KEY SUCCESS FACTORS IN THE COFFEEHOUSE BUSINESS IN NAIROBI, KENYA

BY

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DECLARATION

This project is my original work and has never been submitted for a degree in any other University.

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This project has been submitted for examination with my approval as a University Supervisor.

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DEDICATION

This project is dedicated to my dear wife Jenny,
adorable children Lisa, Mona and Jaden
and my parents

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First and foremost I would like to thank our Good God for providing me with the strength and endurance to complete my research.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

KSF -	Key success factors
NPD-	New product development

ABSTRACT

The coffeehouse business is a novel industry in Nairobi and Kenya at large which has experienced phenomenal growth in recent years. Competition has stiffened as new players enter the market and as existing players expand their operations. The firms have come up with strategies in attempt to gain market share. The strategies employed revolve around the key success factors in the coffeehouse business.

The study established the strategies adopted by the coffeehouses so as to take advantage of the key success factors while at the same time determined the level of importance given to the different key success factors. The study also confirmed product development, customer service, branding, outlet expansion and technological advancement as the key success factors in the industry. The research was based on primary data collected using questionnaires which were administered using personal interviews. The findings were analysed using both descriptive analysis and content analysis. Descriptive analysis was used to establish the trends in the industry and these findings were than extensively interpreted and analysed using the information gathered from the personal interviews and the literature review.

Some observations were arrived at and this included customer service and product development are the most highly rated key success factors. Outlet expansion on the other hand got the lowest rating. It was also proposed that expansion strategies such as franchising and joint ventures as opposed to organic growth be put to greater use as this would minimise some of the challenges related to achieving strategy such as the lack of capital. Recommendations were also made for further comparative studies such as a research to determine the value attached to the different key success factors by the coffeehouse customers.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Key Success Factors

The need for firms to maintain a competitive edge in the market place has created the need for adoption of key success factors. The concept of key success factors (KSFs) was first presented by Daniel (1960). It was then built on and popularized a decade later by Rockart (1979) of MIT's Sloan School of Management, and has since been used extensively to help businesses implement their strategies and projects. Inevitably, the key success factor (KSF) concept has evolved, and you may have seen it implemented in different ways.

Rockart (1979) defined Key Success Factors (KSFs) as: "The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where things must go right for the business to flourish. If results in these areas are not adequate, the organization's efforts for the period will be less than desired". He also concluded that key success factors (KSFs) are “areas of activity that should receive constant and careful attention from management”(p. 81).

Key success factors are strongly related to the mission and strategic goals of the business or project. Whereas the mission and goals focus on the aims and what is to be achieved, Key Success Factors focus on the most important areas and get to the very heart of both what is to be achieved and how you will achieve it. They provide a link back from the market place to the organization’s strengths and weaknesses.

1.1.2 Coffeehouse Business in Kenya

Specialty coffee shops trace their roots from the coffee shops of Europe in the 16th and 17th century upon the introduction of coffee which became a popular drink. In the United States, specialty coffee shops are said to have been popularized by Starbucks Coffee (Millar, 1999).

The main product in the coffeehouse business is specialty coffee. Differentiation is made through the various coffee concoctions and variants. Companies also offer other beverages such as tea and juices, complementing products such as breads, cakes, and pastries which are produced in the operators' own commissary plant, supplied by an affiliate or purchased from third party suppliers. Some even serve breakfast, lunch, and dinner (Smith, 1999).

The rise of the branded coffee house in Kenya mirrors the phenomenal global growth which has taken place in recent years, dominated by American and British influences, concepts and market forces. The extent of cultural influence is underlined when we realise that areas not historically accustomed to consumption of coffee on any level are witnessing huge increases. A coffeehouse is an establishment which primarily serves prepared coffee or other hot beverages. It shares some of the characteristics of a bar, and some of the characteristics of a restaurant, but it is different from a cafeteria. As the name suggests, coffeehouses focus on providing coffee and tea as well as light snacks. This differs from a café, which is an informal restaurant, offering a range of hot meals, and possibly being licensed to serve alcohol. From a cultural standpoint, coffeehouses largely serve as canters of social interaction: the coffeehouse provides social members with a place to congregate, talk, write, read, entertain one another, or pass the time, whether individually or in small groups (Ellis, 2004).

In the UK and USA, there are hundreds of coffee shops, drive-ins, and restaurants that offer speciality coffees. The coffees include regular coffee, to espresso, lattes, and other kinds of speciality drinks. One of the most successful brands of coffee has been Starbucks International (Hall, 2007).

The Kenyan coffeehouse business has seen growth in the recent past with the emergence of the middle class group and the presence of students with large amounts of disposable income. In Nairobi, the coffee shop culture is gaining popularity especially among the emerging middle class who use the outlets for leisure and business meetings. Players in the Kenya's coffee house business include Java, Dormans, Atrcaffe, The Mug, Savannah among others. The pressures of the world markets are not different in Kenya, leading to the spread of the coffee-drinking culture.

Companies like Dormans, which operates ten coffee shops in the capital, have already made their mark with their freshly roasted Kenya coffee. The other main cafe chains are Java Coffee House with seven branches and Savannah which operates four. Other non-chain coffee shops have also come up in Nairobi.

1.2 Research Problem

As stated by Rockart (1979) Key success factors are the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where things must go right for the business to flourish. An organisations mission and strategic goals are closely related to the key success factors. Kelly Castor defines a key success factor as a performance area of critical importance in achieving consistently high productivity. To achieve this high productivity, the key success factors have to form a pivotal point in formulating ones strategy. Bill Birnbaum(2009) talks about focussing ones activities around the key success factors. He states that if an organisation excels in activities that make up the key success factors and is mediocre in everything else, the organisation will be successful.

The coffee house concept is relatively new in Kenya and has made a mark in the market with numerous milestones. There is a coffee drinking craze for coffee among Nairobians. Franklin Awori (2006) states, “Coffee dates are the in-thing in Nairobi and pubs had better take notice”. He goes on further to describe the growth of the coffee shop business and the development of sub-cultures within the coffee-swilling league. Wanjiru Waithaka in the Business Daily (2007), in an interview with Eric Omondi talks of the coming to age of coffee shops as a coffee drinking culture is developed. Ms Makena Nyammu, the marketing and communications manager for java House in the same article also talks about the coffee drinking culture that is taking root especially among the young people as they find coffee drinking inspirational and as they mimick the global trend. With the drastic changes in the business environment, the coffee house owners are facing increasing competition. The dynamism of the hospitality environment in the current times is posing a lot of challenges to players in the industry. Following the background of this study, it is only those coffeehouses that are able to adapt to the environment and adopt new ideas and ways of doing business that can be guaranteed a share of the already partitioned market share. Some of the forces of change that have greatly influenced the hospitality industry include intense competition, regulation, and technological advancement. The novelty of the coffeehouse concept does it no good (Business Daily, 2008).

Kariuki (2007) in his study on survey of key success factors for firms in the insurance sector found differing strategies adopted by insurance firms while Maina (2006) on his study on key success factors in the banking industry, again found different strategies and processes in the banking sector. There have been various local studies in the area of key success factors in organizations' but different organizations need different strategies in-order to remain competitive (Mbugua, 2005). However, there is no study that has been done to investigate the Key success factors of the coffeehouses in Kenya.

Through identification of this research gap, this study therefore seeks to reduce the existing gap by determining the key success factors in the coffee shop industry and establishing the strategies adopted by the coffee houses so as to take advantage of these key success factors

1.3 The Research Objective

i. To establish the strategies adopted by the coffee houses so as to take advantage of the KSF´s in the industry.

ii. To determine the priority given to the KSF's by the coffeeshops.

1.4 Importance of the Study

The study will aid managers and owners of coffeehouses in Kenya in determining the key success factors in the coffee shop industry. With the knowledge of KSF´s, managers will be in a position to establish competitive strategies for success in their businesses.

The academicians will be able to obtain guidance from this study in terms of reference material and in getting new research topics in the hospitality industry. There are many more studies that can be conducted in the hospitality industry and this research can form a basis for those studies.

The policy makers will obtain knowledge of the key success factors adopted by hospitality industry in Kenya. They will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector participation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategy and Business Environment

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. No business exists in a vacuum. It is no doubt being constantly subjected to the forces of change whether they are economic, competitive, environmental, or political. Very few of us can escape change - it is all around us. All organizations regardless of size are environment dependent. They depend on their external environment for their inputs and ultimately their outputs. Ansoff (1987) notes that the environment is constantly changing. In such an environment, organizations have to constantly adapt their operations and internal configurations to reflect the new external realities.

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Hill and Jones (1999), Organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment. Pearce and Robinson (1997) argued that organizations have to respond to the turbulence by crafting new strategies that they define as a large- scale future – oriented plans for interacting with the environment.

“The study of strategic management therefore emphasizes on monitoring and evaluation of external opportunities and threats in light of a corporation’s strengths and weaknesses” (Thompson, 1993). This statement emphasizes that the environment is constantly changing and so it is imperative that an organization has to constantly adapt its activities to reflect the new environmental requirements. Having a strategy enables you to ensure that the day-to-day decisions fit in with the long-term interest of an organization. Without a strategy, decisions made today would have a negative impact on future results (Thompson, 1993).

The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to meet environmental challenges. Failure to do this will cause the companies to experience a big strategic problem. Therefore strategy is a tool which offers significant help that enable the firm cope with turbulent environment facing the firm (Johnson and Scholes, 2002). This problem arises out of the mismatch between the output of the company and the demand in the market place. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa 1998). Strategy is the tool which offers help for coping with the turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool not only for the firm but also for a broad spectrum of social organization (Ansoff and McDonnell, 1990).

2.2 Strategic Management

From the concept of strategy comes the aspect of strategic management which can be defined as a set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organization (Pearce and Robinson, 1999). It involves the management of the strategies in order that they may deliver the intended results. Thus the formulation and implementation of strategies for the organization are core management functions and top management must be involved. Strategy formulation is however an intricate task for the organization's top management who must be involved.

Strategic management also relates to decisions that relate the organization to its environment, guide internal activities and determine organizational long-term performance (David, 1989). Drucker (1974) says that the prime task of strategic management is thinking through the overall mission of business. That is asking the question "What is our business?" This leads to the setting of objectives, development of strategies and making of today's decisions for tomorrow's results. Managers have been faced with the need to adapt increasingly complex organizations to rapidly changing environments. Strategic management helps organizations cope with the turbulence in the environment. It is too important for any organization to ignore.

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals.

The strategy of an organization involves matching its corporate objectives and its available resources. In this development of strategy, managers are concerned with reconciling the business the organization is in with the allocation of resources. This allocation process is concerned with the general purposes of an organization, whether it is part of the grand plan, the overall objectives or a ‘strategy’ designed to keep the organization in business (Tim Hannagan, 2005). According to Drucker (1961) strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be.

2.3 Key Success Factors

The Key success factor (KSF) approach was initially developed by Massachusetts Institute of Technology (MIT) Sloan School of Management. Rockart (1979) utilized this method to determine the important informational needs of top management. He defined KSFs as the things that must go right to achieve business success. The areas and issues such as the enterprise's daily operating activities and future success should be included in the KSF method. Bullen and Rockart (1986) later extended the KSF concept to any level of management within an organization. They further stated that the KSF approach could be established at the corporate level, strategic level or operational level.

As well as the KSF concept being adopted to define the informational needs for top management, the KSF approach has also been utilized by many studies in a number of areas. Its major application is information system (IS) implementation and project management, however, there has been research in other areas. For instance, in tourism, Brotherton and Shaw (1996) explored the relative priority of the KSFs in UK hotel business, while Augustyn and Knowles (2000) identified the KSFs for partnerships between the public and private sectors at tourism destinations. In nursing, Brunsdon and Massey (1994) selected seven KSFs which were successfully implemented in a project introduced at Derby City General Hospital Trust. Carney (2000) identified seven KSFs for change that helped nursing managers develop successful strategies of change. The foregoing examples demonstrate the KSF concept has been applied to areas other than information industry.

Within the field of strategic management, the definition of Key Success Factors (KSF) is closely related to the critical success factors (CSF) concept. In this context, Ellegard and Grunert (1993) define KSF as a qualification or resource that a company can invest in, which in turn, accounts for a significant part of the observable differences in perceived value and/or relative costs in the companies' relevant markets. In literature, the terms CSF and KSF are often alternately used.

The term "key success factors" surfaced in the management literature in the 1980s when there was concern about why some organizations seemed to be more successful than others, and research was carried out to investigate the components of success. Freund (1988) defines KSFs as "those things that must be done if a company is to be successful". In other words, those factors that are key to the success of a project or undertaking. KSFs must also be few in number, measurable and controllable. In any project the relative importance of these factors may differ with the stages of the project cycle, but it is essential to put the right people on the project team (Pinto and Slevin, 1989).

Basically, KSFs are the factors that must be achieved if the company's overall goals are to be attained. They may be derived from the features of a particular company's internal environment, i.e. its products, processes, people, and possibly structures, and are a reflection of a company's specific core capabilities and competencies key for competitive advantage (Berry et al., 1997; Duchessi et al., 1989; Van der Meer and Calori, 1989). However, the KSFs facing any given company will also be determined by the nature of the external environment it faces. One feature of these external KSFs is that they: "are less controllable than the internal ones, though they may still be subject to varying degrees of measurement and control" (Brotherton and Shaw, 1996, p. 115).

KSFs may also be viewed in terms of their generality. Some situation or contexts are specific while others are generic to a given combination of industrial/market/broader environmental conditions (Geller, 1985a). Rockart (1979) also categorised KSFs into short-term (monitoring) and long-term (building) activities. Grunert and Ellegaard (1993) have distinguished between conjunctive or compensatory and perceived or actual KSFs and Ketelhohn (1998) discusses the differences between industry or strategic and operational KSFs, a distinction that mirrors the context specific-generic dichotomy referred to above. Finally, Griffin (1995) provides a range of different categorisations related specifically to KSFs within an IS context.

2.3.1 Product Development and Innovation

As competition in global markets becomes intense, coffeehouse businesses have begun to recognize the importance of new product development (NPD) and innovation issues. Learning may also be the only competitive advantage available to the coffeehouse businesses of the future as environments change dramatically (Cosier, 1981).

McKee (1992) has pointed out that organizations not only can learn production-oriented activities, but can also learn to innovate in product development. NPD is essentially knowledge development and knowledge synthesizing activities consisting of a stream of routine and non-routine tasks, performed by an array of individuals and groups (Parker, 2000; Zhang and Doll, 2001). The range of existing conceptualizations of learning has focused primarily on organizational learning: as adaptation; assumption sharing; development of a knowledge base; or as institutionalized experience (Yang and Yu, 2002). However, because NPD is highly knowledge intensive and innovation-type-dependent, we have chosen to focus on conceptualizations which view learning as the development of knowledge accumulation and planning at the individual and organizational level based on corresponding innovation strategies.
Product innovation learning involves increasing the effectiveness of product development efforts as a result of practice and the refinement of innovation-related skills (McKee, 1992). Although the importance of learning to innovate in product development is widely recognized, only limited attention in the literature has been given to product innovation learning and knowledge accumulation process of NPD.

Innovation is a critical mechanism through which coffeehouse businesses secure a place in the competitive world of the future (Van de Ven, 1986). It is defined as the development and implementation of new ideas by people who engage in transactions with others within an institutional context. This definition is sufficiently general to apply to a wide variety of technical, product, process, and administrative innovations.

Many classifications of innovation can be found in the literature. Nord and Tucker (1987), for example, identified the routine and radical innovation classification scheme in product development. Routine innovation is the introduction of something that, while new to the organization, is very similar to something the organization has previously done. A radical innovation involves an addition to an organization that is very different from what the organization has done previously. It is apt to require significant changes in the behavior of employees and the structure of the organization itself.

Incremental innovation introduces relatively minor changes to the existing product, exploits the potential of established design, and often reinforces the dominance of established firms (Henderson *et al.*, 1990). Discontinuous innovation, in contrast, is based on a different set of scientific and engineering principles and often opens new markets and potential applications (Dewar and Dutton, 1986). Institutional innovation is the other type of innovation noted by McKee (1992) along with the incremental innovation and discontinuous innovation.

Specifically, incremental innovation is to introduce relatively substantially improved changes to the existing product and to exploit the potential of the established design, process, and market. Discontinuous innovation (project-level innovation) is novel to the coffeehouse businesses and opens up whole new markets and potential applications. Institutional innovation (program-level innovation) is to create an infrastructure conducive to preserving the uncertainty and diversity through technology-oriented approach within the organization so that the organization has a peculiar competence to do a particular kind of work by ordering internal conflicts while defending the institution’s integrity with a set of basic values and standards (Van De Ven, 1986).

According to Johnson (2002), product differentiation is a strategy in which organizations seek to provide products unique from those of competitors. By producing unique higher quality products these firms are able to charge a premium for their products. Investment in the innovatory capabilities of an organization is necessary for it to exploit this strategy. Successful differentiation other than leading to a premium price, allows for higher sales due to the differentiated features and also realizes greater degrees of buyer loyalty (Thompson, 1989).

Coffee shops are offering a wide array of coffee products ranging from expresso to latte to macchiato, cappuccino among others. These products have to be professionally brewed and be of very high quality. Coffee trader Dormans was in 2006 awarded the internationally acclaimed "Utz Kapeh Chain of Custody Certification for traceability of responsibility produced coffee". Utz Kapeh means good coffee in a Maya language of Guatemala. The award is an independent worldwide certification that gives coffee drinkers an assurance that their drink has adhered to high social and environmental standards of production (Gakungu, 2006).

2.3.2 Customer Service

According to Cook (2002), customer service has to do with listening to the customer, implementing a customer care strategy, training and development of staff, recognition and reward of the staff. Many companies have developed a strategy of providing superior customer care to differentiate their products and services. There should be a continuous monitoring of complaints and compliments. Thus feedback is essential.

The firms should strive towards continuous improvement as opposed to a one-off campaign. Training and development should be centred around customer service. The team should be motivated, performance should be managed and excellent service should be recognised and rewarded. Good performance over time will only come from well-motivated staff. The 360-degree appraisal is the preferred means of appraisal which involves all the staff, managers, peers and customers. Reviews should focus on looking forward as well as reviewing the past. The compensation and benefits an organisation provides its employees should reflect the importance given to customer-oriented behaviours. What gets measured gets done (Thompson, 1989).

2.3.3 Brand and Product Promotion

Strong brand and promotion allows the companies to retain customers better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing and promotion effort by offering value to the customer, and listening to their needs. Disregarding the edge that the brand-customer relationship offers in the market place and not utilizing the benefits and goodwill that the relationship creates, will surely lead to failure in the long run. The central brand idea may be static among the entire customer and prospect bases, but the total sum of the brand idea or perception is rooted in the customer's experiences with the brand itself, all its messages, interactions, and so on. In the market, a strong brand will be considered to have high brand equity. The brand equity will be higher if the brand loyalty, awareness, perceived quality, strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. Brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand (Tauber, 1988).

Consumers have only one image of a brand, created by the deployment of the brand assets at their disposal: name, tradition, packaging, advertising, promotion posture, pricing, trade acceptance, sales force discipline, customer satisfaction, repurchases patterns, etc. Clearly, some brand assets are more important to product marketers than service marketers, and vice versa. Some competitive environments put more of a premium on certain assets as well. Quality and price do not exist as isolated concepts in consumers' minds and are interrelated. Research has shown that deep discounts do cause the consumer to believe that something is wrong. Frequent discounting serves to lower the value of the brand because of an almost subconscious reaction by the consumer who believes that quality also has been lowered (remember shirts with alligators on them?) or, in a “value rebound,” consumers begin to perceive the everyday price as too high. The brand is then bought only on deal (Rajagopal, 2006). Branding has a lot to do with the physical appearance which is related to décor and ambience, tag lines and so on. According to Aaker (1996), brand identity signifies what the brand stands for and implies a promise to customers from the organizations members.

Wachira (2006) of the Daily Nation described coffee shops in Nairobi as follows: “Inside these coffee shops, it is a world of make believe. With the strong smell of freshly brewed coffees, blended with a light touch of western music and artistic décor, one could rightly assume their minds have been transported back to Europe or America” (p 14). The physical appearance of a coffee shop is critical to success. Awori (2006) of the Daily Nation in his article on coffee shops in Nairobi described Lavazza, a coffee shop, as a luxurious joint with soothing décor and a menu showing a strong Italian influence.Branding also goes hand in hand with the uniforms worn by the staff members, the color and style of the furniture, company logos, company tag lines, among others.

2.3.4 Outlet Expansion and Location

Different forms of expansion strategies are put into use by coffeehouses. The common strategies used are internal/organic development, joint developments and strategic alliances. According to Johnson (2009), organic development has to do with a firm using their own resource base and competencies to expand. Joint developments and strategic alliances is where two or more organizations share resources and activities to pursue a strategy. These come in different forms but in the case of coffee shops the most common are joint ventures which is where organizations remain independent but set up a newly created organization jointly owned by the parents. Networks are equally popular and these are arrangements whereby two or more organizations work in collaboration without formal relationships. Networks are usually loose and provide mutual benefits to the organizations involved. Franchising though not very common in Kenya has also been used as a strategy. The franchise holder deals with the selling while the franchiser deals with the brand name, marketing and training.

This has to do with positioning oneself in the right locations such as the malls, areas frequented by tourists, expatriates and diplomats, such as locations around the embassies, the United Nations and the airports as well as tourist sites such as the National Museum. Coffee shops have also targeted the business class and high class executives leading to the opening of coffee outlets in the city centre and other high end commercial business centers such as the Upper Hill area.
Dormans have gone a step further with their innovative mobile coffee shops at popular trade fairs and events. To grow its brand more rapidly they partnered with the Tamarind Group to launch a

chain of coffee shops. The joint venture has paid off handsomely as Tamarind deals with the management owing to their vast experience in the hospitality industry while Dormans who have been involved with coffee since 1950 deals with the products. Java and Savannah on the other hand have resorted to Organic Strategies in their expansion and have been equally successful.

2.3.5 Technological Advancement in Hospitality Industry

Investing in advanced and well-established technologies, integrating existing e-channels with new technology, providing staff training and proper planning are also determinants of firms in the hospitality industry ability to succeed in creating, processing, generating and disclosing real-time information to their customers. E-commerce is now thought to hold the promise of a new commercial revolution by offering an inexpensive and direct way to exchange information and to sell or buy products and services. This revolution in the market place has set in motion a revolution in the hospitality sector for the provision of a payment system that is compatible with the demands of the electronic marketplace.

Firms that depend on technology for their success are becoming increasingly concerned with the development of research and development strategies hospitality industry being one of them. This will complement business level strategies. Making a decision to become a technological leader or follower may be a way to achieve either overall low cost or differentiation.

Creative technological adaptation can support possibility for new product. For improvements in existing products, or in manufacturing and marketing techniques, a technological breakthrough can have a sudden and dramatic effect on a firm’s environment. It can spawn sophisticated new markets and products or significantly shorten the anticipated life of manufacturing facility. Technological forecasting is one method used by firms to protect and improve profitability in growing industries; it alerts strategic managers to both impending challenges and promising opportunities. The key beneficial forecasting of technological advancement lies in accurately predicting future technological capabilities and their impacts (Christou & Kassianidis's, 2003).

2.4 Main Aspects of Key Success Factors

KSFs are tailored to a firm's or manager’s particular situation as different situations (e.g. industry, division, individual) lead to different critical success factors. Rockart and Bullen presented five key sources of KSFs, namely, the industry, competitive strategy and industry position, environmental factors, temporal factors and managerial position. An industry's set of characteristics define its own KSFs. Different industries will thus have different KSFs, for example research into the KSFs for the Call centre, manufacturing, retail, business services, health care and education sectors showed each to be different after starting with a hypothesis of all sectors having their KSFs as market orientation, learning orientation, entrepreneurial management style and organisational flexibility. In reality each organisation has its own unique goals so while there may be some industry standard - not all firms in one industry will have identical KSFs.

The nature of position in the marketplace or the adopted strategy to gain market share gives rise to KSFs Differing strategies and positions have different KSFs. Not all firms in an industry will have the same KSFs in a particular industry. A firm's current position in the industry (where it is relative to other competitors in the industry and also the market leader), its strategy, and its resources and capabilities will define its KSFs. The values of an organisation, its target market etc will all impact the KSFs that are appropriate for it at a given point in time.

Economic, regulatory, political, and demographic changes create KSFs for an organization. These relate to environmental factors that are not in the control of the organisation but which an organisation must consider in developing KSFs. Examples for these are the industry regulation, political development and economic performance of a country, and population trends. An example of environmental factors affecting an organization could be a de-merger.

These relate to short-term situations, often crises. These KSFs may be important, but are usually short-lived. Temporal factors are temporary or one-off KSFs resulting from a specific event necessitating their inclusion. Theoretically these would include a firm which "lost executives as a result of a plane crash requiring a critical success factor of rebuilding the executive group".

Practically, with the evolution and integration of markets globally, one could argue that temporal factors are not temporal anymore as they could exist regularly in organizations. For example, a firm aggressively building its business internationally would have a need for a core group of executives in its new markets. Thus, it would have the KSF of "building the executive group in a specific market" and it could have this every year for different markets.

An individual role may generate KSFs as performance in a specific manager's area of responsibility may be deemed critical to the success of an organization. This is important if KSFs are considered from an individual's point of view. For example, manufacturing managers who would typically have the following KSFs: product quality, inventory control and cash control. In organizations with departments focused on customer relationships, a KSF for managers in these departments may be customer relationship management.

2.5 KSFs Relevance

Pinto and Prescott (1988) argued that “the majority of the studies in the key success factor research stream have been theoretical and have assumed a static view of the importance of various factors over the life of a project. In other words, a key success factor was assumed to have the same degree of importance throughout the life of a project” (p. 5). After having examined the keyness of KSF throughout the lifecycle of a project, they came to the conclusion that the degree of keyness of a KSF is subject to change during the different stages of a project lifecycle.

Although the number of studies examining the relevance of KSF in regard to the individual phases of the project lifecycle has increased, most studies still remain limited to the sole identification of these KSF, not addressing their individual degree of relevance at all. Out of the more comprehensive studies addressing both the identification and the relevance, two different approaches can be found: The approach implemented by Pinto and Prescott (1988), for instance, is based upon the same set of KSF at all times, while examining their individual degree of keyness along the different project phases. In contrast, other studies have chosen to define different sets for KSF for each project phase. Although differently executed, both concepts generally tend to refer to the same set of KSFs. According to Esteves (2004), in order to gain insight on KSF relevance, researchers most frequently use case studies as well as surveys based on interviews. Most of the time, participants are asked to either create a list of the most relevant KSF for each project phase or examine the relevance of individual KSF using a scale which indicates a low, normal or high relevance.

2.6 Benefits of KSFs

According to Rockart (1979), the benefits of managers when applying the KSF approach include: The process helps the manager to determine those factors on which he or she should focus management attention. It also helps to ensure that those significant factors will receive careful and continuous management scrutiny. The process forces the manager to develop good measures for those factors and to seek reports on each of the measures. The identification of KSF allows a clear definition of the amount of information that must be collected by the organization and limits the costly collection of more data than necessary. The identification of KSF moves an organization away from the trap of building its reporting and information system primarily around data that are “easy to collect, rather, it focuses attention to those data that might otherwise not be collected but are significant for the success of the particular management level involved and finally the process acknowledges that some factors are temporal and that KSFs are manager specific.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out this study. The chapter presents the research design, the population, sample and sampling technique, data collection method and instruments and data analysis.

3.2 Research Design

There are several research designs ranging from exploratory studies, descriptive studies, explanatory studies. Within each of these designs are strategies that can be applied such as experiment, survey, and case study. This research problem was studied through the use of a descriptive survey. Descriptive research portrays an accurate profile of persons, events, or situations (Robson, 2002).

Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analysed quantitatively using descriptive and inferential statistics (Saunders et al., 2007). Therefore, the descriptive survey is deemed the best strategy to fulfil the objectives of this study. The target population for this study were the coffee shops in Nairobi. There are ten coffee shop firms currently operating in Nairobi as per http://neelbe.blogspot.com/2009/03/on-coffee-shops-in-nairobi.html dated the 18th of August 2009. The list of all the coffee shops is attached as an appendix.

3.3 Data Collection

Primary data was collected from the managers of the coffee shops. The data was collected using semi-structured questionnaires. Personal interviews were also conducted for in-depth answers. A sample of the questionnaires is attached in appendix 2. The questionnaires gathered both qualitative and quantitative data.

The questionnaires were administered using personal interviews/the drop-and-pick method. This method usually has higher chances of having low response rates. To counter this, several visits and reminders were made to the coffee shop premises to enhance the response rate. Follow ups were also made through phone calls and e-mails.

3.4 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into categories. The data was coded and analysed with the help of the Statistical Package for Social Sciences (SPSS). The analysis was done using descriptive statistics such as percentages and mean scores of the respondents' views to determine the strategies used and the priority given to the key success factors respectively.

Content analysis was also used to interpret the data that will help us establish the strategies pursued by the coffeehouses so as to take advantage of the KSF's. The results were presented using tables for ease of understanding. The frequencies were used to establish the trends in the industry. The content analysis expounded and helped explain the statistical results.

CHAPTER FOUR: DATA ANALYSIS AND INTEPRETATIONS

4.1 Introduction

This chapter presents the study findings and analysis. Descriptive statistics as well as content analysis both from the questionnaires and personal interviews were used. The findings were presented in the form of tables. Out of the 10 questionnaires distributed and personal interviews sought, eight questionnaires were answered and an equal number of interviews carried out reflecting an 80% response rate and a 20% non-response rate.

4.2 Strategies used to take advantage of the KSF's

The respondents were asked to shed their views on the discussed KSF's before looking at the strategies they implement. They were asked whether they consider the discussed KSF's to be KSF's in the coffeehouse business, as shown in Table 1.

Table 1: Considered to be a KSF

KEY SUCCESS FACTOR	FREQUENCY	PERCENTAGE
Product development	8	100%
Customer service	8	100%
Brand & Product promotion	7	87.5%
Outlet expansion	8	100%
Technological advancement	8	100%
TOTAL	8	

Source: Research Data

The factors were highly rated. The responses indicate that the respondents concurred with the researchers identification of customer service, brand and product promotion, outlet expansion, technological advancement and product development and innovation as the Key Success Factors in the Coffeehouse Business. No other key success factor outside the five discussed was identified. The strategies applied to take advantage of a particular KSF were common to most of the coffee shops. The identified strategies were tabulated and the frequency of their application determined.

4.2.1 Strategies related to product development and innovation

The main strategies referred to by respondents included product differentiation and menu re-engineering, as presented in Table 2.

Table 2: Product related strategies

STRATEGY	FREQUENCY	PERCENTAGE
Product differentiation	7	87.5%
Menu-re-engineering	4	50%
Daily/Weekly specials	4	50%
TOTAL	8	

Source: Research Data

All the respondents stressed on the importance of quality offerings, that is, beverages, snacks and meals. Majority of the respondents make use of product differentiation as a method of product development and innovation. The coffee shop that does not implement product differentiation uses a “follow me” strategy. Menu re-engineering and daily/ weekly specials share an equal popularity. Weekly specials is applied as a strategy by the coffeehouses that offer meals.

4.2.2 Strategies used to take advantage of Customer Service

The respondents discussed the different strategies related to customer service that they employ, as presented in Table 3.

Table 3: Strategies used to enhance customer service

STRATEGY	FREQUENCY	PERCENTAGE
Feedback System	8	100%
FEEDBACK: Written Verbal	4 4	50% 50%
Staff training	8	100%
Mystery Shopper	2	25%
Staff incentives/bonuses	3	37.5%
Employee of the month	3	37.5%
Service time	3	37.5%
TOTAL	8	

Source: Research Data

All the respondents said they use a feedback system. Half of them use written feedback while the other half use a verbal/oral system. Staff training is implemented by all the respondents only that they use different ways of training. The mystery shopper, staff incentives, employee of the month and service time are unpopular.

4.2.3 Strategies used to take advantage of Brand and Product Promotion

The respondents identified the different brand and product promotion strategies they use, as presented in table 4.

Table 4: Strategies used to build the brand

STRATEGY	FREQUENCY	PERCENTAGE
Use of Tag Lines	6	75%
Merchandising	4	50%
Brand Loyalty Programs	2	25%
Physical appearance/Décor	6	75%
TOTAL	8	

Source: Research Data

Most of the respondents use tag lines and physical appearance as a branding strategy. Half of them use merchandising although to different extents. Few of the respondents apply brand loyalty programmes.

4.2.4 Strategies used to take advantage of Outlet expansion and location

The respondents employ three kinds of expansion strategies and we determined the frequency of their use among the coffee shop firms, as shown in table 5.

Table 5: Expansion strategies

STRATEGY	FREQUENCY	PERCENTAGE
Organic growth	8	100%
Joint ventures	1	12.5%
Franchising	1	12.5%
TOTAL	8	

Source: Research Data

All the respondents use organic growth as an expansion strategy. Only one of them uses joint ventures and franchising respectively.

4.2.5 Strategies used to take advantage of Technological Advancement

Respondents identified varied technological applications that they use as strategies to cut back on their operational costs, serve their customers more effectively and build brand loyalty, as presented in table 6.

Table 6:Technological applications in the coffee shops

APPLICATIONS	FREQUENCY	PERCENTAGE
POS systems	7	87.5%
Hotspots	3	37.5%
Websites/Face book/Twitter	2	25%
Smart cards	1	12.5%
TOTAL	8	

Source: Research Data

Most of the respondents use a POS system. Hotspots was next in popularity with some using it as a strategy. Websites/ Face book/ Twitter are also applied as a strategy by a few of the respondents. Smart cards is the least used and is only being utilized by one respondent. It is still a novel idea in this industry.

4.3 Priority given to the KSF's

The respondents also ranked the KSF's in terms of priority on a scale of 5 to 1 where 4.0-4.99 = very important, 3.0-3.99 = important, 2.0-2.99 = neither important nor unimportant, 1.0-1.99 = not important at all, as shown in table 7.

Table 7: Rate of importance of KSF

KEY SUCCESS FACTOR	MEAN
Product development	4.75
Customer service	5
Brand & Product promotion	4
Outlet expansion	3.38
Technological advancement	3.75

Source: Research Data

Customer service, product development and innovation, brand and product promotion were ranked as very important; Outlet expansion and technological advancement were ranked as important, as presented in table 8.

4.4 Challenges to achieving strategy

Certain challenges were highlighted by the respondents.

Table 8: Challenges to implementing strategy

CHALLENGES	FREQUENCY	PERCENTAGE
Lack of capital	6	75%
Lack of ingredients	3	37.5%
Staffing	3	37.5%
TOTAL	8	

Source: Research Data

Most of the respondents pointed out at lack of capital as the major challenge when it comes to achieving strategy. Some referred to the lack of ingredients and an equal number to staffing problems. Most of the staffing problems had to do with retention.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

This chapter discusses the findings gathered from the analysis of the data as well as the conclusions arrived at. The chapter incorporates the various suggestions and comments given by the respondents in the questionnaires and personal interviews. The findings have been summarised alongside the objectives of the study, conclusions have been drawn from the study and recommendations for action are given.

5.2 Discussions and summary

The objectives of the study was to establish the strategies adopted by coffeehouses so as to take advantage of the key success factors in the industry as well as to determine the priority given to the different key success factors by these firms. Firstly, there was consensus on the discussed key success factors as being the actual KSF's in the business. No other KSF was other than the five discussed was pointed out by the respondents.

Product development and innovation was rated as being very important by the respondents. Product quality was pointed out by all the respondents as being critical. To achieve this, all the coffee shops produce their own beverages, snacks and meals. They only outsource the ingredients but the preparation is done in-house. Consistency in the quality of the food/products is extremely important.

Product differentiation is a strategy applied by most of the respondents. They believe this is the only way of distinguishing their products from those of their competitors. To these firms, a meat pie or milk shake from one coffeehouse is not the same as that from another coffeehouse. Taste, presentation and texture vary and this defines the product.

Menu re-engineering is used by some of the respondents. Some of these coffeehouses re-engineer or overhaul their menus every six months and others annually. Menu re-engineering is based on local customer needs that keep changing and global trends. Menus are re-engineered to accommodate and keep up with these changes. Menu re-engineering helps retain the old customers while at the same time attract new ones. Some of the coffee shops also offer weekly or daily specials on lunches and these are offered aside from the menus. This is a particular meal, for example rice and pepper steak, which is offered on a particular day for lunch.

Customer service was also rated as being very important by all of the respondents. Different strategies were identified as ways of ensuring the customer is happy. Firstly, feedback from the customer is essential for the coffee shop to know the customers' feelings towards their offerings/products, service, ambience and physical appearance, and so on. Customers are also requested to point out the areas they feel the coffee shop should improve on. All respondents apply a feedback system, some a written using sheets or forms and others a verbal feedback system. It is important to measure performance and the feedback forms are one way of doing so. All the respondents reported that they hold weekly meetings where they appraise performance. Written feedback is better than verbal as it free from bias and is difficult to alter as opposed to verbal which can be twisted to ones liking. One of the respondents have a credible feedback system in place - the manager gets feedback from the customers. He personally talks to each customer after they are served and records the feedback on a data sheet. The sheets/forms can also be filed and used for comparison over time to gauge performance.

The mystery shopper programme is utilized a lot in most service industries in the developed countries. It is still novel in Kenya. It is an arrangement where a customer through prior arrangement with the management randomly visits one of their coffee shops and acts as any other customer. The mystery shopper makes an order and observes on the quality of service, service time, the product/offering quality, the cleanliness of the outlet, the ambience, among other things. The feedback from this shopper is used to assess performance and make improvements where necessary. The coffeehouses that use this programme have more than one outlet. The mystery shopper(s) visits one outlet once a week and thereafter makes a report to management. Whatever they spend at a particular outlet is reimbursed to them. It is a credible and very objective form of feedback free from any bias.

Customer service and the staff are interlinked. They are directly related as all services to a customer emanate from the staff. The staff are the link to adopting customer service as a key success factor. Strategies towards taking advantage of customer service as a key success factor are therefore all related to staffing.

Training is a strategy all respondents apply to improve on their customer service. The smaller coffee shops usually have informal training within their shop and this is conducted by the manager/supervisor or through the hiring of a trainer well versed in the hospitality industry and at the same time a barrister. The coffeehouses with multiple outlets have a training school where the staff are taught on everything to do with service: how to brew coffee by a barrister, the manner in which to serve customers, how to wash dishes and so on. They also have a training manager who visits the outlets regularly to ensure the highest standards of customer service are attained and maintained. The shops also hold weekly briefings on different service aspects. Service time is a very important element of customer service. Time to take down a customers order, serve the order and present the customer with the bill are extremely important. Targets are set for the service times and it is training that ensures that these service time are achieved. Training also ensures consistency in the delivery of high quality products. The chefs/cooks at the different outlets go through the same training on food preparation ensuring the same ingredients and method of cooking are used in preparing certain meals.

Staff bonuses are different from tips. The respondents that implement this strategy set a certain weekly sales target per outlet. In case the shop surpasses the sales target, the surplus is shared out between the coffee shop and all the staff of that outlet at an agreed ratio of, for example, 50:50 or 40:60. This is usually shared out to the staff once a month. Other incentives include choosing an employee for the month from the different service departments: supervisor, chef, waiter/waitress. The chosen employees have their pictures hung in a visible location of the outlet for all to see while they at the same time receive a bonus. This recognition is a great motivator for the staff.

Branding was viewed as very important by most of the respondents even though was rated lower than product differentiation and customer service. Branding helps differentiate between one firm and another. The difference between firms is achieved through branding which gives identity. These differences are both real and perceived in the eyes of the customer. A number of branding strategies are put into use by the coffee shops.

Tag lines are used by most of the firms. They are a one line description of the firm and its offerings. Some of the tag lines used by the different coffeehouses include: The Coffee Experts, The Coffee Lounge, Coffee Culture, Coffee and Bakery, House of Coffees, among others. Tag lines are one line descriptions about a firm or its products/services.

Merchandising is a form of advertising. It is not used by all the firms as it is expensive. It is mainly used by the coffee shops with more than one outlet. The cost of producing merchandise is high and the unit cost can only be reduced by producing large quantities. It is therefore only those firms that have many outlets or have a huge turnover that engage on merchandising. Some of the merchandise includes take away paper cups, take away boxes, t-shirts, wheel covers, napkins, sugar sachets, branded water among others. The respondents engaging in merchandising identified the take away paper cups as a very powerful advertising medium.

Décor and physical presence were identified by most of the respondents as a branding strategy that they use. Most of the coffee shops use earth colours such as dark and light browns, maroons, among others, which are relaxing colours. The shops are furnished with comfortable sofas, lounge chairs and tables with good spacing in between them. The staff uniforms, sofas, chairs, tables, floors, walls and crockery all rhyme. Some outlets have mellow, slow music playing softly in the background.

Brand loyalty programmes are carried out by very few of the coffee shops. One of the respondents conducts weekly draws for a voucher offering a free item on the menu. The entry for the draw is the customer feedback sheet. This offer also increases the feedback response rate. Another respondent increases customer loyalty through add-ons with certain purchases, for example, whipped cream with fruit salad.

Branding by association is used by one of the respondents at one of their outlets. This they do through user-imagery which is associating the brand with the people you see using it (Aaker, 2002). The outlet main customers are business executives, top diplomats and other very important people. The shop is very expensively furnished. The décor and ambience is different from the other coffee shops. They have succeeded in creating a niche.

On preferred locations, the strategy employed by all the coffee shops was based on positioning the shops within the vicinity of good walk-in crowds. Locations mentioned included malls, the central business district, the airports and the United Nations headquarters. Some coffee shops have moved into the new business district, that is, Upper Hill. The main target for these firms are the corporate clientele. Initially, the target market was limited to the AB segment of the market but this has expanded to include the C1. One of the coffeehouses has opened an outlet in Capital Centre along Mombasa Road and there could be one/some opening shop at T-Mall at the roundabout of Langata Road and Mbagathi Way. Some of the coffeehouses use temporary set-ups during exhibitions, shows or office functions.

Outlet expansion got the lowest priority rating. Organic growth is the main strategy that is used by the respondents. That is why expansion is slow. Joint ventures and franchising are not generally used. In the developed countries, franchising is the main strategy used for expansion and that explains the existence of mega chain coffee shops around the globe. The shops should embrace joint ventures and franchising to achieve faster growth.

Technology had the second lowest priority rating. Certain aspects of technology have been embraced by most of the coffee shops such as the point of sale system (POS) which is a management tool. The only respondent not currently using this system is in the process of installing it. Technology has generally not been put into use by the coffee shops to benefit the customer. Most coffee shops talked of plans to embrace technology in a bigger way in the near future.

Hotspots should be more widely used by the coffee shops. Coffee shops by definition from a cultural standpoint largely serve as canters of social interaction and also serve as a place to write, read and so on (Ellis, 2004). The availability of wireless internet connectivity compliments this aspect. Less than half of the coffee shops provide this service.

One of the coffeehouses is in the process of installing a smart card system. The customer will be awarded points for each purchase and the points can be redeemed in exchange for products on the menu at the shop or any other of their outlets if they are more than one. This will help with building brand loyalty and increase repeat sales.

A few of the coffee shops are also has a facebook page and is on twitter. This is a very clever way of brand building through the creation of a forum for its customers to engage. It is a form of a virtual club for its members. It also helps by providing feedback to the coffee shop from the customers.

The main challenge to most firms is the lack of capital. The respondents pointed out at the heavy capital requirement to roll out. Due to competition, there is a lot of demand for prime outlet space, hence pushing up the cost of leasing the shops. This has especially happened within the central business district and the malls. The costs of furnishing/physical set up and technology applications is also high. Expansion strategies such as franchising and joint ventures can help reduce the effects of lack of capital.

Some of the respondents complained about the unavailability of ingredients. Others spoke about price variations of the ingredients. The Suppliers of certain ingredients are unreliable and this has a negative impact on the menu offering. It would be difficult and very costly for the coffee shops to import some of these ingredients directly as the amounts ordered would be too small. The solution would be for the firms to form loose networks and come together to import some of these ingredients. This would bring down the importation costs and provide assurances on the availability of these ingredients.

Staffing was viewed as a challenge by a few of the respondents. The main challenge had to do with staff retention. Poor reward systems were viewed as the main cause of high employee turn over. The respondents with bonus schemes based on achievable sales targets did not view this as a challenge.

5.3 Conclusion

It was observed that proper management and management structures are absent in some of the coffee shop set ups. The single outlet coffee shops are mostly run by the owner/proprietor or a family member who deals with all the aspects of management. Proper management systems need to be put in place if the right strategies are to be adopted.

Customer service and Product development and innovation stood out as the most prioritized key success factors. On the question of other key success factors one of the respondents talked of coffee expertise and world class quality products which are both product related strategies. Another respondent in answer to the same question talked of service time and value add. These are strategies related to customer service.

Outlet expansion got the lowest priority rating of the five KSF’s. One of the major challenges to expansion is that most of the coffee shops have adopted organic growth as their strategy for expansion and this requires a huge capital outlay. The lack of capital has made most of the coffee shops shy away from expanding their operations. Other expansion strategies such as franchising and joint ventures are available to the coffee shops and they should be put into greater use. The burden of capital outlay is shifted and substantially reduced with these arrangements. Technology programmes targeted at benefiting the customer should be put into greater use. Such programmes would lead to brand building and increase repeat purchases.

Rockart and Bullen (1981) stated that a firms current position in the industry will define its KSF’s. Merchandising was given a higher priority rating by the market leaders compared to the other respondents. This is because the merchandising unit costs are lowered by the level of operation of the market leaders. Pinto and Prescott (1988) also pointed out that the keyness of a

KSF throughout the lifecycle of a project is subject to change. Outlet expansion was highly rated by the firms on the growth stage and got low ratings from those at either the introductory or maturity stage.

5.4 Limitations of the study

Some of the coffee shops were apprehensive about answering the questionnaire but after detailed explanation, most of the coffeehouses granted the interview and answered the questionnaire. This could have led to the falsification of answers. Some information was also probably withheld owing to these suspicions. Two coffee shops declined to grant us an interview or answer the questionnaire.

Time was a constraint. Most of the coffeehouse managers are extremely busy and have little time to spare. Some of these managers referred us to their subordinates who were not very familiar with the issues being addressed. It took time to explain the underlying concepts and their knowledge of strategies they apply was not very clear.

5.5 Recommendations for further research

One of the top coffeehouses in the country was unable to participate in the study at this particular point in time but would be willing to do so at a later date. Their input would add value to the research. Some of the coffeehouses are also in the process of re-branding and expanding while there are rumours of a global franchise opening shop in the country. It will be important to establish the effects of these changes to the industry.

Comparative studies should be carried out on the discussed topic. It would be important to carry out a study on the key success factors of the coffeehouse business in the West. The coffeehouse business has its origins in the West and has influenced both the emergence and the growth of the business in Kenya today. Concepts such as fair trade play a major role in the success of coffee shops in the West but not in Kenya. Further studies would make for other comparisons. Another important comparative would be important to establish the value customers attach to the various key success factors in the coffeehouse business. This would be an important guide to the coffeehouses on how to prioritize their strategies.

A study should be conducted to cover other major towns like Mombasa. Some of the established coffeehouses have opened up outlets while at the same time new players have opened shops in the coastal town due to demand. The priority given to the key success factors in Mombasa could be different from those in Nairobi. Rockart and Bullen (1981) stated the environmental factors such as political and demographic considerations can affect the key success factors in an industry.

5.6 Implications for Policy and Practice

Coffee shops should embrace modern management skills and practices. Proper management structures should be put into place with clear definitions and job descriptions for the management and rest of the staff. There is a lot of potential with some of the coffee shops but the lack of professionalism in management and strategy formulation is the main impediment. In these establishments, the owner bears all the management roles. If proper structures were put in place through the hiring of professionals in the areas of strategy and marketing, accounting and finance, hospitality and technology, these coffeehouses can be turned into profitable coffeehouse chains.

Training should be accorded more priority. Through proper training, the most highly rated key success factors, that is, product development and customer service, can be achieved. It is the training of kitchen staff that can lead to the brewing of the best coffee and other beverages and manufacture of the best snacks/food. Training of the front counter personnel can also lead to the best customer services. The synergy of the entire team can only be achieved through structured training whether in-house or outsourced. Vital aspects such as service time can only be developed through training. Training should be continuous hence the importance of a training manager.

Employee motivation, performance management and appraisal schemes should be institutionalized. This is the only way of guaranteeing employee satisfaction. If an employee is not satisfied, he/she cannot satisfy a customer. Performance should be measured using the 360-degree method. An employee should be appraised based on customer feedback, his/her peers and management. Outstanding employees should be recognized. Incentives through bonuses pegged on sales are also encouraged.

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APPENDICES

Appendix I: Questionnaire

1. What is your gender?

Male [ ]

Female [ ]

2. Does your coffee house consider Customer Service to be a KSF in the industry?

Yes [ ] No [ ]

3. If yes, which strategies are employed by your firm aimed at taking advantage of service to the customer?

....

....

....

4. Does your coffee house consider Brand and Product Promotion to be a KSF?

Yes [ ] No [ ]

5. If yes, what are the various aspects of Brand and Product Promotion strategies employed by your coffee house?

....

....

....

....

...

6. Is Outlet Expansion and Location considered to be a KSF by your organisation?

Yes [ ] No [ ]

7. If yes, what are the various Outlet Expansion and Location strategies employed by your coffee house?

....
....
....

8. Does your coffee house take Technological Advancement in the Hospitality Industry to be a KSF ?

Yes [ ] No [ ]

9. If yes, which strategies are pursued by the firm geared towards taking advantage of technological advancement?

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....
....

10. Does your organization consider product development and innovations as KSF's?

Yes [ ] No [ ]

11. If yes, which strategies has your firm applied to take advantage of this KSF?

………………………………………………………………………………………………....
....
....

12. Rate the importance of the following KSF's in your coffeehouse? Rate their importance in the scale of 1-5, where 5 = very important and 1 = not important at all.

KSF	1	2	3	4	5
Product Development and Innovation					

Customer service					
Brand and product promotion					
Outlet Expansion and location					
Technological Advancement in Hospitality Industry					

13. What challenges have you faced in developing and implementing strategies that help your coffee house take advantage of the key success factors in your organisation? Briefly explain

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……………………………………………………………………………………………………
……………………………………………………………………………………………………

14. Which other factors are viewed by the firm as KSF's . Rate their importance in the scale of 1-5 where 5=very important and 1= not important at all.

FACTOR	1	2	3	4	5

15. What strategies have your coffee house adopted to take advantage of the KSFs in 14 above?
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....
....

Thank you for your responses!

Appendix 11: Coffee Houses in Kenya

1. Artcaffe (two outlets)
2. Coffee World
3. Dormans (ten coffee shops)
4. Kencake Coffee Shop Ltd
5. Nairobi Java House (seven coffee shops)
6. Sasini/Savannah (three outlets)
7. The Mug
8. Vanela
9. Alexandre Chocolate
10. Rose Garden Bakery and Cafe