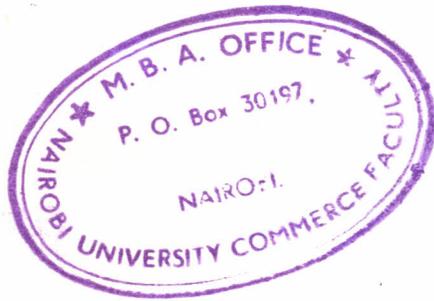


"Competitive Strategies of
real estate."



by
Karanja, P. W.

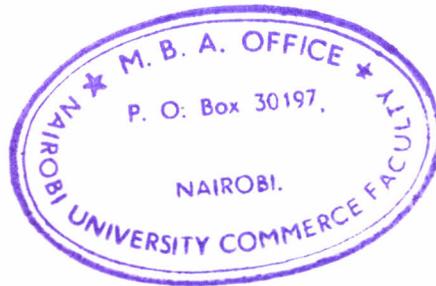
DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

Signed Phyllis Wanjiku Karanja

Date 16th Oct 2002

Phyllis Wanjiku Karanja



This management research project has been submitted for examination with my approval as University supervisor

Signed Dr. Ogutu

Date 23/10/02

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Lecturer, Department of Business Administration

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DEDICATION

To my parents, Mr. and Mrs. Karanja

For being my role models.

ACKNOWLEDGEMENTS

I wish to sincerely thank all those whose participation has enabled me to successfully complete my project.

First to my supervisor Dr. Ogutu, who has willingly provided suggestions and comments to my work and most of all encouraged the pursuit of academic excellence.

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God bless you all very richly.

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ABSTRACT

The real estate industry in Kenya has largely grown in size in the recent past 20 years. From previously a small industry that was largely unknown, it is now a constantly expanding industry with many new participants.

The industry however remains very complex in its operations with matters of real estate ownership and transfer being very sensitive issues among the Kenyan citizens. The government in its bid to regularize the dealings in the market has introduced various regulatory controls in form of Acts and policies. These, together with the fact that real estate is a very inelastic product and most of all immobile have rendered the participation in the industry very hard.

The changes in the industry environment together with the increasing competition has caused the firms to change their competitive strategies in order to achieve profitability and maintain their survival in the market.

The study sought to establish the various strategies that the firms were employing. Porter's generic strategies were the basis of the study because they are applicable to all kinds of industries whether based on service or goods. The study data was based on a sample of 39 firms. The data was collected through questionnaires. 45 questionnaires were administered through drop and pick later approach because of the unavailability of the owners and 39 responded.

The findings of the study indicate that the most commonly utilized strategy was differentiation focus followed by differentiation broad. Cost leadership strategies were found unpopular among firms in the industry.

Many firms adopted the competitive advantage strategy based on differentiation as opposed to cost leadership. Differentiation places the firms at high ranking in terms of quality and customer service, issues that are key to attracting and maintaining clientele.

The competitive scope preferred was narrow, with many firms choosing to specialize in one section of the market mainly the middle to high income residential properties.

The firms faced various challenges in the process of trying to maintain a competitive position in the market. The greatest challenges were identified as the rising levels of inflation and interest rates and the reduced disposable income available for real estate investment and for use in rental payments. Competition from unregistered practitioners also came high as a challenge for the registered firms due to the unhealthy competition that they brought forth.

CHAPTER ONE

1.0 INTRODUCTION

1.1.0 Characteristics Of Real Estate And Real Estate Markets

According to Harvey (1981), real property or real estate refers to a particular type of good, land or resources that is not physically movable. The immobility aspect of land and landed resources distinguishes it from other goods and services. Real estate consists of physical land as well as structures and other improvements that are permanently attached to it. The chief characteristic of real estate arises out of its with land (Miles et al, 1994). The main features of land fall into either physical or economic category.

The physical characteristics of real estate include immobility, unique location and indestructibility. Charles et al (1997) explains that the major impact of these physical characteristics is to render real estate very much influenced by the environment since it cannot exist apart from it nor move away from it.

1.1.1 The Real Estate Market

Real estate markets are considered as an arena that involve negotiations between buyers and sellers who communicate with one another to acquire, manage or dispose off individual real estate products. The real estate market is different from many other markets in several ways (Syagga, 1994). These differences are a result of the value of

individual parcels, governments role in the market place, and the way in which people perceive real estate and what they expect from it. The real estate market is also imperfect thereby affecting the operations of players in the market and thus the strategies they adopt to gain competitive advantage.

1.1.2 Imperfections Of The Property Market

A property has fixed location and is localized to a particular neighbourhood making it difficult for it to conform to the conditions of using it for exchange value. This sometimes means that the number of buyers or sellers is so restricted that monopoly conditions prevail preventing a fair market play.

The property market deals in heterogeneous commodities that prevent standardization of the product and its price (Syagga, 1994). Each property is therefore likely to be different from others in terms of position, style, accommodation, type of construction, use, history and degree of obsolescence and these all have a corresponding effect on value. Due to these differences, there is great difficulty in disseminating market information.

There is lack of adaptability in the property market as there is need for huge capital amounts. The building and other safety regulations are a great barrier to new and experimental forms of accommodation design (Harvey, 1981). A commercial building for example will be difficult to convert to residential premises without having to break zoning by-laws. This makes the market slow to demand fluctuations for property.

Increases in costs of construction reflected in the property market are very fast in terms of price and supply. Increase in demand on the other hand is very difficult to meet, as the supply is inelastic and cannot immediately respond (Charles et al, 1997). This is often owing to the manner in which land and buildings are supplied to the market. There is often a 24 months lag in the period of construction before supply begins to respond to demand, and during this period anything can happen to alter demand.

1.1.3 The Impact Of Public Policy In Real Property Markets

The property market in Kenya is greatly affected by public policy in many ways in terms of administration, taxation, credit control, land use controls and provision of new buildings (Syagga, 1999).

Certain types of levy have a direct impact on the operation of the property market and include development charges, taxes on capital gain and stamp duties. The influence of some of the taxes is to influence the market rather than to secure revenue. Property rates levied by local authorities on the site value of the property and stamp duty charged at 3% of purchase price are some few examples of the levies charged.

Land use controls usually affect the supply of land and so have a direct effect on the market. The land survey process to the issuance of titles is long and cumbersome. Planning by-laws and building regulations have always been considered as prohibitive

to investors and many have violated the laws leading to poor provision of accommodation.

Credit controls by the government on financial institutions can be used to direct the supply and demand of real property. The requirement that financial institutions must invest a percentage of their deposits with Central Bank of Kenya essentially limits the amount of money available for investment in real property. Commercial banks and other financial institutions are also restricted as to what proportions of their financial deposits can be invested in real estate (Syagga, 1999).

Administrative restrictions tend to distort the natural operation of the property market and include rent controls, ceiling prices, restrictions on transfer of property and limitation on the size of the holding. The Rent Restriction Act (Cap 296) for example, historically pegs rent to the 1981 levels and is not in line with the current market situation.

1.1.4 The Nature Of The Real Estate Product

The uniqueness of land and landed properties in land poses a problem and a risk to the participants in the market. The inherent characteristics of real estate while offering an entrepreneur numerous opportunities to generate extraordinary profits make participation in real estate a risky venture (Charles et al, 1997). However proper analysis of the industry and further development of a strategy leads to increased returns relative to the risks.

The fixity of land renders it immobile. It presents a problem in that once an investor purchases a product in a prime area, and years later environmental circumstances may cause a reduction in traffic flow to the area. A realtor has to deal with the new problem of increased vacancies causing decreased profitability of the venture.

Cash inflows from real estate take too long for the mortgage to be amortized. Real estate returns generate an average of 10-20% cash inflows compared to other investment opportunities like manufacturing which are considered more profitable (Miles et al, 1997). Realtors have therefore to convince the investors on other advantages of real property other than those of immediate returns. Real estate products purchased reflect the lifestyle and standards of the day and years down the road, an investment may represent the wrong lifestyle and due to its permanency, alterations are difficult causing marketing problems for realtors.

1.1.5 Sectors In The Property Market

Properties can broadly be classified into commercial, residential, industrial, agricultural and special properties (Charles et al, 1997). Commercial properties include shops, offices and car parks. Offices were traditionally considered to be the premier type of property investment mainly because of the rental growth and flexibility of use provided by office premises.

Residential accommodation is varied and includes flats, condominiums, maisonettes, and bungalows. The major factors that affect the value of residential properties as a

whole include accommodation facilities and location. A prospective tenant or purchaser considers the nature and extent of accommodation offered and the neighbourhood of the property as it affects the general amenities of life, time of travel to work and proximity to schools and shopping centers.

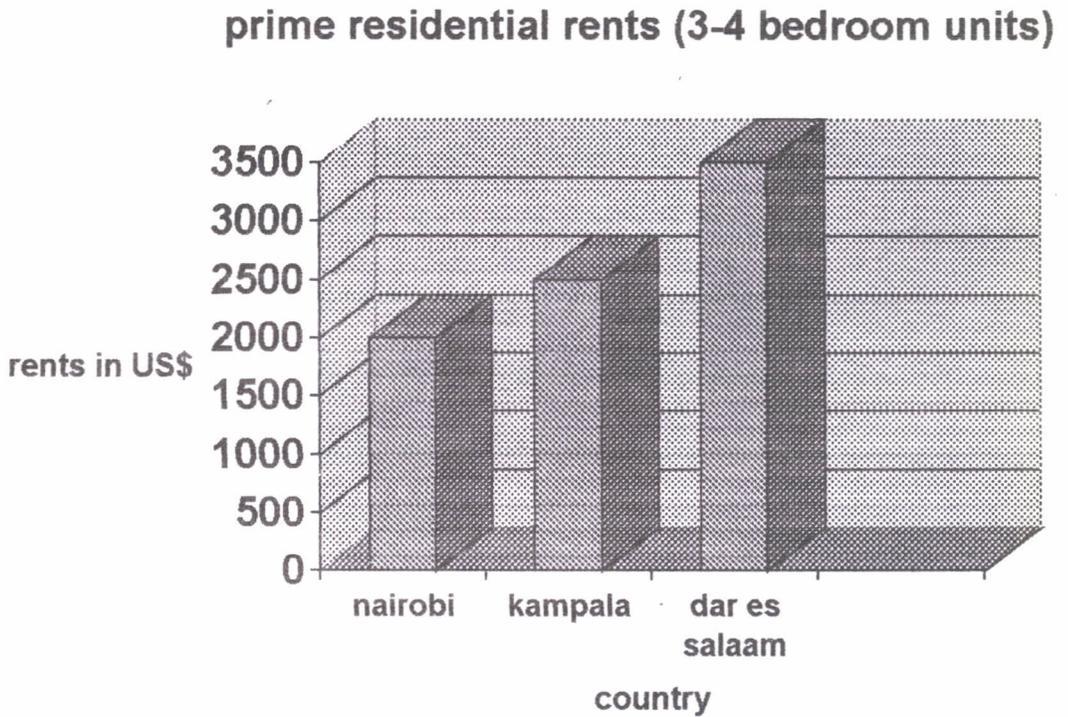
1.1.6 The Kenyan Situation

Kenya's post independent history of long term political and economic stability, together with its previously adequate transport and communications systems have enabled Nairobi to grow into a dynamic base for multinational organizations represented in the region. This includes organizations such as the United Nations Environmental Program, Habitat and UNHCR. As a result, Nairobi has developed a large and well-established property market especially for the upper class market to deal with the continuous development still taking place.

Nairobi's residential market

According to a survey done by Knight Frank (2000), the residential sector in Kenya (Nairobi) remains a high volume, low cost market compared to the other east African countries of Tanzania and Uganda. Prime residential rents as obtained from the Knight Frank research show that Kenya has the most affordable properties in the region as seen in figure 1 below. Deteriorating security within Nairobi has increased the demand for larger apartments in secure, managed compounds as more people move out of detached houses on individual plots (Syagga,1999). The resulting affluence in flat dwellers due the presence of employees of the multinational organizations has also led

Figure 1



to the improvement in design, management and security of homes in the up market areas. The amenities provided for such areas include swimming pools, satellite television and health spas, which require quality property management. The demand for high quality properties continues to be high as evidenced by the high occupancy rates of multi-complexes such as Riverside Park and Clanson court in Muthaiga. The middle market on the other hand is flooded with high-density developments that prove very difficult to let to good tenants at profitable rates. (Knight Frank, 2001)

Issues of concern

Generally speaking, there is freedom of entry into real property markets resulting into many buyers and sellers. Firms in the real estate industry specializing in the two main functions of property management and appraisal of real estate are governed by the Estate Agents Act Cap 533 and the Valuers Act Cap 532 which both deal with the registration, regulation and professional conduct of individuals within the industry. According to the Estate Agency Act, the minimum registration requirement for entry is that of good conduct. This minimum entry has caused an influx of participants into the field especially in the estate management chapter, hence increasing competition.

With such a changing competitive environment in a very regulated industry, firms have had to reconsider adapting their strategic responses to survive in the environment. Strategy, defined as a means of keeping ahead of competitors or for outmaneuvering particular competitors at particular times for particular kinds of businesses (Macmillan, 2000), becomes an essential weapon for success. This study seeks to establish the competitive strategies used by real estate firms in light of increasing competition.

1.1.7 Why choice of Porter's Generic model?

The framework of the competitive strategy study is Porter's generic model. This tool was found suitable for the study because it exposes what competition is like in a given market in terms of the strength of each force, the nature of competitive pressure comprising each force and the overall structure of the industry.

The Generic strategies were also found most suitable for the study because all businesses or industries regardless of whether they are manufacturing, service or not-for-profit enterprises can pursue the strategies.

1.2 Problem Statement

Porter (1998) emphasizes that competition is at the core of the success or failure of firms and thus every competing firm should have a competitive strategy which will relate the firm to its environment. Firms do not exist in a vacuum and are dependant on the environment. An organization's external environment will consist of all the conditions and forces that affect its strategic options and define its competitive situation. A dynamic environment will therefore mean that firms have to compete more intensely (Pearce and Robinson, 1997).

The real estate industry is considered unique because of the nature of its product. This unique physical characteristic of real estate that includes immobility, unique location, and indestructibility have rendered the industry very much influenced by the environment since it cannot exist apart from on move away from the environment (Charles et al 1997). In addition, as in any other market, market mechanism impairs the efficiency of resource allocation, which is the case in the real estate market. In this market, there is poor information flows resulting from the many private transactions that take place thus making it difficult to obtain knowledge of the industry trends. Due to this, knowledge tends to be infrequently obtained and when available, is limited to the geographic area of its occurrence.

The real estate industry however remains very important to the country as evidenced by the emotional attachment of people to their property. The industry has also been a major form of investment for investors seeking inflation-proof returns and owner occupiers seeking space designed to meet their own specific needs together with protection against rent inflation.

While a general outlook of this service industry makes it appear hard to penetrate, the many imperfections of the market place in real estate presents the investors with opportunities that are not available in more organized efficient market places. With the use of proper strategies, many investors and agents have encountered huge successes in the industry as evidenced by the already strong market position of new entrants such as Knight Frank Kenya. The ease of entry into the industry and the apparent success of new firms has caused a huge rise in the number of firms operating especially in the last five years as most people seek to be entrepreneurs. To survive in such a competitive environment, firms have had to adjust their strategic responses by developing various competitive strategies. The study will focus on the competitive strategies realtors are using and why. In doing so, the study will address the following questions.

- i. What competitive strategies do Kenyan realtors use?
- ii. What are the challenges facing firms in the industry?

1.3 Research Objectives

- i. To establish the competitive strategies that are used by players in the residential Real Estate Industry.
- ii. To identify the challenges real estate firms are experiencing in the industry.

1.4 Importance Of The Study

Real estate firms will be provided with knowledge that will enable them to understand the strategies effective in the operation of the market and to use the knowledge as a road map that will guide firms into the future.

Scholars for reference and further research in understanding the competitive scope in the real estate industry.

Future investors into the real estate market in understanding the forces that govern the industry and prior preparation that should be made before any investment into the industry.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 The need for strategy

According to Ansoff (1990), recourse to explicit strategy occurs when rapid and discontinuous changes occur in the environment of a firm. This may be due to saturation of traditional markets, technological discoveries or a sudden influx of new competitors. With such changes in the environment, organizations are no longer able to use their established traditions and experiences to cope with the new opportunities and threats.

Thompson (1998), considers the essence of good strategy making as that of building a market position strong enough and organizations capable enough to produce successful performance despite unforeseeable events, potential competition, and internal difficulties. The more likely the company will be a solid performer and a competitive success in the market place. Ohmae (1983), emphasizes on strategy as the way in which a corporation endeavors to differentiate itself positively from its competitors, using its relative strategies to better satisfy customer needs. Strategy is therefore considered as a preparation for the uncertainty of the future, by positioning the enterprise in the form of making it adaptable, and thus prepared for the future.

According to Porter (1996), the essence of strategy formulation is coping with competition. Porter states that competition in an industry is rooted in its underlying economies and will include customers, suppliers, potential entrants and substitute

products. Ansoff (1990) concludes by stating that strategy is a powerful tool which offers significant help for coping with turbulence confronted by business firms today.

2.2.0 Competitive Strategy

The overall strategy of a firm can be divided into corporate, business and functional strategies. Corporate strategy outlines the nature and scope of the enterprise as a whole, while functional strategy is the elaboration and implementation of business strategies through individual functions such as production, research and development, marketing and human resource (Grant, 1998). Business strategy addresses how a firm or its units can compete in its business and its industries. In single business firms however, there is no distinction between corporate and business strategy.

Thompson and colleagues (1998), define business strategy as concerning the actions and the approaches crafted by management to produce successful performance in one specific line of business with the central issue being how to build and strengthen the company's long-term competitive positions in the market place. According to Lowes (1994), business strategy is concerned with the formulation of long term plans by a firm to achieve its business objectives. The plans enable the firm to develop appropriate policies for dealing with the firms changing environment especially the changes in market demand and competition. Business strategy emphasizes improvement in the competitive position of a corporations products or services in the specific industry served by that division.

Business strategy is essentially concerned with how the firm competes within a particular market or industry. If the firm is to prosper within an industry, it must establish a competitive advantage over its rivals also known as competitive strategy. It focuses on improving the competitive position of a company's services or products within the specific market segment that the company or its business serves (Hunger, 1996).

Competitive strategy is a key area of strategy and must therefore grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness. Competitive strategy will ultimately aim at changing the rules of competition to favour a firm (Hunger, 1996).

2.2.1 Competitive Strategy Models

Regardless of the type of an enterprise, from start to venture, to a multi product firm, strategic planning is difficult. various planning tools have therefore been developed to use as a function of the company's objective and this include the General Electric planning grid, Ansoff's growth matrix, Boston Consulting Group's product portfolio matrix, Porter's generic strategies and Cliff Bowman's Competitive strategies.

Ansoff's Matrix is a well known marketing tool that is used by firms who have the objective of growth. Ansoff's matrix offers strategic choices to achieve the growth objective. The four main categories for selection are market penetration, market development, product development and diversification (Ansoff, 1990)

The Bowman's "strategy clock" based upon the work of Cliff Brown is another suitable way to analyse a company's competitive position in comparison to the offerings of competitors. As with Porter's Generic strategies, Bowman considers competitive advantage in relation to cost advantage or differentiation advantage. There are six strategic options which include low price/low added value, low price, hybrid, differentiation, focused differentiation, increased price/ standard, increased price/low values and low value/ standard price.

The Boston Consulting Group's Product portfolio Matrix was developed by the Boston consulting group and is an approach to portfolio planning. It has two controlling aspects namely relative market share (i.e. relative to competition) and market growth (Hunger,1996). The model evaluates strategic business units based on market growth rate and relative market share enabling the management to give consideration to both the future potential of the market and the strategic business units competitive position. The four major strategies that can be pursued are to build, to hold, to harvest or to divest.

The logic behind the General Electric model is based on the argument that it is not always possible to develop objectives or make investment decisions solely on the basis of growth-share matrix. This model identifies businesses units in terms of market attractiveness and business strengths.

2.3 Industry Analysis And Forces Driving Industry Competition

Industry and competitive analysis seek to analyze the industry's competitive process to discover the main sources of competitive pressure and how strong each of the forces is. Industry analysis and subsequent review of the Generic strategies are largely the work of strategic management guru, Michael Porter, and this study will draw heavily from his works.

Porter (1980) explains his strategic options in light of analyzing the market opportunities and threats, which form the background to competitive behavior. Industry analysis is oriented towards an assessment of industry attractiveness and as such, competitive strategy must grow out of a sophisticated understanding of the rules of competition that determines an industry's attractiveness. Competitive strategy therefore aims to establish a profitable and sustainable position against the forces which determine competition (Lowes et al, 1994).

According to Porter (1985), the key to a successful competitive strategy is to establish a position which is less vulnerable to attack from competitors and to erosion from buyers, suppliers and substitute goods. Porter (1980) argues that most businesses must respond to five basic competitive forces that drive industry competition. According to the author, the collective strength of these forces determines the ultimate profit potential of the industry and thus its attractiveness.

The five forces are threat of new entrants, bargaining power of buyers and suppliers, threat of substitutes and rivalry within competitors. Porter's model is a powerful tool for systematically diagnosing the chief competitive pressures in a market and assessing how strong and important each one is (Thompson, 1998). A proper analysis of the five forces will help a firm choose one of Porter's generic strategies that will effectively enable the firm to compete profitably in an industry.

2.3.1 Strategic Implications Of The Five Competitive Forces

Porter's model exposes what competition is like in a given market in terms of the strength of each force, the nature of competitive pressure comprising each force and the overall structure of the competition. The stronger the collective impact of the forces, the lower the combined profitability of participating firms (Porter, 1996). A company's competitive strategy is increasingly effective the more it provides good defenses against the five competitive forces, alters competitive pressures in the company's favour and helps create sustainable competitive advantage. Managers can only develop winning strategies by first identifying the competitive pressures that exist, gauging the relative strength of each and gaining a deep understanding of the industry's whole competitive structure.

2.4 Porter's Generic Strategies

The aim of any firm should be to develop a distinctive competence that is greater than its competitors. Porter (1985), identifies three generic strategies for achieving the

2.4.1 Overall Cost Leadership

Businesses following this strategy ensure that their processes made them the lowest cost producer or supplier in the market. Striving to be the industry's overall lowest cost provider is a powerful competitive approach in many markets where buyers are price sensitive. Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight cost curve control and cost minimizations in various functions (Porter, 1980).

In pursuing low cost leadership, managers must take care to include features and services that buyers consider essential. The value of a cost advantage depends on its sustainability, whether rivals find it easy or inexpensive to imitate the low cost methods will determine the duration of the advantage.

The cost leadership strategy benefits the firm in that it is able to withstand intense price competition and buyers may appreciate the offer for low prices (Thompson and Strickland, 1998). New entrants are also deterred by low cost capabilities and supply price increases are more easily absorbed.

Risks of cost leadership strategy

The greatest danger of cost leadership strategy is in the competitors ability to find ways of producing at a lower cost and beat the cost leader at his own game. The competitors ability to imitate easily the cost leaders methods also poses a great risk. Cost leadership therefore imposes severe burdens on the firm to keep up its position

through investing in modern equipment and being alert for technological improvements. Technological change and low cost learning may however nullify past investments.

Another great risk of the strategy is that the single-minded desire to reduce costs may cause loss of sight of changes in customers tastes. A company thus while making decisions to reduce cost may drastically affect demand for the product due to the shifts in consumer tastes.

2.4.2 Differentiation

Differentiation is where the business creates differential advantage through features or services that sets it apart from others in the market. The essence of differentiation is to be unique in ways that are valuable to customers and that can be sustained (Pearce and Robinson, 1997). For a company to be successful in the strategy, it has to study buyers needs and behaviour carefully to learn what they consider important, with value and what they are willing to pay for it. There is almost no limit to a firms opportunities for differentiating its offering, although the range of differentiation opportunities depends on the nature and characteristic of the product. However, it has been claimed that anything can be turned into a value added product or service for a well defined or newly created market (Peters, 1987). The advantage or uniqueness maybe in form of customer service, design, brand image or technology (Porter, 1980)

Differentiation extends beyond the characteristics of the product or service to encompass every possible interaction between the firm and its customers. Differentiation strategies are not about pursuing uniqueness for the sake of being different but about understanding the product or service and the customer (Grant, 1998). Differentiation insulates against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price. The strategy leads to higher margins, which helps in dealing with supplier power. Buyer power is also mitigated since the buyers lack comparable alternatives to choose from and are therefore less sensitive to price.

Risks of Differentiation strategy

A major problem with the differentiation strategy centers on the company's long-term ability to maintain its perceived uniqueness in customers eyes. Competitors easily move in to imitate and copy successful differentiators, and the uniqueness of the product that causes differentiators to charge premium price is thus eroded.

Another risk of differentiation is when the cost differential between low cost competitors and the differentiated firm becomes too great for differentiation to hold brand loyalty and buyers sacrifice the differentiated product for large cost savings.

2.4.3 Focus

This is a strategy about identification of a particular customer segment or geographical market and coming up with products suitable for that segment. It is built around serving a particular target very well and once the segment is identified, then the firm may pursue either cost or differentiation strategies (Porter, 1980). The target segment maybe defined by geographical uniqueness, specialized requirements in using the product or by special product attributes that appeal only to segment members.

Cost focus is a low competitive strategy that focuses on a particular buyer group or a geographic market and attempts to serve only this niche. It seeks a cost advantage in its target segment (Hunger, 1995). Differentiation focus concentrates on a particular buyer group, product line segment while seeking differentiation in its target segment. It seeks to offer segment members something they perceive is better. According to Porter (1985), the target market segments must either have buyers with unusual needs or else the production and delivery systems that best serve the market segment must differ from that of other industry segments.

Focusing is attractive where the segment has good growth potential and the focusing firm has the capabilities and resources to serve the targeted niche effectively.

Risks of Focus strategy

A focus niche can suddenly disappear because of technological change or changes in consumer tastes. The focuser cannot move easily to new niches given its concentration

of resources and competency in only one or a few niches. A focuser is also vulnerable to attack by differentiators who can compete for the same niche by offering products that can satisfy the demands of the focusers customers. Differences in desired products and services between the strategic target and the market as a whole may narrow, putting the focuser at risk of losing clients. The focuser has thus to constantly defend his niche.

2.5.0 Overview Of Situation Leading To Porter's Generic Strategies

The concept of generic strategies is based on the premise that there are a number of ways in which competitive advantage can be achieved depending on the industry structure. If all firms in an industry followed the principles of competitive strategy, each would pick different bases for competitive advantage and while not all would succeed, the generic strategies provide alternate routes to superior performance.

This forms the basic conceptual framework of the study as seen in figure 3 below. A subsequent analysis of how the strategies are finally arrived at from the basic concept of profitability is elaborated.

Rate of profit above the competitive level

(How do we make money?)



Competitive advantage

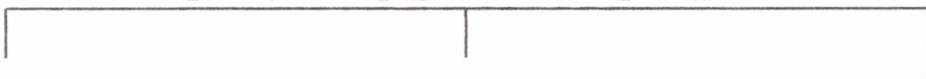
(how should we compete?)



Business/ competitive strategy



GENERIC STRATEGIES



Cost leadership

differentiation

focus

Figure 3: conceptual framework

For most firms, the ultimate aim is to make profit and to develop a distinctive competence greater than its competitors. The profit potential in an industry depends on the collective strength of the five competitive forces that determine industry attractiveness (Porter, 1980). These forces are essential for determining how a firm positions itself in the industry and thus in the end determines whether a firm's profitability is above or below the industry average. The forces determine profitability because they influence the prices, costs and required investment of firms in an industry and these are essential elements in getting a return on investment.

A proper analysis of the five forces should lead a firm into determining its competitive advantage. The fundamental basis for above average performance in the long run is sustainable competitive advantage. The two basic types of competitive advantage that a firm can possess are low cost and differentiation. According to Thompson (1998), winning business strategies are grounded in sustainable competitive advantage. Investing aggressively therefore in creating sustainable advantage is a company's most dependable contributor to above average profitability.

Companies pursue competitive strategies to gain a competitive advantage that allows them to outperform rivals and achieve above average profitability. Developing a competitive strategy is essentially developing a broad formula of how the business is going to compete, what its goals should be and what policies are needed to carry out these goals. Competitive strategy grows out of an understanding of the rules that guide competition. A business strategy is only powerful if it produces a sizable and

sustainable competitive advantage. The strategy should therefore emphasize an improvement in the competitive position of a firm's products in the industry.

The two basic types of competitive advantage (i.e. low cost and differentiation) combined with the scope which a firm seeks to achieve them leads to the three generic strategies for achieving average performance in the industry. These are cost leadership, differentiation broad and focus which has two variants of cost focus and differentiation focus.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Research Design

This chapter sets out the research methodology that was used to meet the objectives of this research study. The research design used was a survey.

3.2 The Population

The population consisted of all real estate firms located in Nairobi and whose owners are registered for practice with the Estate Agents Registration Board. Nairobi was considered for the case study because most real estate firms are either located in Nairobi or have set up their offices in Nairobi, which provides the largest market.

3.3 The Sample

The sampling method used for the study was convenience sampling method. The method was considered suitable for the study as there was no list of total registered estate agents. The relevant registration body (i.e. the Estates Agents Registration Board) only seeks to register individuals for practice and not the firms established. The registrar of companies on the other hand did not register the companies under nature of work and so a comprehensive list of current companies could not be established.

A sample size of 45 was considered.

3.4 Data Collection

The data was collected by the use of a structured questionnaire. The questionnaire has both close and open-ended questions. The questionnaire was divided into three parts. The first part sought to gather data on the demographic aspects of the company, while the second part aimed to establish the state of industry competition and the strategies employed by the companies to gain competitive advantage in the industry. The third part dealt with the challenges encountered by firms in the industry. Drop and pick later approach was used to administer the questions, which were given to owners or managers of the firms.

3.5 Data Analysis

The study is descriptive in nature and therefore descriptive statistics were used to analyse the data. These included frequency and percentages to analyse the main environmental changes within the industry, the strategies by used by firms and reasons for their use. The Statistical Package for Social Sciences (SPSS) was used to analyse responses to strategic options by firms, secured from the 5-point likert scale. Factor analysis, a mathematical model was used to identify the individual aspects of strategy and the main challenges encountered by firms.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter seeks to analyse the data that was obtained from the questionnaires that were handed out. The subject of our research was 45 firms to which the questionnaires were personally delivered, receiving responses from 39 firms.

The data in the study was summarized and presented in the form of percentages, tables, charts and other descriptive statistics such as mean and mode. Factor analysis was also carried out in order to determine the most influential factors in competitive strategy formulation.

The research findings of the study are presented in the following pages.

4.1.1 Years of operation

The number of years the realtors have been operating in the industry is important for purposes of establishing the growth trends in the industry.

Table 1: No. of years that the firm has been in operation

Years of operation	Frequency/No of firms	Percentage
1 – 5	12	31%
6 – 10	9	23%
11-15	9	23%
16- 20	6	15%
20 and above	3	8%
TOTAL	39	100%

Summary data on the number of years that the firms have been in operation as seen in Table 1 shows that the industry is a fast growing one with more than half the firms (54% of the respondents) having been established within the last 10 years. Firms above 20 years represented the minority population at 8% of the total respondents. This could be attributed to the fact that the industry has witnessed a massive breaking up of old and previously large companies to form new smaller ones.

4.1.2 Branch Network

The number of branch outlets set up by a firm is often an indicator of the market potential in any given industry or of the operation scope of the firms.

Table 2: firms with branches

No. of branches	Frequency	Percentage
0	27	69
1	12	31%
TOTAL	39	100%

The findings on Table 2 above indicate that 27 respondents (69% of the population) did not have any branches elsewhere. Some of the respondents (31%) who indicated to having branches had them in various parts of Nairobi, and a few others in the other major towns of Kenya mainly Mombasa, Nakuru, Kisumu and Eldoret. This may be attributed to the fact that among the towns Nairobi represents a larger established property market which can profitably sustain the industry in Kenya. Other towns have small-scale markets which are not very profitable and thus may not be considered worth investing in, or whose markets are dominated by single players in the industry and thus hard to penetrate.

4.2 Strategy Formulation And The Competitive Environment

4.2.1 Preparation of Vision and Mission statements

Formulating a company's vision and mission statements are integral components and tasks of strategic management. A company shapes its strategic posture by stating its aspirations and determining its basic goals and philosophies that will shape its strategic posture (Pearce & Robinson, 1997).

Table 3: Vision Statement

Response	Frequency	Percentage
Yes	18	46%
No	12	31%
None	9	23%
TOTAL	39	100%

A strategic vision is the management's view of the kind of company it is trying to create and the kind of business position it wants to stake out in the years to come. Table 3 presents the findings which indicated a low response rate at 46% for the companies with a vision statement. 31% of the respondents indicated that they do not have a vision statement while 23% did not choose either of the options. According to Macmillan (2000), managers however can not succeed without first having drawn sound conclusions about where the enterprise needs to head, the changes in business makeup that are called for, and the organisational capabilities that will enable it to compete successfully.

Table 4 Mission statements

Response	Frequency	Percentage
Yes	30	77%
No	6	15%
None	3	8%
TOTAL	39	100%

From the research findings in Table 4, 77% of the respondents had formulated mission statements for their firms, 15% had none while 8% did not respond to either

choice. For many, a company's mission is a key vehicle for communicating strategy, and thus the high percentage of respondents with mission statements is evidence that most companies have strategic plans and goals.

4.2.2 Formality in strategy formulation

Strategy formulation activities enhance the firms ability to prevent problems.

Table 5: Formality in strategy formulation

Response	Frequency	Percentage
Yes	30	77%
No	9	23%
TOTAL	39	100%

Formality of strategic management systems, that is the degree to which participants, responsibilities, authority and direction in decision making are specified, varies widely among companies and is subject to factors such as size of the firm and the age of the firm. Table 5 shows that 77% of the respondents indicated formality in strategy formulation while 23% formulated strategy informally. Greater formality is generally associated with cost reductions, comprehensiveness, accuracy and success in planning.

4.2.3 Extent of response to changes in the environment

The essence of formulating competitive strategy is to relate a company to its environment (Porter, 1985). Table 6 below shows the responses by firms to the external environment. A firm that responds to changes in the environment will thus be able to formulate appropriate strategies that will enable the firm to survive environmental threats and take advantage of any opportunities forthcoming.

Table 6: level of response to environmental changes

Extent of response	Frequency	Percentage
Very great extent	6	15%
Great extent	18	46%
Some extent	15	39%
Little extent	0	0
To no extent at all	0	0
TOTAL	39	100%

The research findings showed that all the firms exhibited a certain level of response to environmental changes. 6 of the respondents which represents 15% of the firms indicated that they responded to change to a very great extent, 46 % to a great extent and 39 % only to some extent. The firms are therefore in a position to shape their strategies in response to the environmental changes.

4.2.4 Owners views on whether they had changed their way of competition

Table 7: owners views on change of competing strategies

Response	Frequency	Percentage
Yes	36	92%
No	3	8%
TOTAL	39	100%

The research findings on whether the firms had change their ways of competition in relation to the changes in the environment indicated a very high response rate of 92% (36 respondents) with only 3% stating that they had not changed their way of competing.

These findings tally with those above in table 6 that indicated that all the firms exhibited some level of response to the environment. The state and nature of competition in firms is mainly based on the environment. The real estate industry in Kenya has witnessed many changes that have ranged from it being a previously small industrial sector to a now established industrial sector. New opportunities for firms in the industry have come up and new challenges too that have to be countered. Only those firms that are constantly reviewing their strategies will survive in the long term.

4.2.5 Outlet owners views on the state of competition in the industry

Competition is considered at the core of success or failure of firms. Competition determines the appropriateness of firms activities that can contribute to its performance such as the choice of a competitive strategy that will enable the search for a favourable competitive position (Pearce & Robinson, 1997). The research sought to find out the owners views on the state of competition and the findings are analysed in the Table 8 below.

Table 8: state of competition in the industry

State of competition	Frequency	Percentage
Very stiff	27	69%
Stiff	9	23%
Fairly stiff	3	8%
Not stiff	0	0
Not sure	0	0
TOTAL	39	100%

From the table, a large percentage of the population, 27 of the respondents (69%) claimed that competition was very stiff while 23 % indicated that competition was stiff. Most of the larger firms (i.e. those with 30 employees and who are fairly old in the industry with more than 15 years existence) indicated that the competition was fairly stiff. These only formed a minority 8% of the population.

4.3 Generic Strategies Adopted

The centerpiece of a firm's strategic plan should be its generic strategy given the pivotal role of competitive advantage in superior performance (Porter, 1985). Companies thus pursue competitive strategies to gain a competitive advantage that allows them to outperform its rivals. Analysis of the strategies was first broadly done in terms of the competitive advantage which is the type of competitive advantage in terms of cost leadership and differentiation and the competitive scope, whether it is broad or narrow. The individual strategies will later be identified in subsequent pages.

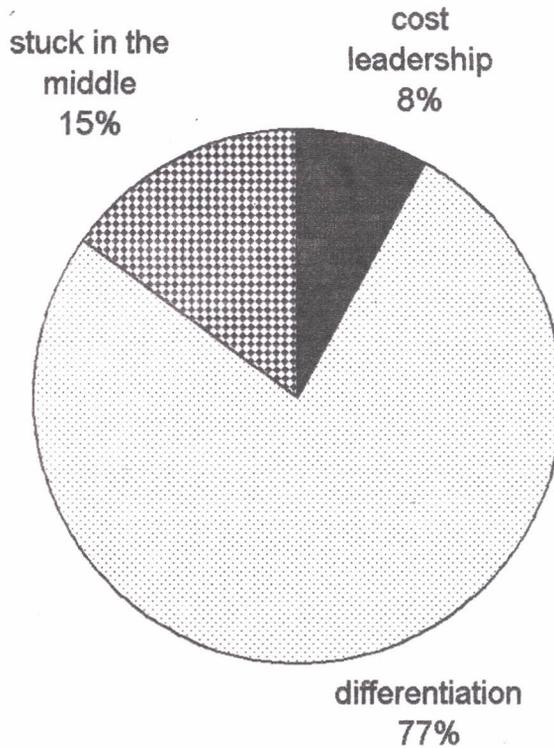
4.3.1 Type of competitive advantage

There are two basic types of competitive advantage which are low cost and differentiation. The study sought to identify the types of competitive advantage used and the research findings are illustrated in table 9 below and further illustrated in figure 4.

Table 9: Basis of competitive advantage

Competitive advantage	Frequency	Percentage
Cost	3	8%
Differentiation	30	77%
Stuck in the middle	6	15%
TOTAL	39	100%

Figure 4 competitive advantage



The findings from Table 9 indicate that differentiation strategy was the most popular as a basis of competitive advantage with a response rate of 77%. Cost leadership, a strategy that is based on being a low cost producer and hence a low cost provider gathered a minority 8% and was the least preferred basis of achieving competitive advantage. 15 % of the firms were stuck in the middle and preferred to use both aspects of achieving competitive advantage through differentiation and being a low cost provider.

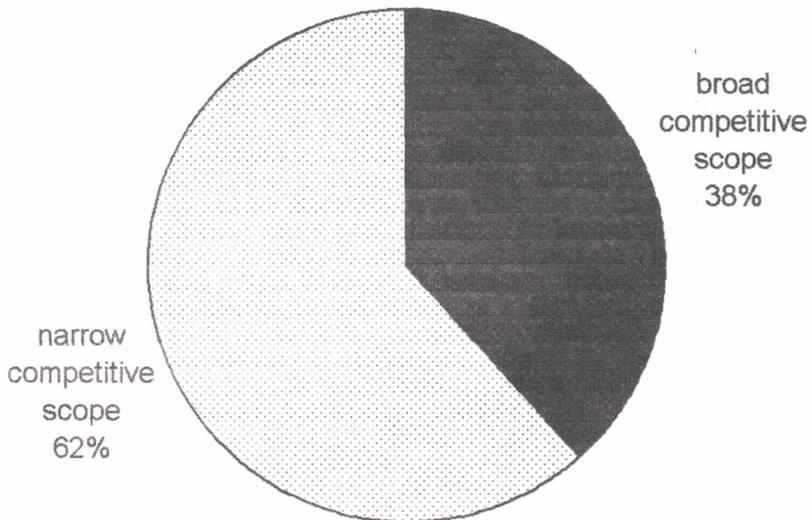
4.3.2 Competitive scope

This is also known as focus strategy. It is about identifying the particular customer segment or geographical market and coming up with products for that market. A firm can then pursue the type of competitive advantage it seeks to obtain. The scope of competition maybe broad or narrow. The findings on choice of the competitive scope are shown below.

Table 11: Competitive scope

Competitive scope	Frequency	Percentage
Broad	15	38%
Narrow	24	62%
Total	39	100%

Figure 5: competitive scope



From the table above, the results of the study show a greater preference for a narrow scope among the firms at 62% of the sample. 38% preferred to compete on a broad market scale. The competitive scope scale for the real estate firms is mainly based on the residential property category classified as low income, middle to high-income residential properties. A broad scale caters for the entire market while a narrow scale will involve specialization in either of the categories mainly the low income residential or middle to high-income properties.

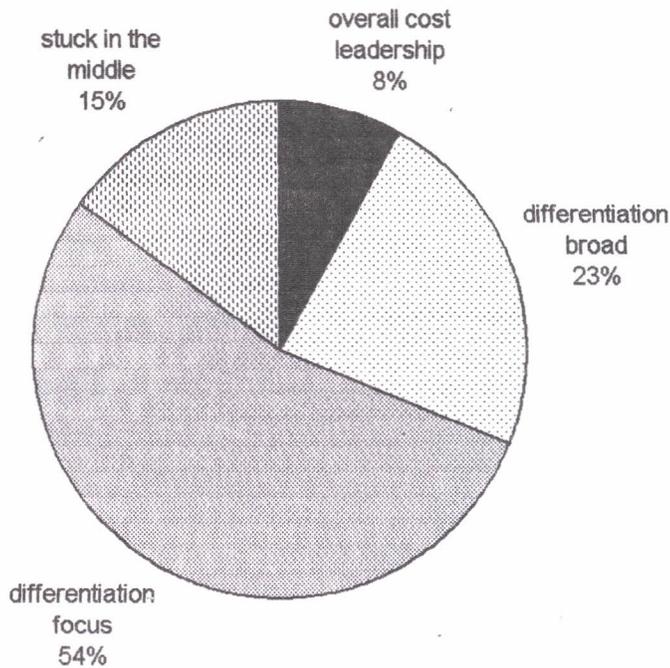
4.3.3 Choice of generic strategy

The two basic types of competitive advantage (i.e. low cost and differentiation) combined with the scope which a firm seeks to achieve the advantage leads to the three generic strategies for achieving above average performance in the industry. Focus strategy has two variants of cost focus and differentiation focus. A firm that is not pursuing any particular strategy but is choosing various between various aspects of the different strategies is stuck in the middle.

Table 11: choice of generic strategies

Strategy	Frequency	Percentage
Overall Cost leadership	3	8%
Differentiation	9	23%
Cost focus	0	0
Differentiation focus	21	54%
Stuck in the middle	6	15%
TOTAL	39	100%

Figure 6



The findings of the research as seen in figure 6 above and table 11 indicate that the most preferred strategy by real estate firms is Differentiation focus which had 21 respondents (54% of the sample) representing more than half the sample. Differentiation (broad) strategy with 23% respondents was the second best alternative. Differentiation that is broad caters for the entire market through creation of differential advantage. Stuck in the middle and overall cost leadership followed with 15% and 8% alternatively. Cost focus was least popular with no respondents at all.

4.5 Extent Of Use Of Cost Control Strategies And Differentiation Strategies

Table 12 below represent the findings on the emphasis on each of the strategies related to cost leadership. These are summarized in the categories of cost control in advertising and marketing, number of staff employed, office overhead costs, advertising and marketing, and customer service and treatment. To analyse the extent of the specific cost leadership strategies used, the key used in the questionnaire was as follows

Key used	weights assigned	mean score analysis
Not at all	1	1
Very little	2	2
To some extent	3	3
To a great extent	4	4
Very great extent	5	5

To compute the mean, weights (x) were assigned to the frequencies (f) as shown above and the product of these two established ($fXx=fx$). The sum of $fx(\sum fx)$ was divided by the total number of observations (N). The following formula was applied

$$\frac{(\sum fx)}{N}$$

N

A mean score of 5 indicates that the aspect of strategy is used to a great extent while a score of 1 indicates that it is not used at all. Once all mean scores were assigned to specific aspects of strategy, all the strategies were ranked from those with the highest mean scores to those with the lowest scores per category as shown on table 12 and 13.

Table 12: cost controls used in cost leadership strategy

Position	No.	Aspect of Strategy	Mean	Std dev
1	2	Cost control in research and development	4.00	2.8
2	5	Cost control in number of staff employed	3.11	2.33
2	3	Cost control in office overhead costs	3.11	2.10
4	1	Cost control in advertising and marketing	2.80	1.5
5	4	Cost control in customer service & treatment	2	1.8

The nature of the real estate service enables the cost leaders to mainly control costs in research and development and in the number of staff employed. Most firms prefer to employ a small number of employees. Cost control in marketing and advertising and customer service and treatment was however avoided and only used to very little extent. This is attributed to the service nature of the industry and very strict policies on cost control in customer service would destroy customer loyalty

Table 13: extent of cost leadership

Position	No.	Emphasis in aspects of cost leadership strategy	mean	Std dev
1	1	Labour supervision	4.22	2.5
2	2	Organizational structure and responsibilities	4	1.22
3	3	Granting incentives based on cost reduction targets to employees	2.2	1.33

The findings of the study suggest that for most real estate firms cost leadership strategy is based on a very high level of labour supervision and a streamlined organizational structure at a mean of 4.22 and 4 respectively.

Table 14: differentiators and the extent of their use

Position	No.	Differentiation aspect	mean	Std dev
1	5	Use of corporate image of the firm as a selling point	4.6	2.91
2	3	Reputation on quality and service	4.42	2.9
3	1	Strength in marketing capabilities	4.08	1.58
4	2	Rewards on creativity among employees	3.08	1.25
5	4	Amenities to attract highly skilled labour	2.83	0.5

From the study, most of the already established firms used the corporate image of their firms as a selling point. The brand image was mainly based on reputation on quality and service of the firms, and most seek to provide a distinct service that will stand out in the market.

4.4.0 Challenges

In trying to survive and gain competitive advantage, realtors have to contend with very many challenges presented in the industry. The table below shows the extent to which certain issues are a challenge to real estate firms. The scale used was as follows. 1 not at all 2 to a great extent 3 to some extent 4 very little 5 Not at all

Table 15

Position	No	Challenges	Mean	Std dev
1	3	Level of inflation and interest rate	4.76	2
2	2	Level of disposable income for investments	4.08	1.85
2	14	Competition from unregistered practioners	4.08	1.92
4	11	Increase in new competition	3.96	0.46
5	7	Government policy on land and property taxation	3.94	1.70
6	5	Increase in concerns on residential location	3.92	1.85
7	4	Change in consumer tastes and lifestyles	3.38	0.85
7	9	Preference for liquid investments such as shares	3.38	0.85
9	12	Preference for in-house property management	3.30	1.23
10	10	Increased marketing concerns	3.28	0.92
11	13	Undercutting of agency fees	3.23	1.15
11	8	Political interference	3.23	0.85
13	1	Credit availability	3.13	1.69
14	6	Government regulations on operations	2.92	1.85
15	15	Reduction in prime property supply	2.69	0.69
15	16	Negative publicity of the practice	2.69	1.38
17	17	Lack (high cost) of labour supply	2	1.92

To analyze this challenges, the key used in the questionnaire was used as follows

Key used	weights assigned	mean score analysis
1 not at all	1	1
2 very little	2	2
3 to some extent	3	3
4 to a great extent	4	4
5 very great extent	5	5

To compute the mean, weights (x) were assigned to the frequencies (f) as shown above and the product of these two established ($fXx=fx$). The sum of fx was divided by the total number of respondents (N) . The following formula was then applied:

$$\frac{\sum fx}{N}$$

N

A mean score of 5 indicates that the identified issue was a very great challenge while a score of 1 indicates that the issue was not a challenge at all.

Based on calculated mean scores, the top five challenges affecting the performance of firms in the industry were identified as

1. Level of inflation and interest rates
2. Level of disposable income available for investment
3. Competition from unregistered practitioners

4. Increase in residential location concerns
5. Government policy on land and property respectively.

The least rated issue of concern were lack or the high cost of skilled labour, decrease in prime residential properties, negative publicity of the practice and reduction in prime property supply.

CHAPTER FIVE

5.0 SUMMARY, DISCUSSIONS AND CONCLUSIONS

The aim of this study was to shed more light on the competitive strategies adopted by real estate firms by establishing the specific generic strategies given by Porter that are used by firms in the industry. It also sought to establish the challenges encountered by the firms in the course of their operations in the industry that have a bearing on their competitive position. This chapter contains a summary of the results of the study.

5.1.0 Summary, Discussions And Conclusions

The real estate industry has witnessed an increase in the number of players in the industry that has led to intense competition amongst the firms. The increase in the number of firms can be attributed mainly to the subsequent increase in residential properties due to increased population caused especially by the rural to urban migration in search of employment. Many firms were established to cater for the increased market size that may not have been sufficiently covered by the existing firms. Increased professionalism in matters of property management especially in relation to portfolio management has also led to many investors and property owners handing over the management of their properties to realtors. Low capital requirement for entry has made the industry an attractive business opportunity to the many new players.

5.1.1 Generic Strategies Adopted

From the findings of the study, it was identified that the most popular type of competitive advantage was on the basis of differentiation at 77 % of the respondents unlike that of cost leadership. The service nature of the real estate industry leads to competition mainly based on giving a unique and distinct service over what others are providing. In doing this, differentiators such as quality and service, and corporate image of the firms rank highest on the most commonly used differentiation aspects by firms. Most of the firms also aim at greatly intensifying their marketing activities in order to build up on their image.

Cost leadership at 8% was a less popular type of competitive advantage among the firms. Cost leadership essentially makes the firm the lowest cost producer and hence also a low cost provider. In the real estate market, very low cost services are mainly associated with poor quality service especially among the higher income residential markets. This dissuades most of the firms from the use of this strategy.

The scope of operations used to gain competitive advantage that was most popular was a narrow focus with a percentage of 62% of the sample. The firms targeted particular sectors of the market. Among the registered firms for which was the case study group, the most preferred target group is the middle to high-income residential properties. This may be attributed to the fact that higher income properties are more profitable in terms of the commissions derived from rents and letting deals. In the industry, the higher the rents, the higher the returns since the commissions on operations are pegged

on the amounts of rents. Ease of operations in terms of prompt rental payments due to the higher social status of the residents and proper maintenance of the properties by such tenants make this target group very attractive. Only a small number of the sample sought to target a broad market since the association with both extreme ends of the market makes the firms lose out on their corporate image that is very important to the higher income group. A narrow focus on the other hand improves specialization and hence performance that will have a positive influence to the firm.

Overall the choice of the specific strategies derived from the choice of competitive advantage and the scope of operations puts the differentiation focus as most popular strategy with 54% of the respondents. This is due to the benefits that accrue from differentiation and focus as discussed above for firms in the industry. Broad differentiation was sought out as the second best strategy option at 23% of the sample. These firms preferred to spread out their risks and achieve the benefits from both sectors of the market. The benefits of this diversification is that while the high income properties achieve high profitability, their huge profits come in very slowly after long periods of time. Low-income properties on the other hand present fast moving products in terms of property sales and lettings due to the capital required for such transactions by the clients. In the process, the firms are able to make constant monies to keep them in business.

Overall cost leadership was a much less preferred strategy with a response rate of 8% . This may be attributed to the fact that this strategy requires firms to be low cost

providers while serving both segments of the market. Due to the different perception of both segments in relation to cost of service, the higher income market will be marginalized and the firm will in the long run cater for only the lower income markets.

Some of the firms were stuck in the middle aiming to be low cost producers and tap the profits accrued from low overhead costs while at the same time trying to achieve the advantages of differentiation through unique service provision. These represented 15% of the respondents. According to Porter (1985), such firms will compete at a disadvantage because the cost leaders, differentiators and focusers will be better positioned to compete in the segment. Such firms will therefore be guaranteed to low profitability in the future.

5.1.2 Challenges Encountered

The challenges greatly experienced by the respondents were identified to be mainly the level of inflation and interest rates which could be related to the level of income available for investment. The real property industry as with most industries requires a vibrant economic condition for growth. When the level of inflation and interest rates is too high, investors will not borrow money to invest in real estate to directly increase the supply of dwellings. A low level of disposable income among the population leads to a poor rent payment record amongst the tenants. This complicates the realtors problems in relation to landlords. Many of the prime residential properties that would have been le also remain idle at such times since people opt for cheaper housing which translates to reduced profits for agents.

Competition from unregistered practitioners was also a great issue of concern as such firms professional conduct is not regulated by the registration board and hence escape liability for unethical conducts. Such firms engage in unhealthy undercutting of prices for the other firms whose overhead costs are high and thus maybe pushed out of business.

5.2.0 Limitations Of The Study

A major limitation to the study was that a comprehensive list of current practicing firms could not be obtained in order to establish the appropriate sample. The estate agents registration board only registers individuals for the practice and this could not form our population since as many as four registered members could be practicing in one firm, or already registered members would have wound up. An attempt to establish the total number of estate agents registered from the companies registration list was not fruitful as the company record was not listed in terms of nature of business but by their names and thus hard to establish those that were estate agents.

The technicality of the study was also an issue of concern as expressed by the respondents. Most of them were not familiar with general business issues relating to strategy and its formulation and extra time had to be taken to explain and interpret the questionnaires.

5.3.0 Recommendations For Further Studies

I recommend that a fully-fledged study on the industry analysis of the real estate industry based on Porter's five forces model be done. The outcomes of this study would shed some light on the real estate industry for which current literature in relation to the specific Kenyan market operations is very little. A study on the performance of the industry in Kenya would also be very suitable in providing literature and more so as a market indicator for investors willing to put their money in the industry.

5.4.0 Implications For Policy And Practice

The government through the respective registration boards of estate agents, should seek to register firms operating in the industry and not only the individuals. This would be a good basis for studies and also for proper regulation of the market should need arise.

The practice of estate agents should be properly regulated by the government. Despite various recommendations on conduct especially of unregistered members, blackmarket operations in relation to property dealings continue to be on the increase. The government should strict policies on the operations and conduct of individuals within the profession.

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APPENDIX 1

LETTER OF INTRODUCTION

July 2002

Dear respondent

MBA RESEARCH PROJECT

This questionnaire I designed to gather information on the competitive strategies, the perspective of Porter's generic model adopted by firms in the real estate industry. This study is being carried out for a management project paper as a requirement in partial fulfillment of the degree of Masters in Business Administration, university of Nairobi.

Your responses will be treated in strict confidence and in no instance will your name be mentioned in the report.

Your cooperation will be highly appreciated.

Yours faithfully

KARANJA PHYLLIS W
MBA STUDENT

DR. OGUTU
PROJECT SUPERVISOR

APPENDIX 2

LIST OF VARIABLES CONSIDERED IN THE FACTOR ANALYSIS

- S1 Credit availability
- S2 level of disposable income for investments
- S3 level of inflation and interest rate
- S4 change in consumer tastes and lifestyles
- S5 increase in residential concerns on location
- S6 government regulations on operations
- S7 government policy on land and property taxation
- S8 political interference
- S9 preference for liquid investments such as shares
- S10 increased marketing concerns
- S11 increase in new competition
- S12 preference for in-house property management
- S13 undercutting of fees by agents
- S14 competition from unregistered practitioners
- S15 reduction in prime property supply
- S16 negative publicity of the practice
- S17 lack (high cost) of labour

APPENDIX 3

QUESTIONNAIRE

DEMOGRAPHICS

1. How many years have you been in operation in the Kenyan market?

_____ Years

2. a) Do you have any other branches? (Tick where appropriate)

Yes [] No []

b) If yes, please give the actual number and their location

No. of branches _____ Where found _____

3. a) Please indicate the number of employees you currently have?

_____ Employees

b) How many employees did you have when you started operating?

_____ Employees

4. Does your organization have the following?

Vision statement Yes [] No []

Mission Yes [] No []

5. Which of the following describes your process of strategy formulation?

Formal i.e. through meetings and elaborate documentation

Informal i.e. the responsibility of some individual and no elaborate documentation- not necessarily involving meetings

5. To what extent does your organization respond to changes in the environment?

To a very great extent To a great extent

To some extent To a little extent

To no extent at all

6. Would you say you have changed the way you compete in the real estate industry?

Yes No

7. How would you rate the state of competition in the real estate industry?

Very stiff stiff fairly stiff

not stiff not sure

8. Please tick the approach that is commonly used in your firms operations

Targeting a particular residential class of customers

Dealing with the entire residential class of customers

9. Whatever industry a firm is in, there are several competitors. On which of the following do you base your competition on? (Please tick where appropriate)

a Charging fair prices that are slightly lower than what your competitors charge

b Providing a differentiated service that is very different from what others have

c You are not very particular about any of the two above

If your answer to the above question is a, go to question 11 and 12 and skip 13. If your choice was b, go to question 13. If c, answer all the questions.

10. (For answer a, in No. 10 above) To what extent do you undertake cost controls in the following areas of your business? Use the following scale 1= not at all 2=very little 3= to some extent 4=to a great extent 5 =very great extent

Advertising

Research and development

Overhead office costs (eg rent)

Customer service and treatment

Number of staff employed

11. How would you rate your organization on the following aspects? Use the scale

1= extremely low

2=low

3=medium

4=high

5=extremely high

labour supervision

Emphasis on organization structure and responsibilities

Granting incentives to employees who meet cost reduction targets

12. To what extent does your organization lay emphasis on the following issues? Tick where appropriate in a scale of

1=not at all

2=very little

3=to some extent

4=to a great extent

5=very great extent

Strength in marketing capabilities

Rewards on creativity among employees

Reputation on quality and service

Amenities to attract highly skilled labour

Use of corporate image of the firm as a selling point

To be answered by all

13. To what extent have changes in each of the following affected your

business (Please tick where appropriate)

1= Not at all

2= very little

3= To some extent

4= To a great extent

5= Very great extent

Credit availability

Level of disposable income for purposes of investments

Increase in interest and inflation rates

Change in lifestyles of consumers

Increase in consumer concerns on location

Government regulations on operations as an estate manager

Government policy on land and property taxation

political interference on land and landed properties

Investors' preference to liquid investments (shares)

Marketing concerns

Increase in new competition

Preference for individual property management by owners

Undercutting of management fees by agents

Competition from unregistered practitioners

Reduction in prime property supply

Negative publicity (agents seen as common by the public)

Lack or high cost of skilled labour
