying Company is in financial difficulty. For new entrants to porch loyal farmers and purchasing clerks from existing firms, they must advertise extensively, give promotional items in the form of cutlasses, insecticides, spraying machines, wellington boots and so on which eventually reduce the margins of the newcomers.

Learning and experience curve effects: Achieving lower unit cost is mostly a function of experience in the industry and other learning curve benefits. New entrants in an industry are put at a disadvantage in competing with existing firms having more accumulated industry knowledge. Experience has shown that some cocoa districts for instance, areas so close to the Ivorian borders are ''no go areas'' for new firms entering the market (Armah, 2008). Additionally, it takes a lot of experience to select trusted farmers, purchasing clerks, Accountants, Depot Keepers and District Managers. According to Armah (2008), all manner of persons flood the cocoa regions looking for companies to dupe. Most firms have suffered this fate as a result of inexperience.

5.5.2 The Bargaining Power of Buyers:

Buyers can threaten an industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other (Dess et al, 2005). According to Porter, a buyer group is powerful under the following conditions: It is concentrated or purchases large volumes relative to sellers' sales, the product is undifferentiated, the buyer faces few switching costs, it earns low profits the buyer pose credible threat of backward integration.

Cocobod is the only buyer of the industry's product. This means that the bargaining power of the buyer is very evident and strong. The industry has a monopolistic or a monopsonistic structure. It's also doubled as the regulatory body of the very industry it buys from. Besides, Cocobod (buyer) poses a credible threat of backward integration. It can decide to halt all the activities of the Lbcs and buy the produce direct from the farmers, if there are reasons to believe that activities of Lbcs impedes overall performance of the industry. The industry's buyer (cocobod) threatens the industry by having an uncontestable power to bargain for higher quality standards. It is able to achieve this through its quality control division (the unit or division responsible for quality of the produce). Some of the inspections include the following: dirty sacks, stained sacks, adulteration, dryness, purple beans, admixture, sewing, and unusual horn marks. Other basic quality parameters are moisture content, bean count, dumped or flat beans. Failure to conform to these standards would mean rejection of the entire consignment. This also means that the stocks or the beans would have to be reconditioned to meet the demand standard. All these involve costs which erode profitability. Besides, Cocoa Marketing Company, which is the marketing wing of cocobod, must ensure that the required weights are delivered at the various take over centres.

Failure to present the standard weight would suffer rejection by the buyer. Also, to ensure that Lbcs present the required weight, there is a periodic inspection by standard board (weight and measure unit) to certify that the measuring scales used by the Lbcs meet the accepted standard. In fact, the monopsonistic stance makes the buyer very powerful. Another source of the buyer's power is its contribution to the supplier's products. Cocobod significantly contribute to the production of the produce by subsidizing fertilizers, cutlasses, insecticides spraying machines and other inputs needed for the production of cocoa.

Cocobod has so much unquestionable power that it dictates the producer price, margins for Lbcs, rate for haulers and other operational cost. The monopsonistic stance of the buyer makes it very powerful.

5.5.3 The Bargaining Power of Suppliers

Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods (Porter, 1980). In the cocoa industry, the suppliers, that is, the farmers are fragmented but pose greater threat to the industry. The actual purchase of the produce from the farmers is a rural activity. And in the rural areas there is a communal living and the bond that exists between them is mechanical solidarity. Farmers can conspire to avoid selling their produce to a particular firm in a particular community. Lbcs cannot switch from one seller to another because the competition basically dwells on volumes of transaction as well as market share. Losing one farmer's produce would mean a reduction in volume of transaction. At certain buying centers if you are not from the community the farmers can decide not to sell their produce to you. Also, the suppliers (farmers) can raise cost of operation thereby reducing profitability of the industry. This is done through improper preparation of the beans, which may further need additional treatment and preparation by Lbcs. Such improper preparation may include inadequate dryness level, inclusion of foreign materials such as stones to increase the weight, etc.

Besides, for an Lbcs to gain acceptance by the farmers in the community, one need to assure them that the firm is credible and that is and also prepare to assist the farmers in the form of farm inputs such as insecticides, cutlasses, wellington boots and financial support. The danger of these to the Lbcs is that most farmers fail to pay back assistance given to them by these Lbcs.

Some Lbcs such as Kuapa kokoo decided to form partnership with their farmers that would make the farmers part-owners of the company. There are situations where farmers have come together to form their company (forward integration) in order to buy their own produce. Notable example of such firm is farmers Alliance Company. In fact, the supplier group in the industry is very powerful although it cannot agitate for price increase from Lbcs rather on credit facilities and other incentive and motivational packages. This is why Lbcs try to award their dedicated farmers to entice them to continue to be their suppliers

5.5.4 The Degree of Rivalry amongst Competing Firms within the Cocoa Industry

The economic business field is practically the same as a real battlefield. All that military strategists do is to map out well-crafted winning plans (strategies) on the battlefields to conquer their enemies. The same principles apply to the economic battlefield. Firms in industries strategize to outmanoeuvre their business opponents (competitors) by using all kinds of defensive and offensive tactics in order to gain desirable market share and profit. The application of either defensive or offensive move by one firm emits retaliation or counter-moves from competing firms in the industry. These moves and counter –moves by competing firms intensify rivalry which could be described as cutthroat, intense, moderate, or weak depending on the firms' aggressiveness in attempting to gain an advantage. Competitive rivalry or pressure from rival Lbcs is the greatest competition the Lbcs face within the cocoa industry. Rivalry among existing firms takes the form of jockeying for position. The market is like a battle field where firms employ whatever resources and weapon they have in their business arsenal to improve their market position and performance (Thompson &Strickland, 2007).

The strategy-making challenge of mangers is to craft a competitive strategy that, at the very least allows their company to hold its own against rivals and that, ideally strengthens the company's standing with the sellers, delivers good profitability and produce a competitive edge over rivals.

But when one firm makes a strategic move that produces good result, its rivals often respond with offensive or defensive counter moves, shifting the strategic emphasis from one combination of marketing tactics and competitive capabilities to another.

The pattern of action and reaction, move and countermove, adjust and readjust, is what makes competitive rivalry a combative ever changing context. The cocoa industry is quite different from other industries, in that, the competition is not base on price (non-price competition). The industry supplier is the farmer (producer) and that of the buyer is cocobod. The Lbcs are the various firms that buy the produce from the farmer to the buyer (cocobod). The buyer has a monopsonistic power i.e. the sole buyer of the entire industry. The buyer then set the price, the margins and all the rules governing the industry. As a result of fixed margins given to all the Lbcs, the competition then dwells on volume of purchases which determines the level of profit.

The farmer, therefore, becomes the target of competitive rivalry among the Lbcs. Also, because firms cannot compete on price, to outwit or beat the competition, the strategies should be something other than price. Firms therefore compete on strategies such as the use of advert, loan to farmers to maintain their farms and other farming inputs such as wellington boots, insecticides, and any other items that are deemed enticing enough to persuade the farmers.

Another factor that makes the competitive rivalry very intense is the fact that there is low switching cost or farmers incur low or no cost for switching or selling their produce to whoever they want. Although factors such as payment of bonuses when they fall due and of course the credibility of the Lbcs. There is a continue poaching of competitors' staff and suppliers (farmers) among the Lbcs. This even create a situation where are purchasing clerk of one particular firm may be buying for some other competitors due to a package he has been promised to receive. As a result of wanton attraction of loyal farmers and purchasing clerks, it creates a situation whereby farmers and purchasing clerks playing competitors against one another.

Strategic stakes are another factor to be considered with regard to the competitive rivalry. When Lbcs markets share begins to fall they try as much as possible to regain or reinstate their position and even go beyond their initial position. This calls for an effective strategy to regain dwindling market share. Such strategies may include re-organizing the districts and re-allocation of scales to strategic positions that will attract more farmers. There is also the strategy to expand scope of operations to areas not being operated earlier on. When competitors begin to realize that the pay-off is high as a result of the strategy adopted, they will also adopt the same or similar strategy which encroach and erode competitors' gains.

Also, Lbcs within the industry have diverse strategies, personalities, corporate priorities and resources and country of origin. Some of the origin of Lbcs includes Ghana, Lebanon, Singapore and Britain. The foreign companies have enough resources which create a lot of challenges for the indigenous ones. Examples of foreign ones include Armajero, Akuafo Adamfo, Olam, Sika Aba and Diogen. Some of the local ones include FEDCO Ltd, Adwumapa, Transroyal and producing buying company (PBC) which is state owned (Laven, 2007).

The Produce Buying Company is the major competitors, followed by Akuafo Adamfo. These firms with foreign orientation or root occasionally launch more unconventional moves and strategies thereby igniting the competitive environment. Apart from the produce buying company, most of the largest competitors in the cocoa industry are all globally established which makes the competitive battle field interesting. One other factor that deepens the competitive rivalry among firms is the fact that the industry growth is slow, precipitating fight for market share that involves expansion-minded members. And since volume is the key driver in the cocoa business, firms use all means and methods to increase their volume of purchases.

5.5.5 Threat of Substitute products

The respondents from FEDCO indicated that the closers substitute in the industry is coffee which is a potential threat. Cocobod which is the buyer of the industry product has been mandated to buy cocoa and coffee. In addition, some of the farmers had both cocoa and coffee farms. However, the two (2) products are not competing for market in Ghana since they have a guarantee price and for every quantity produced are bought by the state.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This final chapter concludes the study by making the necessary recommendations, conclusions and suggesting areas for further research. This would help academia and management to further strengthen the competitive position of the company and the industry as a whole.

6.2 Conclusion

In sum, understanding sources of sustained competitive advantage has become a key research area in strategic management. Although, the study revealed that FEDCO had implemented so many competitive strategies aimed at gaining competitive edge such as turnaround time strategies, prompt payment strategies, logistics supply as a strategy, social relations strategies, corporate social responsibility strategies and network strategies; the turnaround time strategies had not been effective. It was recommended that management of FEDCO should endeavour to improve or speed up their secondary evacuation system. Since turnaround time or speed is one of the critical success factors within the industry there is the need for the company to improve upon turnaround strategies. Besides, most funds used in the operations are borrowed from the financial institutions; hence delays in operation will eventual increase finance cost. In addition, strategic managers in FEDCO are focusing on creating lifelong suppliers (captive suppliers) hence maintaining cocoa farmers for more than five (5) years implies that FEDCO is doing everything possible to retain suppliers' loyalty. This is achieved through quality relationship and service delivery which requires an understanding from the customers'/suppliers perspectives. In an atmosphere of heavy competition, it is dangerous for businesses to be a non-customer oriented company. It is a common end assertion among strategic management that customer retention is essential to business success. The finding indicated that FEDCO had been able to improve on the level of satisfaction, which is evidential by the number of years that cocoa farmers had been with them. In other words, the long existence of the suppliers shows that FEDCO has been able to retain most of its suppliers.

6.3 Recommendations for Future Policy Implication

Although FEDCO could be described as one of the most competitive company in the cocoa Industry, there are several ways in which this can be further strengthened and sustained. It would be important for the management of FEDCO to carry out the following:

Looking toward the future, the most important recommendation to FEDCO is that management should embark on a continued expansion strategies. The industry is saturated with a lot of competitors. Therefore, to be able to improve its market share, there is the need to increase both economies of scale and scope. Managers of FEDCO must therefore adopt competitive strategies that will encroach competitor's territories so as to erode their market share. This is so because; the competition within the industry seems to be zero sum game.

A second recommendation is that the management of the company should endeavour to improve or speed up their secondary evaluation system. Since turnaround time or speed is one of the critical success factors within the industry there is the need for the company to improve upon turnaround strategies. Besides, most funds used in the operations are borrowed from the financial institutions; hence delays in operation will eventually increase finance cost.

In addition, recommendation for FEDCO is to try and maintain and even increase the loyalty of their farmers. Farmers are the suppliers of the industry; therefore the ability to sustain their loyalty is important to ensure continuous improvement in profitability and growth hence the need for "captive clients".

The study also recommends that the company should anticipate shift in the factors underlining the forces and respond to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.

It is also recommended that FEDCO should position itself so that its capabilities provide the best defense against the competitive force. This would mean building core competencies in order to gain competitive advantages over competitors in areas deemed critical for the success of the industry.

What is more, it is also recommended that there should be a good relationship with the regulatory bodies to avoid sabotage. There should be focus on good relationship between farmers and the purchasing clerks. There should be good selection criteria for hiring purchasing clerks. The company must also award their loyal farmers so as to sustain their loyalty to the company. FEDCO should recognize that she is a citizen in communities that it operates. Hence, support for community project and encouraging representatives to socialize with the community is a healthy step for good business.

Stakeholders in the industry should collaborate and brainstorm in order to come out with workable solution that will enhance the sustainability of the industry.

6.4 Suggestions for further Research

The study was confined to FEDCO hence its representativeness for the whole of LBCs cannot be claimed, and any generalizations from the research to other LBCs should be treated with caution. It is recommended that a further study be carried out using the same methodological approach encompassing all the LBCs. In addition, future researchers interested in this area could also delve into the following:

- Product innovation as a competitive strategy and its impact in the licensed buying companies using the same or similar study area as a test case.
- The impact of competitive strategies on organizational performance in the licensed buying company.
- Techniques in measuring the impact of competitive strategies in the licensed buying companies.

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APPENDIX 1

QUESTIONNAIRE

This questionnaire is purely for an academic exercise. I will be very grateful if you kindly part of your tight schedule to answer the questions that follow. I can assure you that all information provided will be kept confidentially. Please tick or provide your own answers where applicable. Thank you for being part of this research.

1. Please indicate your gender status.

a. Male b. Female

2. What is your last educational qualification?

☐ Post graduate ☐ Tertiary ☐ Diploma ☐ Secondary

☐ Others, please specify.........

3. How long have you been doing business with Fedco?

☐ Less than 2years ☐ 2 – 4years ☐ 5 – 7 years ☐ More than 7years

To what extent do you agree to the following questions?

4. Fedco provides services as Promised?

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

5. Fedco performs their Services at the right time.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

6. Fedco solves complaints by the scheduled date.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

7. Fedco staff understands the specific needs of suppliers.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

8. Fedco staff provides prompt service to suppliers.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

9. I feel safe about my business dealings with Fedco

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

10. Why do you prefer selling your produce to Fedco than other LBCs?

☐ Prompt cash payment

☐ Proximity

☐ Incentives

☐ Good measuring scale

☐ Others, please specify...

11. Do you think the services provided by Fedco have really influence market trends in the cocoa industry in Ghana? Please provide reason(s) for your answer.

☐ Yes ☐ No

....

....

12. Do you think Fedco's policies have open more avenue for suppliers in their choice of needs?

7. Fedco staff understands the specific needs of suppliers.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

8. Fedco staff provides prompt service to suppliers.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

9. I feel safe about my business dealings with Fedco

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree

10. Why do you prefer selling your produce to Fedco than other LBCs?

☐ Prompt cash payment

☐ Proximity

☐ Incentives

☐ Good measuring scale

☐ Others, please specify……………………………………………………

11. Do you think the services provided by Fedco have really influence market trends in the cocoa industry in Ghana? Please provide reason(s) for your answer.

☐ Yes ☐ No

…………………………………………………………………………………………

…………………………………………………………………………………………

12. Do you think Fedco's policies have open more avenue for suppliers in their choice of needs?

Yes ☐ No ☐

13. Please give reason(s) for your choice of answer in question 12.

....

....

14. Will you recommend Fedco to a potential supplier?

☐ Yes ☐ No

15. Do you have any future plans to switch to any LBC other than Fedco?

☐ Yes ☐ No

16. Please give reason(s) for your choice of answer.

....

....

17. Do you think it is highly justifiable for Cocobod to encourage more LBCs to enter the LBC market?

☐ Yes ☐ Neutral ☐ No

18. Please give reason (s) for your choice of answer.

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19. Do you have any suggestion(s) or recommendation(s) for policy implications?

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APPENDIX 2

QUESTIONNAIRE

This questionnaire is purely for an academic exercise. I will be very grateful if you kindly part of your tight schedule to answer the questions that follow. I can assure you that all information provided will be kept confidentially. Please tick or provide your own answers where applicable Thank you for being part of this research.

1. Please indicate your gender status.

☐ Male ☐ Female

2. Please indicate your employment status.

☐ Manager ☐ Officer ☐ Clerk ☐ Others specify……………………

3. What is your last educational qualification?

☐ Tertiary ☐ Diploma ☐ Secondary ☐ Others, please specify……………..

4. How often does Fedco meet suppliers in finding out their future needs?

☐ Very often ☐ Often ☐ Neutral ☐ Sometimes ☐ Not at all

5. Do you perceive the entrants of the numerous LBC's to be a potential threat to Fedco?

☐ Yes ☐ Neutral ☐ No

6. Please give reason(s) for choice of answer in question 5.

……………………………………………………………………………………………

……………………………………………………………………………………………

7. The penetration of LBCs has put management of Fedco on their toes in detecting changes to suppliers' preferences?

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ strongly disagree

8. Management of Fedco takes corrective actions/measures when suppliers are unhappy with its services.

☐ Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ strongly disagree

9. How often does management review their policies and products to ensure that they are in line with what suppliers need?

☐ Very often ☐ Often ☐ Neutral ☐ Sometimes ☐ Not at all.

10. What are the strategies adopted by Fedco Ltd in gaining competitive edge?

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11. To what extend has these policies help in improving organizational performance?

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12. Are these strategies long term or short term?

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13. Are these strategies sustainable?

Yes ☐ No ☐

14. What are the critical success factors of the industry?

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....

15. Does Fedco provides services that are tailor-made?

☐ Yes ☐ Neutral ☐ No

Explain...

....

16. What is your strategy type?

☐ Planned ☐ Emergent ☐ Both