

ABSTRACT

This study investigated whether commercial banks in Rwanda can build their competitive advantage using the cost leadership strategy. The specific objectives were, to assess the cost drivers in Rwandan commercial banks, to determine the relationship between cost and competitive advantage in Rwandan commercial bank and then to identify specific challenges in gaining competitive advantage in commercial banks. The research used both quantitative and qualitative paradigm and adopts correlation and cross sectional survey. From the findings, there was no bank that follows this strategy exclusively. What has been found is that all banks use hybrid strategy, and they use both cost and differentiation. It is impossible for commercial banks to create competitive advantage using cost leadership strategy only because some of their customers are price sensitive others are sensitive to their satisfaction of their needs and wants. Therefore researcher recommended that commercial banks should add Value to management and customisation of the products and services and distribution channel. The banks should have to provide multiple combined products with services a significant added value in order to make them meaningful to their customers. They will make them simple in use for extremely price sensitive customers, with common needs and complex products with added services for demanding customers with special needs and lastly commercial banks should also making an ongoing analytical survey of the market and its volatility in order to keep them updated and informed of the need for improving the quality of their products and services, and ensuring the superiority of their service.