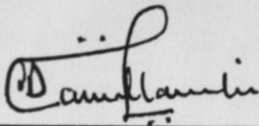




DECLARATION

This Management Survey is my original work and has not been presented for a degree in this University or any other University.

Signed 

Date 15<sup>th</sup> August 2006

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This Management Survey has been submitted for examination with my approval as the University Supervisor.

Signed 

Date 2nd/10/2006

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## DEDICATION

I dedicate this Report to my Family Members especially my Mum, little princess Stephanie and courageous Mathew who missed their Dad during this program's lifetime.

Special thanks go to my MBA Lecturers especially Mr. George Omondi, who kept encouraging me when I almost quit, Mr. Mwalimu for teaching me what Strategy is, Mr. Kamau who kept us all on our toes, Mr. Mutiga for his entertaining Brand Management classes among others.

I also recognize my MBA Classmates particularly Silas, Asipha, Anny, Abo, Karuja, and Dennis who we struggled with at times, Linda and other friends who made my learning time easier but but not forgetting me as my presentation and Cassir Hooda for perfect data analysis.

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It is through this MBA program that I met many friends who I cannot mention by name but who will always remain my friends to you all - a big thank to you all.

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PAGE

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It is through this MBA program that I met many friends who I cannot mention by name but who will always remain my friends to you all - a big thank to you all.

4.0	CHAPTER FOUR: FINDINGS AND DISCUSSIONS	17
4.1	Introduction	17
4.2	Profile of Five Star Hotels	17
4.3	Competitive Strategies of Five Star Hotels in Kenya	18
4.4	Competitive Strategies used by Hotel Managers	31
4.5	Hotel Performance ratios	35
4.6	Performance of the Hotels	36
5.0	CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS	39
5.1	Introduction	39
5.2	Summary, Discussions and Conclusions	39
5.3	Limitations of the Study	39
5.4	Suggested Further Research	40
5.5	Implications of the Study for Policy and Practice	40

## TABLE OF CONTEXT

	PAGE
DECLARATION.....	i
DEDICATION .....	ii
ACKNOWLEDGEMENT .....	iii
LIST OF FIGURES AND TABLES .....	vi
ABSTRACT .....	vii
<b>1.0</b> CHAPTER ONE: INTRODUCTION .....	1
1.1 Background.....	1
1.2 Research Problem .....	4
1.3 Research Objectives.....	5
1.4 Importance of the Study .....	5
1.5 Overview of Proposed Report.....	6
<b>2.0</b> CHAPTER TWO: LITERATURE REVIEW .....	7
2.1 Competition .....	7
2.2 Concept of Competitive Strategies .....	11
2.3 Organizational Performance .....	12
2.4 Competitive Strategies and Performance .....	13
<b>3.0</b> CHAPTER THREE: RESEARCH METHODOLOGY .....	16
3.1 Introduction .....	16
3.2 Research Design .....	16
3.3 Population .....	16
3.4 Data Collection Methods .....	16
3.5 Data Analysis .....	16
<b>4.0</b> CHAPTER FOUR: FINDINGS AND DISCUSSIONS .....	17
4.1 Introduction.....	17
4.2 Profile of Five Star Hotels .....	17
4.3 Competitive Strategies of Five Star Hotels in Kenya .....	18
4.4 Competitive Strategies used by Hotel Managers .....	31
4.5 Hotel Performance rating .....	35
4.6 Performance of the Hotels .....	36
<b>5.0</b> CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS.....	39
5.1 Introduction .....	39
5.2 Summary, Discussions and Conclusions .....	39
5.3 Limitations of the Study .....	39
5.4 Suggested Further Research .....	40
5.5 Implication of the Study for Policy and Practice.....	40

LIST OF FIGURES AND TABLES

REFERENCE ..... 41

APPENDICES ..... 43

Appendix I : Questionnaire Covering Letter ..... 43

Appendix II : Questionnaire ..... 44

Figure 1 : Importance of service quality and service ..... 20

Figure 2 : Importance of Customer and other Companies ..... 21

Figure 3 : Importance of Domestic (resident) visitors to a Hotel ..... 22

Figure 4 : Importance of company of visitors - walk to office ..... 23

Figure 5 : Importance of source market of guests - Europe ..... 24

Figure 6 : Importance of source market of guests - Americas ..... 25

Figure 7 : Importance of source market of guests - Africa ..... 26

Figure 8 : Importance of source market of guests - Korea ..... 27

Figure 9 : Importance of source market of guests - Rest of Africa ..... 28

Figure 10 : Preference of guests - superior rooms ..... 29

Figure 11 : Preference of guests - Good quality food ..... 30

Figure 12 : Preference of guests - recreation facilities ..... 31

Figure 13 : Strategy used to attract guests - Differentiation ..... 32

Figure 14 : Strategy used - Pricing ..... 33

Figure 15 : Strategy for attracting guests - Promotions ..... 34

Figure 16 : Needs used as Benchmarks ..... 35

Figure 17 : Benchmark Hotels ..... 36

Figure 18 : Why Sheraton Hotels are preferred ..... 37

TABLES

Table 1 : Respondents Job Designation ..... 37

Table 2 : Five Star years of Operator ..... 38

Table 3 : Difference in Rooms Usage by Hotels ..... 39

Table 4 : 2/Star Ranking rooms occupancy for July 06 ..... 39

## LIST OF FIGURES AND TABLES

	PAGE
Figure 1 : Five forces of Porters Competitive Advantage .....	9
Figure 2 : Tourists as a factor in the strategy used .....	19
Figure 3 : Importance of Airline crew and lay over .....	20
Figure 4 : Importance of Conference and other Corporates .....	21
Figure 5 : Importance of Domestic (resident) clients as a factor .....	22
Figure 6 : Importance of category of visitors - walk in guests .....	23
Figure 7 : Importance of source market of guests – Europeans .....	24
Figure 8 : Importance of source market of guests – Americans .....	25
Figure 9 : Importance of source market of guests – Asians .....	26
Figure 10 : Importance of source market of guests – Kenyan .....	27
Figure 11 : Importance of source market of guests - Rest of Africa .....	28
Figure 12 : Preference of guests - superior rooms .....	29
Figure 13 : Preference of guests - Good quality food .....	30
Figure 14 : Preference of guests - recreation facilities .....	30
Figure 15 : Strategy used to attract guests - Differentiation .....	31
Figure 16 : Strategy used – Pricing .....	32
Figure 17 : Strategy for attracting guests – focus .....	33
Figure 18 : Hotels rated as Benchmarks .....	34
Figure 19 : Benchmark Hotels .....	37
Figure 20 : Why Benchmark Hotels are preferred .....	38

## TABLES

Table 1 : Respondents Job Designation .....	17
Table 2 : Five Stars years of Operation .....	18
Table 3 : Differentiation Elements Usage by Hotels .....	33
Table 4 : 2 Hotel Ranking, rooms occupancy for July 06 .....	36

## ABSTRACT

Competitive Strategies arise out of the need for an organization to position themselves and exploit opportunities and handle the threats in the environment. Five Star Hotels in Kenya are few in number due to the stringent requirement imposed by the ministry of Tourism and Wild life in their classifications. Indeed all the five star Hotels will therefore have similar qualities and hence it is difficult for them to outshine each other unless they go that extra mile and employ competitive strategies. Until recent period when the hotels in this category have seen a boom in the market due to the upsurge in the tourism market, they previously went through very lean times that led to some either closing shop or being placed under the statutory management due to serious financial problems. This was the period late eighties and in the nineties when the top management in the Hotels had to think of ways of making them enjoy that competitive advantage over the others and be the preferred choice for their guests. It must be emphasized that the regular guest in the five star Hotels is a less price sensitive, highly informed and traveled person who is quality and very sensitive to the service given.

It is with this that competitive strategies were introduced in almost all the five star Hotels. We show the formation of think-tanks, strategy groups, planning committees and this led to retreats and many team building workshops as different players tried very hard to compete for the same market. Some Hotels introduced lower rates only to realize later that the cost advantage was hurting their cash flows hence the need to reinvent the wheel.

Early nineties show the five star hotels recruiting high calibre staff, improving their products and services to the guests as the market became more and more competitive. Outside the five stars were also other players who though not in this category, were able to get into the same market and compete for the same guests. The need for competitive strategies emanated due to the stiff competition and hence the purpose of this survey. One needed to observe the difference in patronage of guests to different Hotels. Some would be fully occupied while others would be empty given them all operating under similar environments. The difference in the performance of the Hotels is closely linked to the competitive strategies used. The survey will show why a particular Hotel is continuously busy while its neighbor is constantly empty. The five forces of competition, Porter M. E , will be used extensively to explain the competition that the five star hotels experience among themselves, threat of new entrants to this market, bargaining power of their suppliers, bargaining power of the customers and the availability of substitute's to the clients in the same market.



## CHAPTER ONE: INTRODUCTION

### 1.1 Background

When one takes a look at the management literature, one finds that strategic planning is not a very new management tool. Its origins can be traced back to the late 1950s and early 1960s. Under conditions of extreme competitive turbulence, the rediscovery of the strategic planning concept is hardly a surprise. (Dierdonck and Caeldries, 1988) In a stable environment, firms can exploit their historical strengths. However, with turbulence, the environment becomes unstable and what used to work may not anymore. To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the corporate turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a corporate distress. Such a situation can easily lead to collapse of a company unless a plan of corporate survival and renewal is devised and successfully executed. The starting point is identification of the root cause or causes of the crisis. Turnaround strategies are used when a business worth resuming goes into corporate crisis, Pearce & Robinson (1997).

One of the most effective tools in Hospitality Industry Marketing is positioning according to Professor Harsha Charko, 1997 of School of Hotels, Restaurants and Tourism Administration, University of New Orleans USA (Asia Pacific Journal of Tourist Research, May 1997 Edition). Positioning evokes image of a Hotel in the customer's mind that differentiate it from the competition as far as satisfaction of their needs and wants is concerned. Boseman and Phatak (1989) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Strategic marketing is crucial to an organization because it takes into consideration fundamental changes in the environment thus making firms proactive rather than reactive (Bett, 1995). Okutoyi (1992) states that strategy has an important role in helping businesses position themselves in an industry. Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition Aaker (1992) also adds that given the current focus in business, there is need to understand competitor strengths in the

market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths.

Image to a Hotel guest is very important. It's that brand image that creates that differentiation and enables a guest to make a choice of preferring this hotel to the other.

### **1.1.1 Competitive Strategies and Performance**

Considering that all the five star Hotels are all rated under the same rating score card, it's then imperative that all meet the basic scales for them to fall under that category failing which they would be down rated to lower classes. Most patrons of the Five Star Hotels are well informed and majority especially from the Tourist Market and the Corporate Sector are well traveled hence they are able to make wide choices regarding their preferred place of stay.

The performance of the Hotels, particularly five stars is measured by the percentage of the rooms occupied, percentage of the guests in house (sleepers) this being the beds occupied since some rooms are doubles or even triples and the food and beverage consumptions at any given time. In Nairobi all the five star Hotels exchange their room occupancy percentage and the average room rate every morning. This information is discussed by the management team of each Hotel in their morning briefing. It's in this that the performance of the Hotel is gauged compared to the others. The average room rate allows the hotels to rate themselves and compare their rates in relation to the rest. Here one is able to see the Hotels that are undercutting the others and in some cases may form an explanation in the occupancy percentages. During the morning briefs, the main groups in each Hotel are highlighted as a norm. The Five Star Hotels in Nairobi have a good trading relationship with each other and are able to get information regarding the activities of the others. Food and beverage consumption is the second main revenue generator in the Hotels and this is driven by volumes sold in relation to the food and beverage costs. Some Hotels may under cut the others by lowering their prices but again this is normally a temporally advantage since most of the guests are not that price sensitive. In this survey, the two main competitive strategies taken to influence the performance are price or cost advantage and differentiation. These two strategies are as per Porter's generic strategies which will be examined in details in the survey. Some of the Hotels will try and under cut the others by lowering their room rates and food and beverage cover charges.

The survey will explain which out of the five stars is using this strategy and the target market for this since it will mainly be focused towards a particular market. If this is the strategy being employed the survey will show the other players who compete with the five star hotels using this strategy and possibility of new entrants into this market particularly the lower rated hotels. If differentiation is the preferred competitive strategy, the survey will expound on the differentiation methods being used by the Hotels who prefer using this strategy. Differentiation will be in the form of product being offered this being rooms, food and beverage, the branding of the Hotels, the loyalty of various guests to a particular hotel, the extra services offered over and above the rooms, food and beverage. This will involve services like meet and greet, pick and drop, personal attention to the guests, other international languages spoken, laundry services, entertainment and those particular aspects that will make a guest prefer this hotel to the other. Quality of the products will also fall under this strategy and the survey will point out the different quality of the products offered by the players in this market. These competitive strategies used will then be based to the resulting performance and the data collected from the three different questionnaires to be used will form a basis of assessing which strategies lead to what performance.

### **1.1.2 Five Star Hotels in Nairobi**

Rating of different Hotels is done by the Ministry of Tourism through a rating body that follows a very detailed and prescribed system where the terms and conditions to be met are well tabulated and circulated way in advance to the Hotel Operators to be assessed. Currently we have One, Two, Three and Five Stars rated hotels in Kenya with Four Star category missing. Any Hotel that feels that their rating was not properly done have a recourse of applying for a second rating through the strong association of Hotel Keepers. The survey will only dwell on the Five Star rated Hotels in Kenya ( appendix I ). Rating is done on a regular basis and at least once in a year. The rating committee has the right to upgrade or down grade a Hotel depending on the conditions and the points scored during their assessment. There are well laid conditions and facilities that the hotel has to meet for rating among them being Rooms – size of the rooms, beds, wash rooms, plan, unsuited or not and the condition like air conditioning, floor status and the location in the hotels.

Food and Beverage – this being the second most important aspect in the Hotel industry second from rooms, issues like Menus available, Restaurants that are presently in operation and their

conditions, Choice of Food and Beverages available, Different cuisines in the Restaurants, The Decor of the Restaurants and general appearances are taken into consideration. Staffing – for five star hotels the staff qualities is important especially the Front Office staff who will welcome, check in and communicate with the guests. They have to have more than one international language in addition to English –i.e. - French, German, and Asian as additional languages spoken and written.

Health Club Facilities – availability of facilities that will make the guests relax and enjoy their stay is important. In all five star rated hotels other facilities like Swimming Pool where the condition like heated or not, size and shape comes in, Gym facilities – where the issue of the type and number of machines and their reliability counts, The training of the Health Club instructors, Saunas and Jacuzzis. Other Facilities – these will be additional facilities that are available in the Hotel that will make the Guests stay more memorable and comfortable like Business Centre – where they can have internet and other communication facilities, Curio Shop – where they can purchase souvenirs, Mini Bars in their Rooms – where they can entertain themselves in their own rooms, Entertainment- resident bands, music facilities, theme nights , Guest Transport – pick and drop facilities available. Though some Hotels that were previously rated as five stars may have been dropped to three stars, they have appealed for reclassification and hence they will also be treated as Five Stars for the purpose of this Survey, Nairobi Safari Club being a good example.

It has been noted that with the globalization of the world markets, the normal traveler has a very wide choice of preference and with the internet facilities; one can easily get access into information so as to make a judgment on where to stay. This is more so with the international traveler who in most cases will be a Tourist or a Company executive attending a meeting in a different country. With this kind of informed traveler then it is apparent that the Hotel, which will be chosen, must have that particular competitive advantage over the others. That is why for example two hotels in Five Star category, within close proximity to each other will have different room occupancy at any particular time.

## 1.2 Research Problem

The stiff competition among the five star Hotels themselves, entry of other players competing for same service, especially the lower rated hotels plus the many guest houses have lead the Five star hotels to institute competitive strategies to guarantee their performance. The

competition has increased with the current Government directives of public related organizations using Government establishments like KICC. Currently there is a cut throat competition which has seen some Hotels being placed under receivership and it is only with competitive strategies being put in place that will guarantee the acceptable performance of the five star Hotels.

The research problem being what competitive strategies the five star hotels are using to improve performance among themselves and the other players in general. The final performance of the Hotel will be measured in the share holder's wealth maximization and this will simply be taken as the net operating profits of the Hotel before the finance costs and other non operating costs. With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers wants by continuously scanning the environment and delivering the greatest value to customers.

Powell's study on Strategic planning as a competitive advantage in the furniture and apparel industry in the United States is one of the comprehensive published research, which evaluated the planning-performance relationship from a resource perspective (Powell, 1992). With the fierce competition in the Hotel Industry, the study aims to provide information on the strategic plans that different Hotels are putting in place to be competitive. With the entry of new players in this market, the survey will show that for a Hotel to be the preferred choice by a particular customer it must have a distinct advantage over its competitor.

### **1.3 Research Objectives.**

The Research Objectives is in two folds:

- i) To determine the competitive strategies used by five star Hotels in Kenya.
- ii) To establish the relationship between the strategies used and the performance achieved.

### **1.4 Importance of the Study**

This study will be of value to the Hotel Management as a reference point for strategy being put in place, both present and future, that will ensure their Hotel preference over the others and will clearly show justification why different competitive strategies have been put in place. It will also be of value to management practitioners and consultants as it will provide a corporate lesson of the strategies to be employed and those that need to be discarded and the relative importance of each. The students of strategic management will learn from the study how to

apply strategy in a context of increased competition and a fast changing environment. The academia will gain insights into strategic responses of firms facing competition and a changing environment as well as a foundation for further research. Lastly to the potential investors who will have in mind what strategies they need to put in place as they prepare to open up Five Star Hotels in Nairobi.

### **1.5 Overview of Proposed Report**

The final report will be clearly indexed with all the topics shown on the table of content. All the citations will be referenced as to the authors and source document where necessary. The report will be bound and will be made available as unpublished MBA Research work at the University Library.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Competition

One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage, according to Johnson and Scholes (1997), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

Firms respond to competition in different ways. Some may opt to product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors. Porter (1980) postulates that the essence of strategy formulation is coping with competition.

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. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for.

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive

advantage. Porter (1980) outlines the three approaches to competitive strategy these being Striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly Seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and lastly Focus on a narrow portion of the market, i.e. focus or niche strategy the study being based on the competitive strategies being used to cope with the stiff competition, Porter's five force analysis will be used to show how the Hotels are facing the competition from different sources.

**Threat of New Entrants:** at first glance, one might think the airline industry is pretty tough to break into, but don't be fooled. You'll need to look at whether or not there are substantial costs to access bank loans and credit. If borrowing is cheap, then the likelihood of more airliners entering the industry is higher. The more new airlines that enter the market, the more saturated it becomes for everyone. Brand name and frequent flier point also play a role in the Airline industry. An airline with a strong brand name and incentives can usually be enough to lure a customer, even if their prices are higher.

**Power of Suppliers:** the airline supply business is mainly dominated by Boeing and Airbus. For this reason, there isn't a lot of cutthroat competition among suppliers. Also, the likelihood of a supplier integrating vertically isn't very likely. In other words, you probably will not see the suppliers starting to offer flight service in addition building planes.

**Power of Buyers:** the bargaining power of buyers in the airline industry is quite low. Obviously there are high costs of switching airplanes, but also take a look at the ability to compete on service. Ask yourself if the seat in one airline is more comfortable than another? Probably not unless you are analyzing a luxury liner like the Concorde Jet.

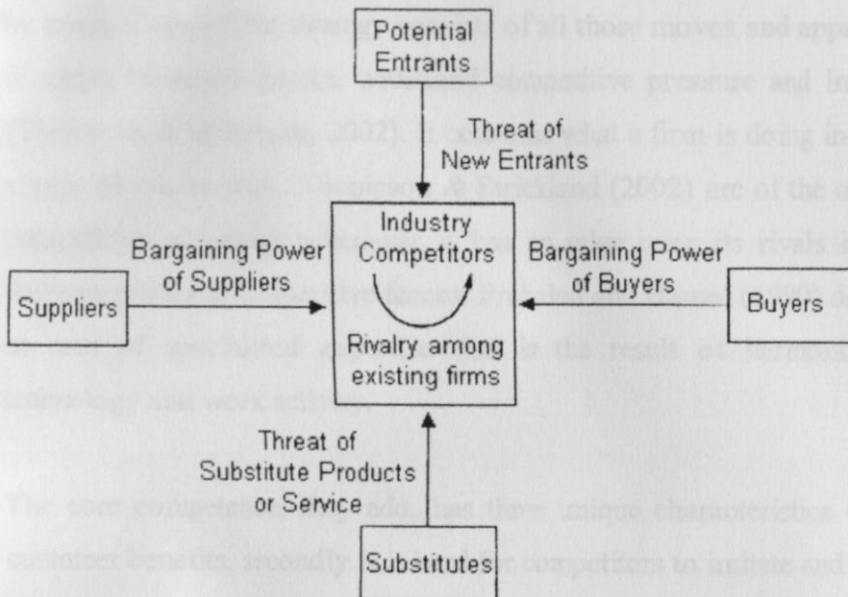
**Availability of Substitutes:** What is the likelihood that someone will drive or take a train to their destination? For regional airlines the threat might be a little higher than international carriers. When determining this you should consider time, money, personal preference, and convenience in the air travel industry.

**Competitive Rivalry:** highly competitive industries generally earn low returns because the cost of competition is high. This can spell disaster when times get tough in the economy. This is



normally high where many firms or players are present in the same industry and also where the players are strong.

**Figure 1 : Five Forces of Poters Competitive Advantage**



Source Porter, M E 1980 down load from website, [www.porterme.com](http://www.porterme.com)

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 one 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. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Thompson & Strickland, (2002) argue that competitive advantage enjoyed by a firm has a three stage life cycle consisting of: Build up period where strategic moves are successful

in producing competitive advantage. Benefit period where fruits of competitive advantage are enjoyed. A long benefit period gives the firm sufficient time to earn above average profits and recoup on investments made to create the advantages. Erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attacks by rivals. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Thompson & Strickland (2002) are of the opinion that a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. 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.

The core competence, they add, has three unique characteristics one It increases perceived customer benefits, secondly It is hard for competitors to imitate and lastly It provides access to a wide variety of markets. According to Thompson & Strickland, (2002) a competitive advantage has a three stage life cycle build up period; strategic moves are successful in producing competitive advantage, benefit period; fruits of competitive advantage are enjoyed and the firm earns profits and recoups on investments made to create the advantages, erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attacks by rivals.

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Porter, (1990), has hypothesized, why some nations were more competitive than others. As well as being able to successfully maneuver through the environment, he identified that the foundation of success lay in the "diamond" of "home" advantage. To successfully launch an international challenge he identified four "home" prerequisites. These are Maximum use of endowed resources (natural and human), forming of domestic networks to fully exploit these resources, Domestic demand, an industry and environmental structure in order that these forces can thrive

In Porter's analysis, industry competitors can be "threatened" by new or potential entrants and substitutes. In systems, barriers to new entrants can exist, as well as barriers to international competitiveness. These barriers can be related to technical characteristics of commodities,

perishability, bulkiness; production characteristics, economies of scale, and laws; rules and standards. In industrial products, many factors go into making up the competitive advantage of a supplier. These factors are primarily related to: size and patterns of food demand (shaped by incomes, tastes, technological developments etc.), microeconomics and sector policies (rate of inflation, investment policies, natural resources and human capital endowments, physical and social infrastructure and micro-marketing relationship).

## 2.2 Concept of Competitive Strategies

A strategy is simply a plan. It is an executable plan of action that describes how an organization will achieve a stated mission. Organizations often formulate company strategies, product and service strategies, and strategies that drive operational, support and managerial processes. Competitive strategy concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlines three approaches to competitive strategy which lead to the Porters generic strategies model deals with Low cost leadership strategy; firm strives to be the overall low cost producer, Differentiation strategy; firm seeks to differentiate its product offering from that of its rivals and Focus strategy; firm focuses on a narrow portion of the market. Strategic management can be simply defined as the management of the process of strategic decision-making. It requires acquiring a proactive mindset that concentrates on; where the firm is now, where the firm wants to go and how to get there. This involves carefully defining what business positions to stake out, financial and strategic outcomes to achieve.

A good company strategy has to have at least four components: Scope -it has to define companies and business i.e. the present and planned interactions of the company with its environment, Competence-this is an indication of the level and patterns of the company's. Competitive advantage-the unique position a company will develop vis-à-vis its competitors through its resource deployments and scope decisions, Synergy the joint effects that are sought from the company's resources deployment and the company scope decisions. It is paramount that a company has to achieve a fit with its environment for it to succeed.

Strategy is a multi-dimensional concept and various authors have defined Strategy in different ways. Many definitions not only attempt to define what a strategy is, but also contain information regarding how a strategy is created and what it is expected to achieve.

Kenichi Ohmae, in his article titled "Getting Back to Strategy", (1998), states that strategy means "working hard to understand a customer's inherent needs and then rethinking what a

category of product is all about". It is the match between an organization's resources and skills and the environmental opportunities and risks it faces, and the purpose it wishes to accomplish. (Hofer & Schendel, 1979).

It consists of competitive moves and business approaches to produce successful performance. It is the management's "game plan" for running the business, strengthening the firm's competitive position, satisfying customers and achieving performance targets. Strategy is all about combining activities into a reinforcing system that creates a dynamic fit with the environment. (Markides, 1999). This reinforcing system creates the requisite fit between what the firm needs and what its activities are. Porter, 1996 has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing; involving a set of activities that nearly fit together and is consistent.

Strategy is useful in helping managers tackle the daily problems that face Organizations and thus ensure survival. It is a tool that offers significant help for coping with turbulence confronting many firms. (Aosa, 1998). Historically, hundreds of strategists and organizations have used many different approaches to strategy formulation to achieve a variety of strategic objectives. As a result, organizations, consultants and academicians have, over time, given the concept of strategy literally hundreds of different situation specific definitions. These definitions may be appropriate given the specific situation, but rarely does one definition fit all of them. To overcome the confusion created by this phenomenon, it is important to draw a clear distinction between a strategy, the process by which a strategy is created and its expected results.

### **2.3 Organizational Performance**

Performance of the hotels under study will be measured using the following criteria, first the Room Occupancy percentage – showing the rooms occupied against the available rooms in the Hotel, secondly by The food and beverage covers sold within a specified time period and lastly Other minor operating departments under this being the Health Clubs, Business Centre, Curio Shop sales. The resulting revenue generated and the costs associated will be used as the main measure of the performance. The survey will show how the performance of the Five Star Hotels is affected by the competitive strategies used.

## 2.4 Competitive Strategies and Performance

This being the link between the competitive strategies used to the performance achieved, it's evidenced that strategy is game plan that creates a match between a firms capabilities and the environment. It is an action plan that a firm takes in order to achieve a set of goals aimed at responding to changes in the environment. Strategy guides firms to superior performance through establishing competitive advantage in this process companies consider alternative courses of action and choose a set of strategies for their business units. Firms employ strategy in a dynamic environment in order to adapt to new realities such as increased competition.

All organizations are faced with the challenge of managing strategy. Strategic issues are by nature future oriented, affecting the firm's long term prospects and therefore having enduring effects (Migude 2002). In a turbulent environment, a firm will succeed only if it takes a proactive anticipatory strategic approach.

It is worth noting that strategic issues need to be considered within the context of the organization. Different organizations are likely to emphasize on different aspects of strategy because their contexts and environments differ. For some, according to Johnson and Scholes (2002) it is competitive strategy, for others, it is understanding their competencies while others stress on creating strategic fit. Others talk of innovation. Strategic responses grow out of a firm's assessment of its current situation. Pearce and Robinson (2002) intimate that such decisions have broad implications and need power to authorize the necessary resource allocations. Strategic responses are therefore the choices that firms make in an attempt to address the key issues that arise from internal and external analysis of the firm and its business environment.

Strategic management also relates to decisions that relate the organization to its environment, guide internal activities and determine organizational long-term performance. (Stahl & Grisby, 1997). 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.

Porter (1980) summarized the value of strategic management. Firstly, an organization's strategy provides the central purpose and direction (vision, mission and objective) to the

activities of the organization, to the people who work in it, and often to the world outside. The company is able to perform current activities whilst at the same time viewing them in terms of their long-term implications. Secondly, strategic management enables organizations to adapt under conditions of externally imposed stress or crisis because of the changing environment. Organizations can and do often create their environment, besides reacting to it by focusing on strategic issues. The third value is that strategic management helps companies develop sustainable competitive advantage. In developing strategy, organizations carry out an analysis of their external and internal environment and see where they can perform their competitor and vice-versa. This enables the company to outperform competition. The goal is to help secure a competitive advantage over rivals. Fourth, that strategic management is important for the management of the organizations boundaries interface. This sustained the legitimacy of the organization and enhances the quality of its relationship with the outside environment (effective / futuristic orientation). Lastly, strategic management helps organizations to be more focused in their efforts effective in resource allocation and key success factors. It helps to cultivate a culture of forward thinking and therefore creating a culture of learning organizations.

The basic task of strategic management is thinking through the overall mission; that is thinking about the firm's long-term direction, strong identity, deciding WHO we are, WHAT we do and WHERE we are headed. Formal strategic management seems to have its beginning in the 1950's in the United States of America, through writers such as Drucker (1954), Chandler (1962), Ansoff (1965) and Andrews (1971). Studies conducted in the late 1960's and early 1970 have indicated that the corporate planning was practiced in the United States and abroad. Managers increased their familiarity with strategic planning and increasingly adopted it in their organizations. Relatively stable external environments characterized this period.

Prior to the 1950's, organizations attempted to tackle the strategic problem by using such managerial techniques as long-term planning, long-term budgeting and financial control. Harrison (1976) identified seven models such models. This was an era when the environmental turbulence was low. The future of the organizations was expected to be reasonably similar to the past due to the stable environment. Managers adapted and reacted to events as they occurred. Strategies emerged from a consensus of top management opinions.

Approaches to strategic management that mention the origin and dynamic process in strategy formulation can be classified into two groups being Analytical and Behavioral. Both

approaches would be of key consideration in this research, as demonstrated in the process of donor funding strategy formulation.

The analytical approach emphasizes the importance of analysis in strategy development. This approach focuses on techniques like portfolio planning, forecasting, competitor analysis and environment scanning. Strategy, formulation, is seen as a formal, deliberate, disciplined and rational process (Ansoff, 1984). Deliberate strategy is a purposefully planned direction towards a set of objective by an organization. It is an analytical process of the organization realigning its operations to fit well with the opportunities and threats existing in the external environment. It takes into consideration the structure of the organization, its culture, systems, capacity in the light of the environmental forces, and the current situation within the industry.

The behavioral approach lays its emphasis on the behavioral of the people in the organization. This process states that strategy is influenced by the power relationships and behavioral factors in a firm (Mintzberg,1984). The emphasis is on multiple goals of the organization as well as the political aspects of strategic decisions and the importance of bargaining and negotiation and the role of coalitions in the strategy making process.

Mintzberg points out that not all realized strategies are intended. Realized strategy is often emergent in nature. Strategy “emerges” out of an organizations day to day activities. The organization does not have any objectives to pursue. As it goes along its daily activities, the dynamic external environmental forces inevitably impact on its operations and at that point the management formulates a strategy for the organization. Emergent strategy is therefore based on responses to emerging opportunities and threats. (Mintzberg, 1987). They are a result of deliberate decisions to focus resources in order to pursue a new direction whilst modifying some aspects of earlier strategic intent.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter discusses the methodology that will be used in gathering the data. Here the researcher will aim at explaining the methods and tools and to present data of analyzing to get proper and maximum information related to the subject under study.

### 3.2 Research Design

This is a descriptive survey study aimed at establishing the competitive strategies that the management of different five star hotels uses to enhance their performance. According to Donald and Pamela (1998), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

### 3.3 Population

The population of interest consists of Hotels in Kenya that have been inspected, assessed and classified as five star hotels by the Ministry of Tourism and Wildlife Development and published as five star hotels in the Kenya Gazette.

### 3.4 Data Collection Methods

The main instrument in Data collection will be through semi structured questionnaires targeting at least three senior managers in each Hotel among Chief Executives, General Mangers, Finance Managers, Marketing Managers, Front Office Managers or the Executive Chefs. Questionnaires will either be dropped and picked later or emailed to the respondents. Personal interviews will also be carried out especially to the Hotel Guests whose opinion about their preferred choice will come out clearly, this being a service industry. For the secondary data document, sources will be employed whereby use of previous document or materials to support the data received from question and information from interview that includes book and magazines available in the libraries will be visited as well as information from the websites.

### 3.5 Data Analysis

Data collected quantitative in nature will be analyzed by the use of descriptive statistics and will be represented by means of SPSS package and presented through percentages, means, standard deviations and frequencies. The information will be displayed by use of bar charts, graphs and pie charts.



## CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

### 4.1 Introduction

This chapter presents the analysis and findings of the study based on the analysis and interpretation of both primary and secondary data collected from various sources. The findings focus on the areas identified in the research objectives of the study, which are to determine the competitive strategies used by five star Hotels in Kenya and to establish the relationship between the strategies used and the performance achieved

### 4.2 Profile of Five Star Hotels

The objective was to find out the competitive strategies that the five the five star hotels in Kenya uses. For this the strategic decision making role is vested on the senior Managers and 14 senior managers for the 14 hotels targeted responded this being 100% as shown

**Table 1 : Respondents Job Designations.**

Designations	Number	Percentage
Chief Executives Officers	2	14.28%
General Managers	4	28.57%
Marketing Managers	6	42.87%
Financial Controllers	2	14.28%

This was an excellent response rating.

The survey found out that different hotels had operated in different periods 8 out of the 14 having operated for over 21 years, this being 57%. The essence was to show the power of new entrants and the power in which the existing players have in the industry. Only 2 hotels had entered the five star hotels within the 5 years period and this was only 14.28%. Given the high costs of starting up such class of hotels, threat from new entrants to the industry is minimal and the survey established that majority had operated for over 11 years, 11 out of the 14 this being 78.58%

**Table 2 : Five Star Hotels Years of Operation.**

Years in Operation	Number	Percentage
1 to 5 years	2	14.28%
6 to 10 Years	1	7.14%
11 to 15 years	1	7.14%
16 to 20 Years	2	14.28%
21 and Over	8	57.16 %

It is important to find out the number of years the Hotels have been in operation as this will indicate the consistence of the business. From the above, eight out of the fourteen five star hotels have been in operation for over twenty one years. This being 57.16% is a good indicator that those in five star category would wish to remain in that category. Only two of the hotels have entered this market hence threat from new entrants is considered low in this class.

#### **4.3 Competitive Strategies of Five Star Hotels in Kenya.**

It was revealed from the survey that different five star hotels used different competitive strategies for attracting guests and the choice of the strategy used was determined by different factors.

##### **4.3.1 Importance of Type of Guest as a Factor for Strategy used.**

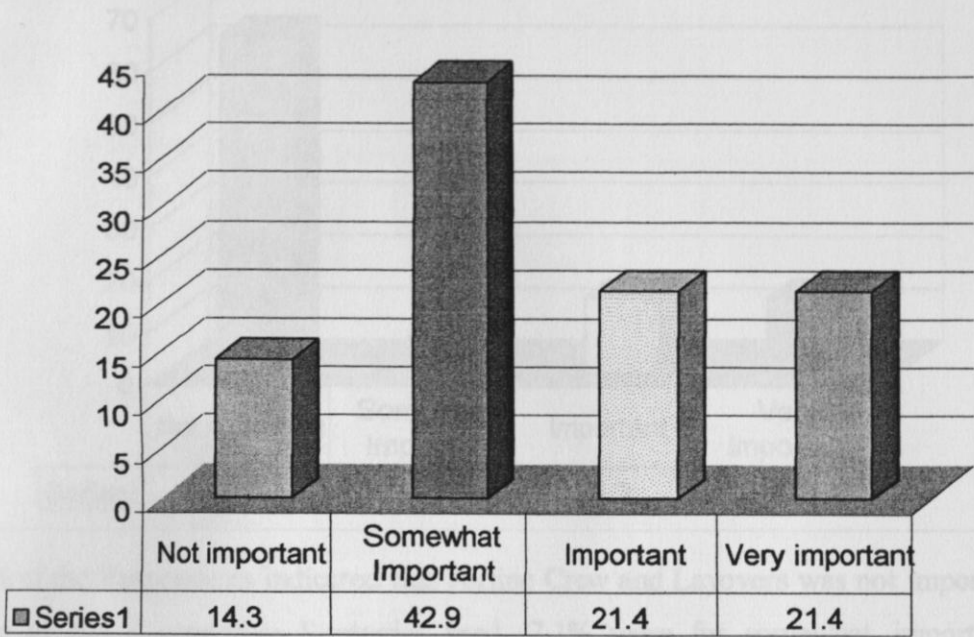
During the survey it was revealed that there are different type of guests who stay in different hotels. Different type of guests prefer staying in different hotels and it was established that the type of guest greatly influenced where they booked their accommodations.

Types of guests range from Tourists this being those who are touring the country for leisure, Airline crew and layovers this being that class associated with the airlines either the staff or the passengers who have missed their flights and need to be reserved in hotels, Conference and other corporates this being that class normally on seminars and other trainings in the hotels, domestic clients popularly referred to as residents these being the local Kenyans who book themselves in the hotels and lastly the walk in clients who just walk in without prior reservations to the hotels.

The rating of guest type importance in the hotel occupancies was different from hotel to hotel. The respondents gave different ratings as to the importance of type of guests as an influence to the occupancies.

a) Tourists as a factor

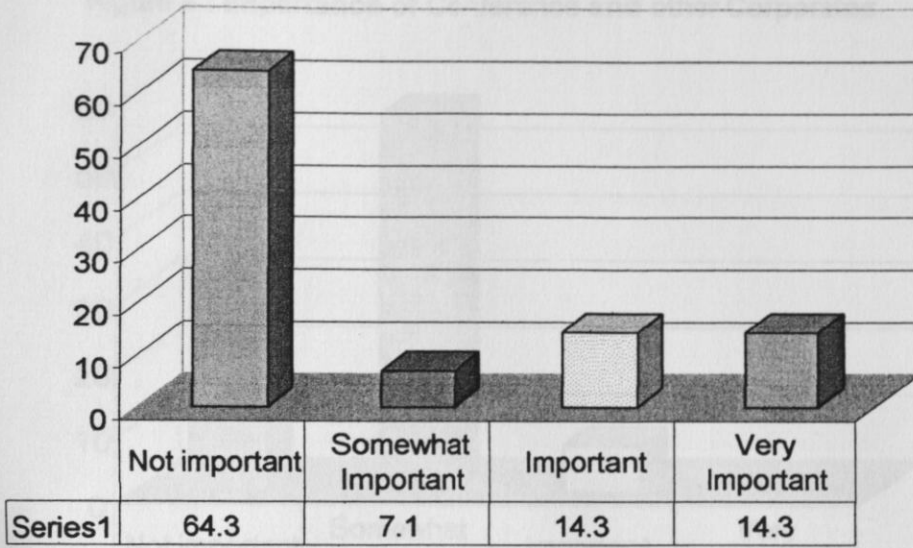
Figure 2 : Tourists as a factor in the strategy used



The survey showed that 42.9% of the respondents considered Tourist as the source market somewhat important, 42.8% important with only 14.3% considering this source as not important. It was hence clear that Tourist as a market was important and affected the strategic decisions used. Tourists being holiday makers with high income or disposable income had a great impact on the five star hotel occupancies and cannot be ignored.

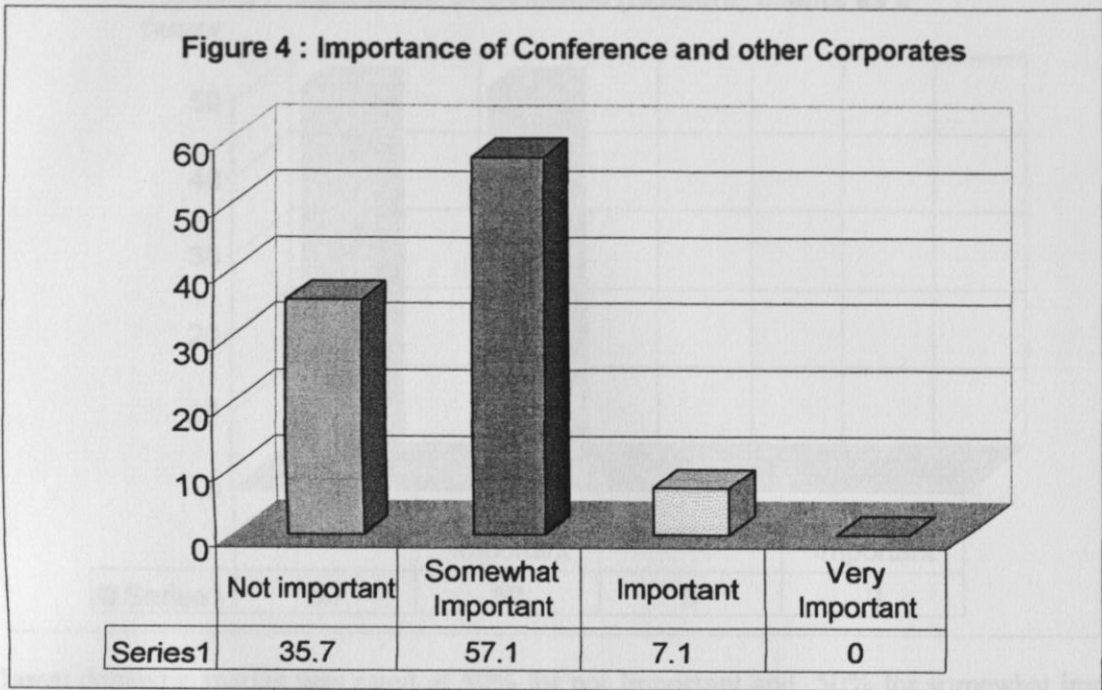
**b) Airline crew and lay-over market as factor**

**Figure 3 : Importance of Airline crew and lay over**



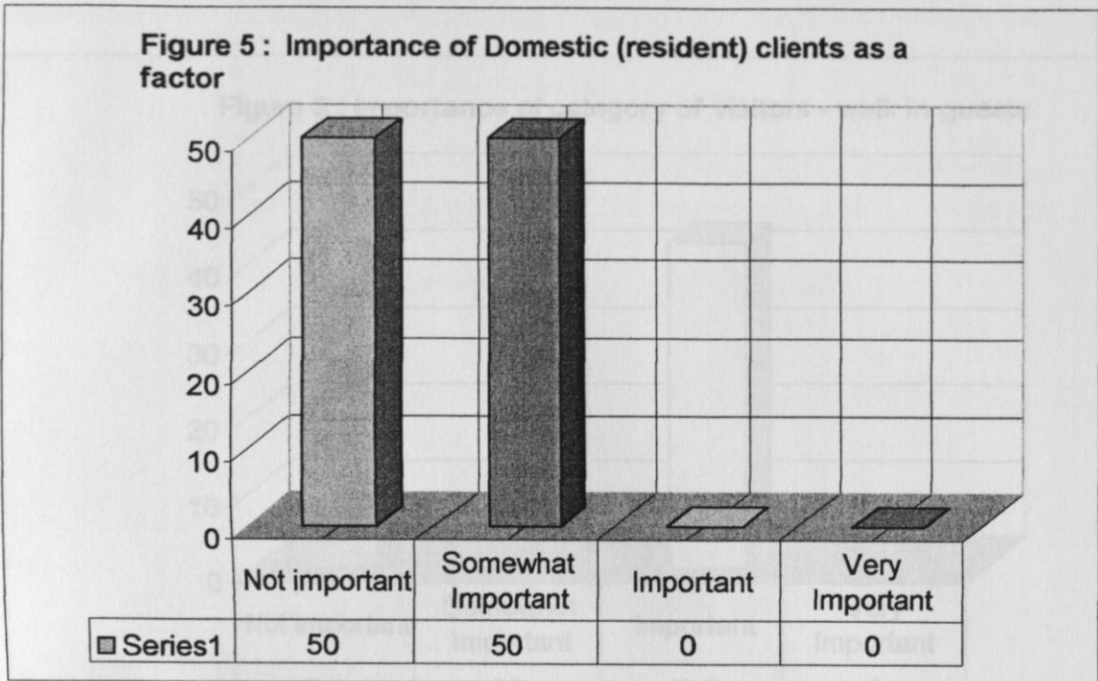
64.3% of the Respondents indicated that Airline Crew and Layovers was not important for the choice of the Competitive Strategies used, 7.1% were for somewhat important, 14.3% indicated that it was important with only 14.3% classifying it as very important. This class of guest type is booked in the hotels due to the fact that they cannot travel, hence not by choice. Payments for their accommodation is met by the Airlines themselves hence they would find it costly to prefer the five stars as their preferred choice and would rather book them in less expensive hotels.

**c) Conference and other corporate**



Only 7.1% of the respondents rated this source as important for strategic decision formulation, 57.1% rating it as somewhat important, 35.7% for not important with none rating it as very important. From the survey it was noted that depending on the corporate companies convening the conferences, well to do triple A companies would prefer five star hotels more than the middle and lower level companies that would book their conferences in the lower class hotels. This is highly dependant on the profitability of the convener as to how well they can meet the bills for their guests.

#### d) Domestic (Resident) Clients



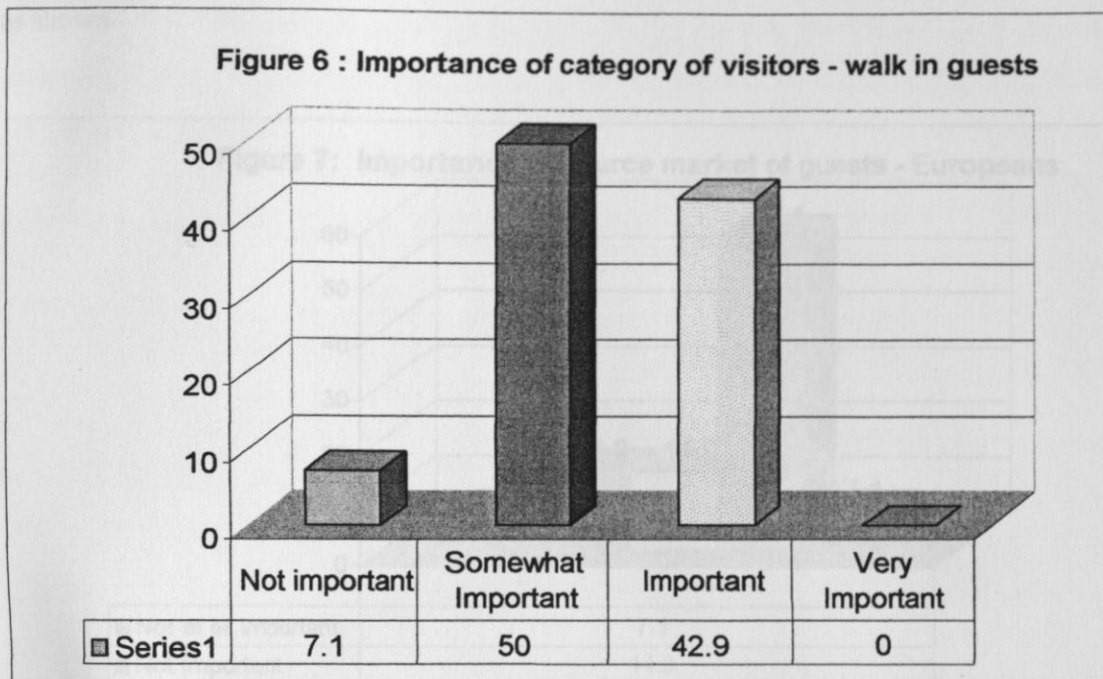
Local domestic market was rated at 50% for not Important and 50% for somewhat important none of the respondents rated this source as very important or important. This type of hotel guest consist of local clients who are not tourist, are well informed of different places of stay and would mostly have a choice as to where to book themselves. Mostly this class is very price sensitive and would prefer hotels that are of lower stars rating.

without prior reservations. They would mostly be people who have no choices and happens to be within the vicinity of the hotel hence they are not very sensitive where they book themselves into.

#### 4.3.2 Importance of Source Market (Country of Origin) of Guests

Preference of place of choice is also influenced by the source market and the survey revealed that different countries of origin for guests is rated differently by the Hotels. This had an impact to the competitive strategies used as different guests preferred different type of products and services hence their bookings in a particular hotel. It was evident that places of origin greatly influenced the choice of stay in the five stars hotel category.

e) Walk in guests



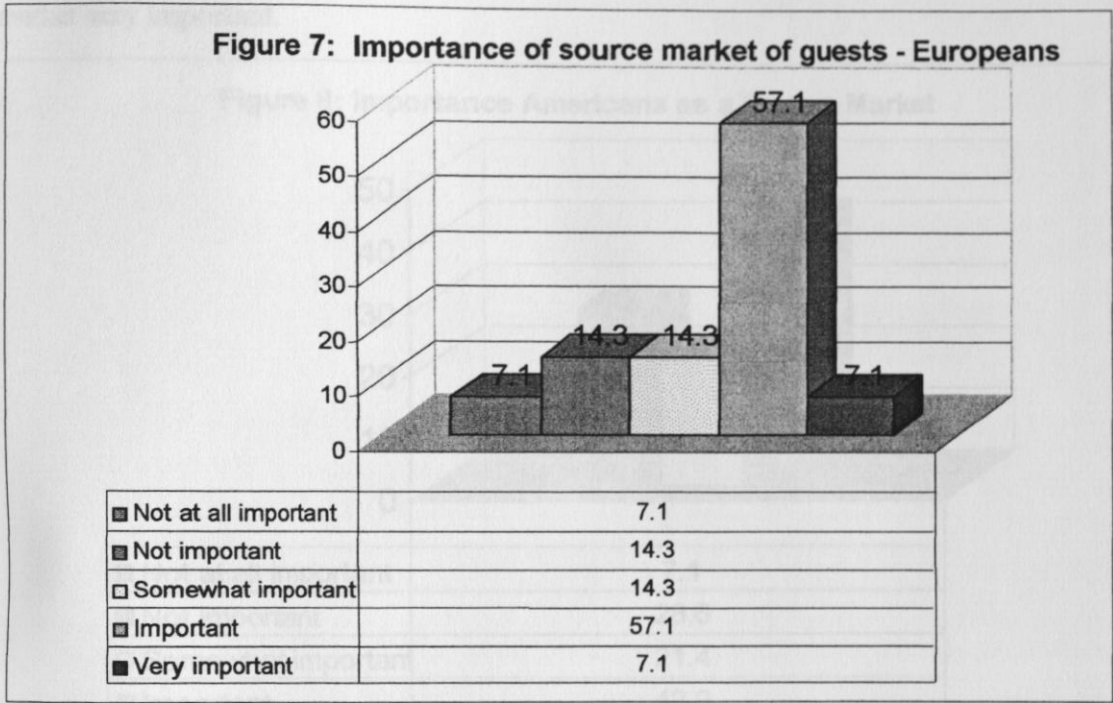
The regular walk in guest, one that is not previously booked in the hotel and referred to as a walk-in-guest was considered by 50% as somewhat important, 42.9% as important and 7.1% as not important. None of the respondents considered walk in as very important for the competitive strategies used. This class consist of all guests who book themselves in the hotels without prior reservations. They would mostly be people who have no choices and happens to be within the vicinity of the hotel hence they are not very sensitive where they book themselves into.

**4.3.2 Importance of Source Market (Country of Origin) of Guests**

Preference of place of choice is also influenced by the source market and the survey revealed that different countries of origin for guests is rated differently by the Hotels. This had an impact to the competitive strategies used as different guests preferred different type of products and services hence their bookings in a particular hotel. It was evident that places of origin greatly influenced the choice of stay in the five stars hotel category.

**a) Europeans.**

Europe as a source market importance in the choice of the competitive strategy used was rated as shown



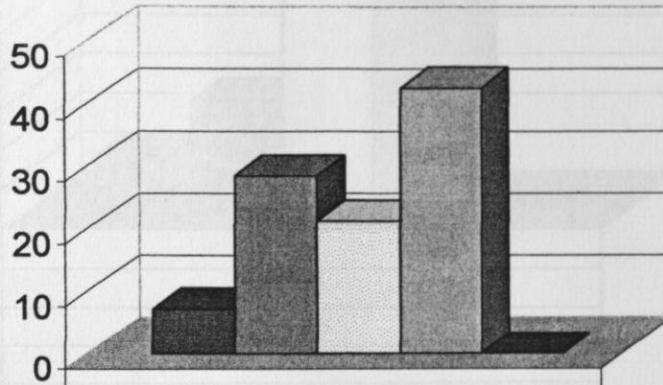
7.1% of the Respondents considered Europe as a source of their guests as very important, 57.1% considered this source market as important, 14.3% for not important and somewhat important, with 7.1% for not at all important.



**b) Americans**

America as a source market importance in the choice of the competitive strategy used was considered by 7.1% as not at all important, 28.6% as not important, 21.4% as somewhat important and 42.9% as important. None of the respondents considered America as a source market very important.

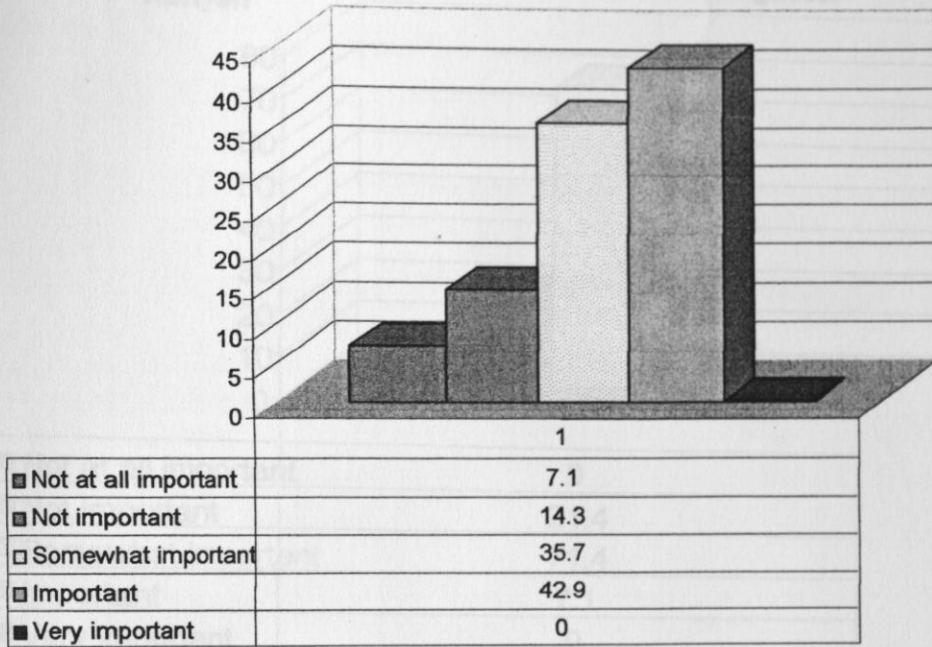
**Figure 8: Importance Americans as a Source Market**



■ Not at all important	7.1
■ Not important	28.6
□ Somewhat important	21.4
■ Important	42.9
■ Very important	0

c) Asians

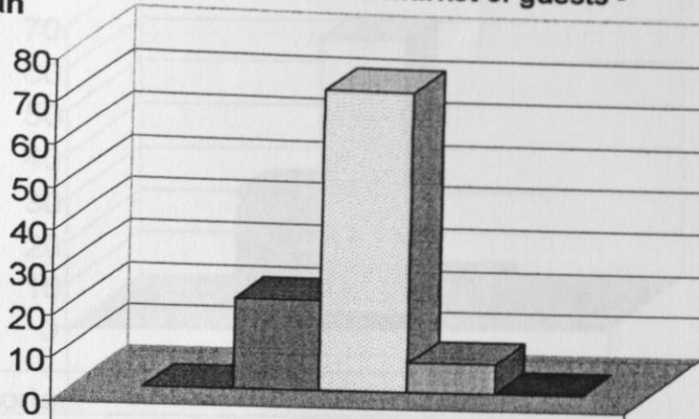
Figure 9 : Importance of source market of guests - Asians



Asia as a source market importance in the choice of the competitive strategy used was rated as 7.1% as not at all important, 14.3% as not important, 35.7% as somewhat important and 42.9% as important. None of the respondents rated Asia as a source market as very important for the competitive strategies choice used.

d) Kenyans ( Domestic)

Figure 10 : Importance of source market of guests - Kenyan

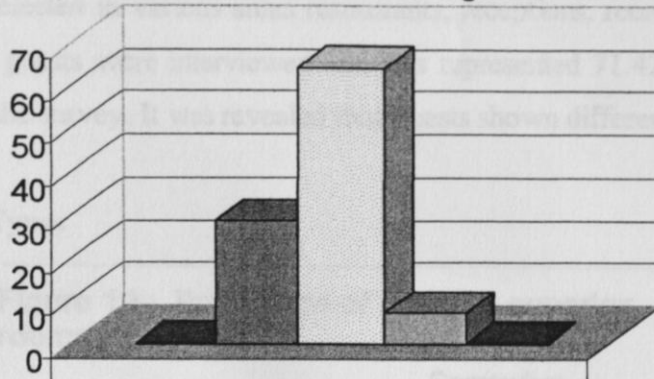


Not at all important	0
Not important	21.4
Somewhat important	71.4
Important	7.1
Very important	0

Kenya as a source market importance in the choice of the competitive strategy used was rated by 21.4% as not important, 71.4% as somewhat important and 7.1% as important. None of the respondents rated this as very important and not at all important.

e) Rest of Africa

Figure 11 : Importance of source market of guests - Rest of Africa



■ Not at all important	0
■ Not important	28.6
□ Somewhat important	64.3
■ Important	7.1
■ Very important	0

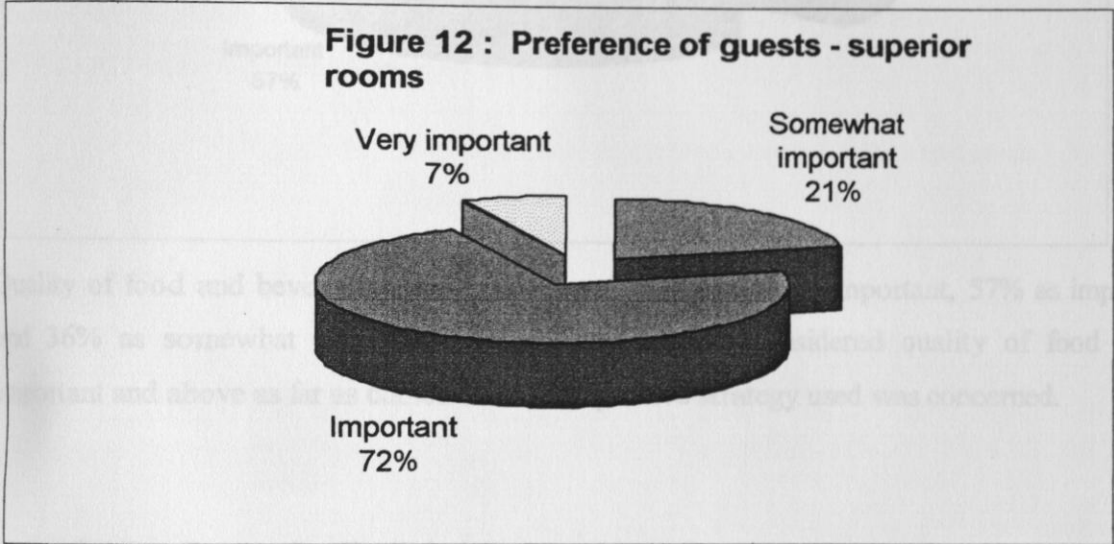
Rest of Africa as a source market importance in the choice of the competitive strategy used was rated 28.6% as not important, 64.3% as somewhat important and 7.1% as important. None of the respondents considered rest of Africa as being very important or not at all important.

7% of the guests interviewed considered superior rooms as very important, 72% as important and 21% as somewhat important. Five star hotels have different room categories ranked as standard rooms for the normal guest, superior rooms for the middle guest and the presidential rooms for the high caliber guest. Most of the rooms have minibars, air-coolers, balconies and other amenities that differentiate them from the lower star rated hotels.

### 4.3.3 Preferences by guests (what guests prefer)

Out of the 14 Hotels, 5 guests were to be interviewed totaling to 70 guests at a random basis. These guests were to be selected in various areas restaurants, receptions, recreation areas and the bars of the hotels. 50 guests were interviewed and this represented 71.42% of the target which was acceptable for the survey. It was revealed that guests shown different preferences to their choices as shown

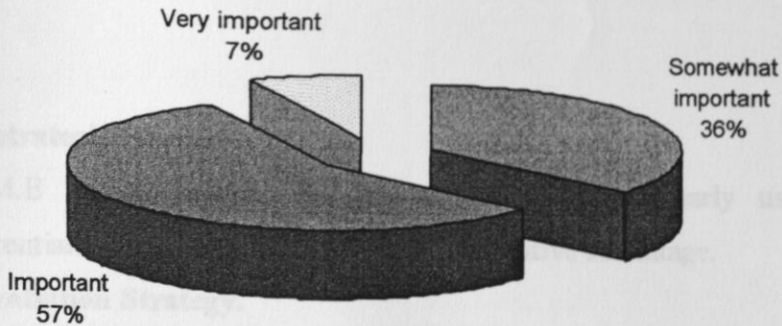
#### a) Superior Rooms Types



7% of the guests interviewed considered superior rooms as very important, 72% as important and 21% as somewhat important. Five star hotels have different room categories ranked as standard rooms for the normal guest, superior rooms for the middle guest and the presidential rooms for the high caliber guest. Most of the rooms have minibars, are en-suites, bathrobes and other amenities that differentiate them from the lower stars rated hotels.

## b) Good Quality Food and Beverage

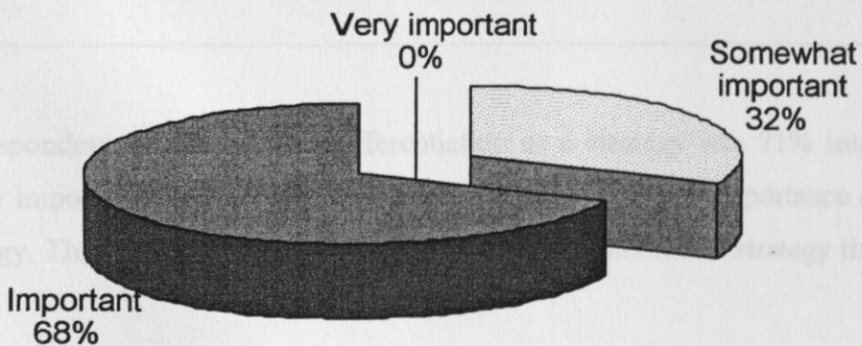
Figure 13 : Preference of guests - Good quality food



Quality of food and beverages served was rated by 7% as very important, 57% as important and 36% as somewhat important. All the respondents considered quality of food as an important and above as far as choice of the competitive strategy used was concerned.

## c) Availability Recreation Facilities

Figure 14 : Preference of guests - recreation facilities



Availability of recreation facilities in the Hotels was rated by 68% of the respondents as important and 32% as somewhat important. None considered this facility as not at all important or very important. Recreation facilities includes facilities like health clubs, saunas, Jacuzzis and other like dancing halls.

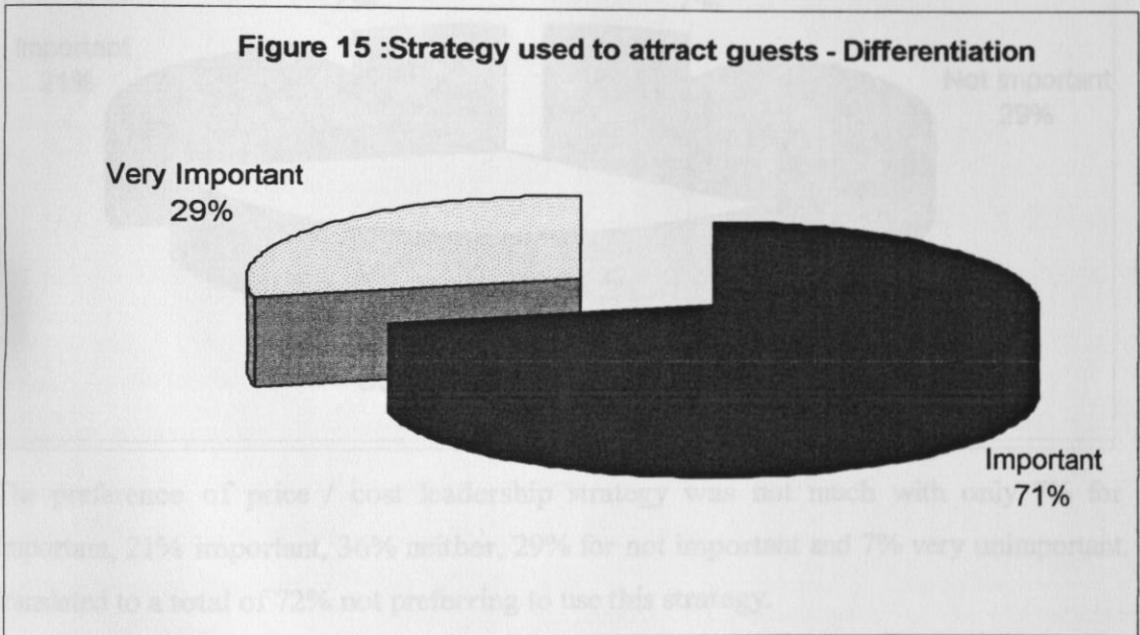
#### 4.4 Competitive Strategies used by Hotel Managers

Different type of competitive strategies are used by different Hotels and preference depends highly on the Management team whose main role is to have their particular Hotels the preferred places.

##### 4.4.1 Types of strategies used.

Using Porters M.E generic strategy module the respondents clearly used price (cost leadership), differentiation and focus strategies for competitive advantage.

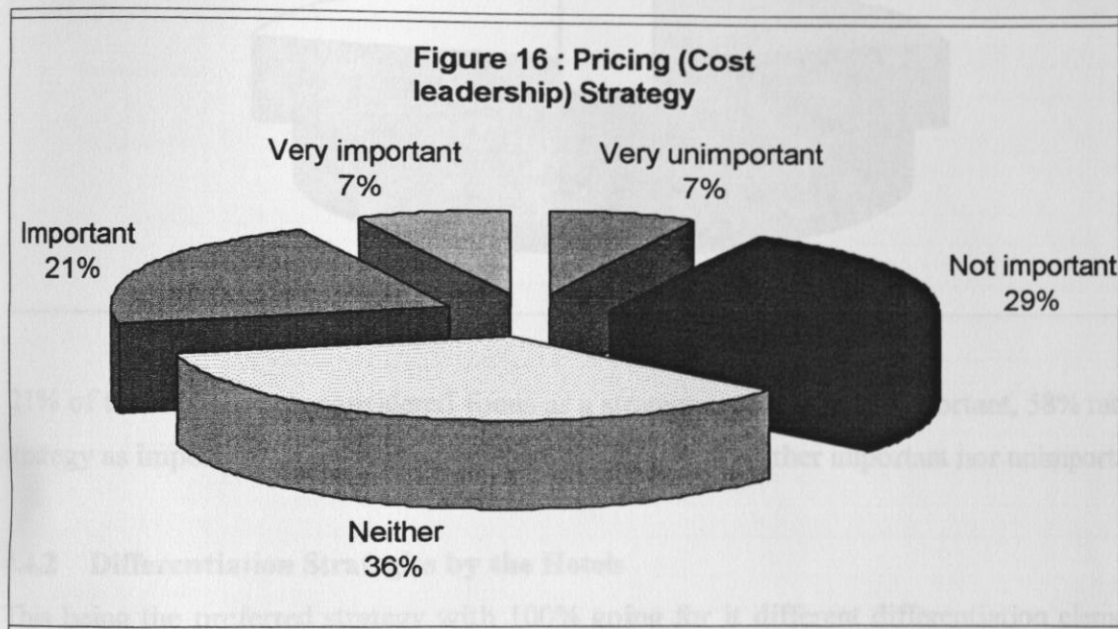
##### a) Use of Differentiation Strategy.



All the respondents indicated that differentiation as a strategy was 71% important and 29% being very important. None of the respondent's could ignore the importance of differentiation as a strategy. This revealed that 100% preferred differentiation as a strategy though at different levels.

Figure 17 : Strategy for attracting guests - focus

b) Use of Pricing (Cost leadership)



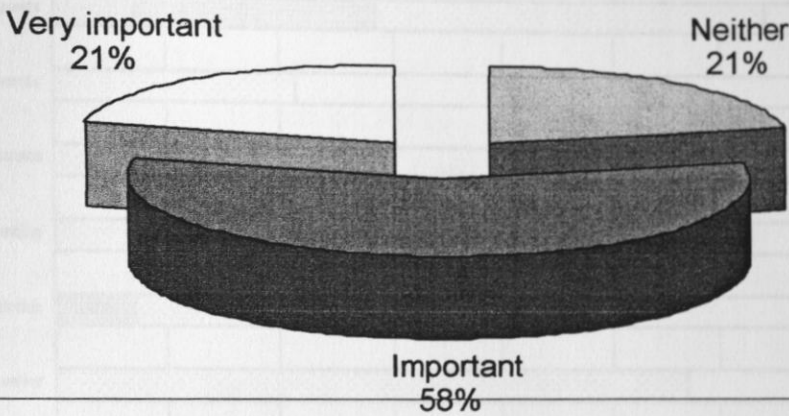
The preference of price / cost leadership strategy was not much with only 7% for very important, 21% important, 36% neither, 29% for not important and 7% very unimportant. This translated to a total of 72% not preferring to use this strategy.

Location of hotel	21.40%	21.40%	21.40%	35.80%	100.0
Decor/ambiance			29.60%	50.00%	21.40%
Room quality			7.10%	84.30%	28.60%
Room type			14.30%	57.10%	28.60%
Room size			14.30%	57.10%	28.60%
Food quality			14.30%	84.30%	21.40%
Number of restaurants		7.10%	28.60%	42.90%	21.40%
Food selection			35.70%	50.00%	14.30%
Entertainment			35.70%	57.10%	7.20%
Extra services		7.20%	28.60%	57.10%	7.10%
Business center			57.10%	42.90%	100.0
Health club		7.20%	35.70%	57.10%	100.0
Staff understanding			42.90%	57.10%	100.0
Personalized service			21.00%	71.40%	7.10%
Selecting Guest comments			21.40%	57.20%	21.40%
Picking and dropping guests	7.20%	21.40%	35.70%	35.70%	100.0



c) Focus Strategy

**Figure 17 : Strategy for attracting guests - focus**



21% of the respondents considered focus as a strategy as being very important, 58% rated this strategy as important with the remaining 21% rating it as neither important nor unimportant.

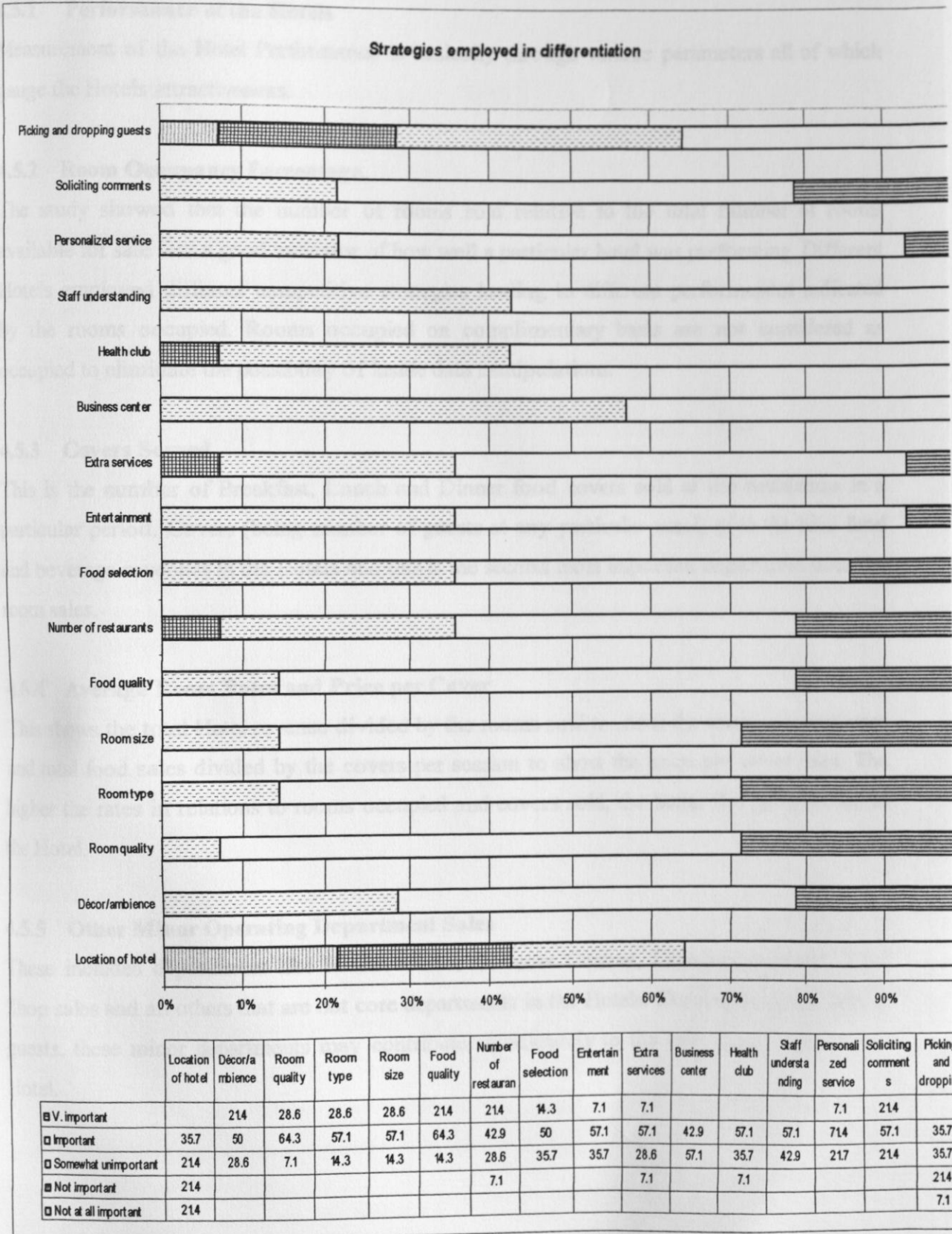
**4.4.2 Differentiation Strategies by the Hotels**

This being the preferred strategy with 100% going for it different differentiation elements as per the questionnaires were researched on and revealed the following.

**Table 3 : Differentiation Strategy Elements Usage by Hotels**

Differentiating Element	Not at all important	Not important	Somewhat unimportant	Important	V. important	Total
Location of hotel	21.40%	21.40%	21.40%	35.80%		100.00%
Décor/ambience			28.60%	50.00%	21.40%	100.00%
Room quality			7.10%	64.30%	28.60%	100.00%
Room type			14.30%	57.10%	28.60%	100.00%
Room size			14.30%	57.10%	28.60%	100.00%
Food quality			14.30%	64.30%	21.40%	100.00%
Number of restaurants		7.10%	28.60%	42.90%	21.40%	100.00%
Food selection			35.70%	50.00%	14.30%	100.00%
Entertainment			35.70%	57.10%	7.20%	100.00%
Extra services		7.20%	28.60%	57.10%	7.10%	100.00%
Business center			57.10%	42.90%		100.00%
Health club		7.20%	35.70%	57.10%		100.00%
Staff understanding			42.90%	57.10%		100.00%
Personalized service			21.50%	71.40%	7.10%	100.00%
Soliciting Guest comments			21.40%	57.20%	21.40%	100.00%
Picking and dropping guests	7.20%	21.40%	35.70%	35.70%		100.00%

**Figure 18 : Differentiation Strategies used**



## 4.5 Hotel Performance rating

### 4.5.1 Performance of the Hotels

Measurement of the Hotel Performance is basically through various parameters all of which gauge the Hotels attractiveness.

### 4.5.2 Room Occupancy Percentage.

The study showed that the number of rooms sold relative to the total number of rooms available for sale was a good indicator of how well a particular hotel was performing. Different Hotels employed different competitive strategies leading to different performances indicated by the rooms occupied. Rooms occupied on complimentary basis are not considered as occupied to eliminate the possibility of inside data manipulations.

### 4.5.3 Covers Served

This is the number of Breakfast, Lunch and Dinner food covers sold at the restaurants in a particular period. Covers (being number of guests at any particular meal) give the total food and beverage revenues in the Hotels and this is the second most important department from the room sales.

### 4.5.4 Average Room Rates and Price per Cover

This shows the total Hotel revenue divided by the rooms sold to show the average rooms rates and total food sales divided by the covers per session to show the price per cover rates. The higher the rates in relations to rooms occupied and covers sold, the better the performance of the Hotel.

### 4.5.5 Other Minor Operating Department Sales

These includes departments like Health Clubs, Business Centres, Laundry Facilities, Curio Shop sales and all others that are not core departments in the Hotels. Depending on the type of guests, these minor departments may contribute significantly to the total contribution in the Hotel.

## 4.6 Performance of the Hotels

Given the stiff competition it was not easy to get data on the room rates as most of the contracted room rates were treated with great confidence.

### 4.6.1 Performance of the Hotels by Rooms Occupied.

The most acceptable measure of the Hotels performance was the percentage of the rooms sold to the available rooms. The study revealed that for the month of July 06, the following was achieved.

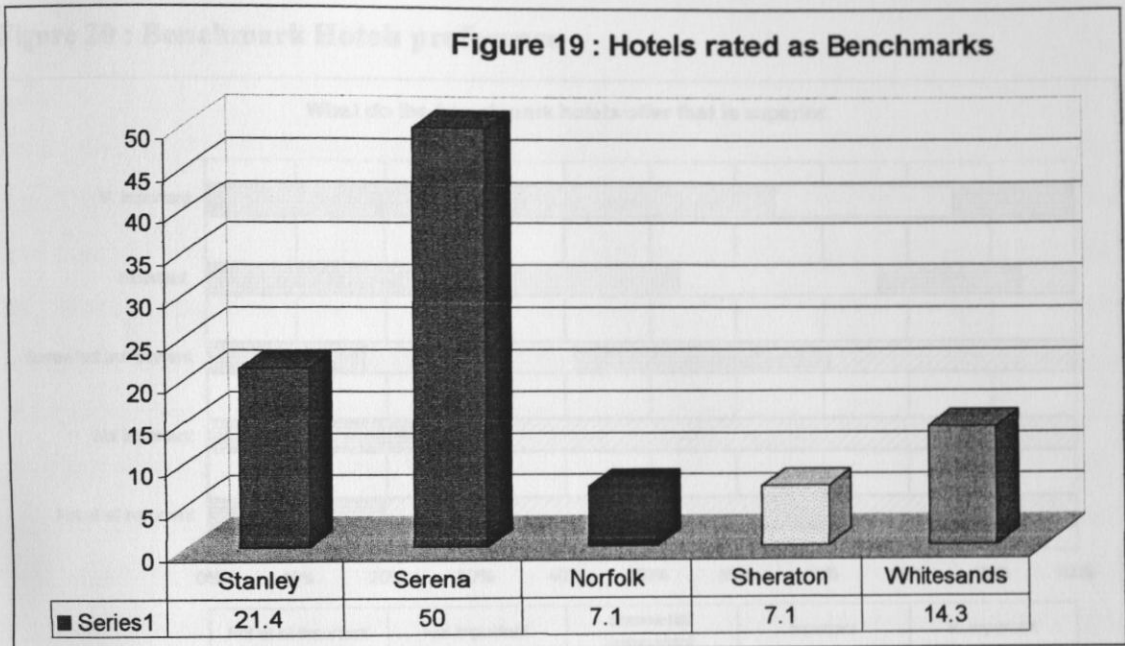
**Table 4: Hotel Ranking, rooms occupancy for July 06**

NAME OF THE HOTEL2	PERCENTAGE OF ROOMS OCCUPIED JULY 06	RANK
Serena Hotels	94.00%	1 <sup>st</sup>
Mombasa Serena	78.00%	2 <sup>nd</sup>
The Stanley Hotel	76.00%	3 <sup>rd</sup>
Whitesands Hotel	70.00%	4 <sup>th</sup>
The Norfolk Hotel	70.00%	5 <sup>th</sup>
Panari Hotel	69.00%	6 <sup>th</sup>
Intercontinental Hotel	68.00%	7 <sup>th</sup>
Diani Reef Hotel	65.00%	8 <sup>th</sup>
Grand Regency Hotel Nairobi In the City CBD	64.00%	9 <sup>th</sup>
Nyali Beach Hotel	62.00%	10 <sup>th</sup>
Nairobi Safari Club*	59.00%	11 <sup>th</sup>
Safari Park Hotel	58.00%	12 <sup>th</sup>
Hilton Hotel	56.00%	13 <sup>th</sup>
Windsor Hotel	39.00%	14 <sup>th</sup>

The survey established that all the five stars hotels exchanged their room occupancy percentages on a daily basis and the data is hence compiled for a monthly basis analysis. From the data collected for the month of July 06, Serena Hotels was ranked first with a room occupancy of 94% and Windsor Hotel was lowest at 39% occupancy. The relevance of knowing the room occupancy percentage is so as to link the performance to the strategies used this being the objective of the survey.

#### 4.6.2 Benchmarking Hotel

The survey needed to find out which Hotel each rated as their bench mark and for what reason they rated them as such. Bench mark being what a particular Hotel perceives the other as superior both in products and services.

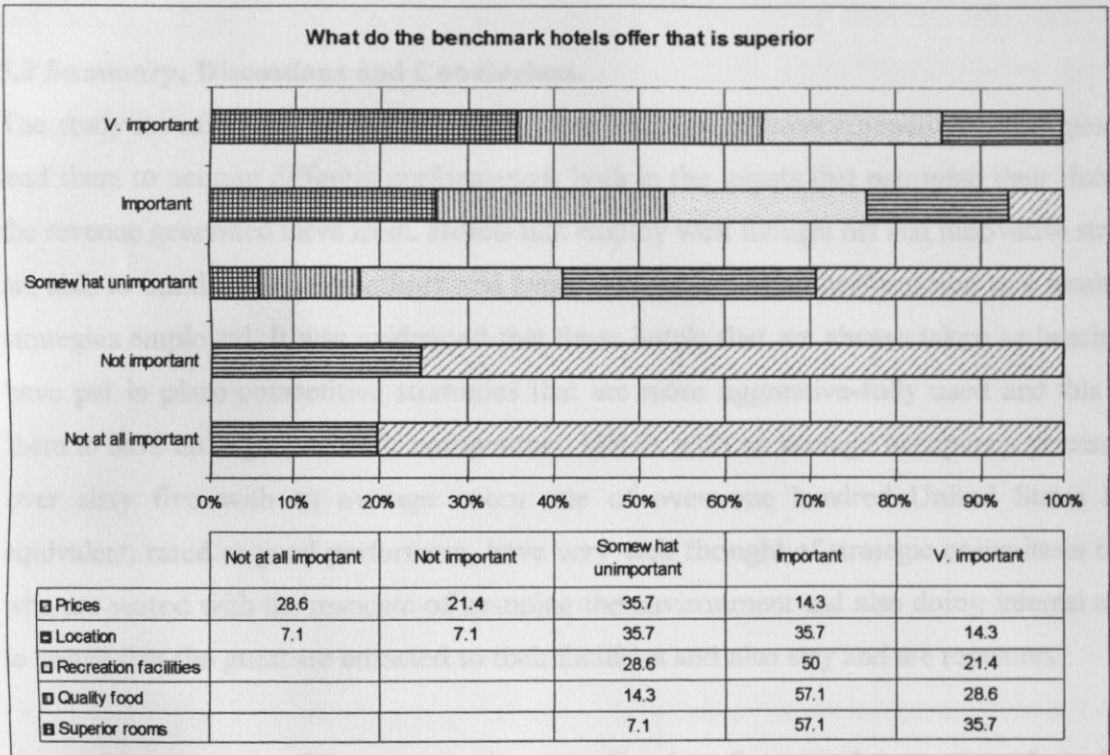


Serena Hotel was rated by 50% of the others as their bench mark, with The Stanley Hotel being voted by 21.4% as their benchmark, 7.1% rated Norfolk and Sheraton Hotel (operating in Uganda) as their bench mark.

**Why Benchmark Hotels are considered superior**

Bench Markers being at the spot light by the other Hotels, it was important to find out what aspects they were using that others were not and hence them being the preferred choices. The data collected indicated that

**Figure 20 : Benchmark Hotels preference**



or ignored. The environment is very dynamic and the strategies that give a particular hotel advantage today may be irrelevant tomorrow hence the need for constant changes. Given the industry under which the five star hotels operate is very competitive, highly informed and less price sensitive it is then that special advantage that makes guests prefer staying in that particular hotel than the other. That advantage is generated by use of strategies that are not easily copied by the competition hence being differentiated from the rest.

**5.3 Limitations of the Study**

Due to the high season that starts in July and ends in September, top management time was very precious and it was not easy to collect the data. The managers who managed to stand in for the intended respondents also had very little time and in some cases were not well grounded or involved in strategic management hence need for repeat visits. Given the intense competition

## **CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS.**

### **5.1 Introduction**

The objective of the study was in two folds, to determine the competitive strategies used by five star Hotels in Kenya and to establish the relationship between the strategies used and the performance achieved

### **5.2 Summary, Discussions and Conclusions.**

The study revealed that all the Five star Hotels employ different competitive strategies which lead them to acquire different performances both in the guests that patronize their Hotels and the revenue generated there from. Hotels that employ well thought off and innovative strategies are able to out do their competitors and hence will record better performance as a result of the strategies employed. It was evidenced that those hotels that are always taken as bench marks have put in place competitive strategies that are more aggressive-fully used and this allows them to have an edge over their competitors. Hotels with an average occupancy percentage of over sixty five with an average room rate of over one hundred United States Dollars equivalent, rated as good performers, have very well thought of strategic committees in place who are vested with the mandate of scanning the environment and also doing internal analysis to ensure that the guest are attracted to their facilities and also stay and are repeaters.

Competitive Strategies form a key basis on the Hotel performance hence cannot be underrated or ignored. The environment is very dynamic and the strategies that give a particular hotel advantage today may be irrelevant tomorrow hence the need for constant changes. Given the industry under which the five star hotels operate is very competitive, highly informed and less price sensitive it is then that special advantage that makes guests prefer staying in that particular hotel than the other. That advantage is generated by use of strategies that are not easily copied by the competition hence being differentiated from the rest.

### **5.3 Limitations of the Study**

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in this industry most respondents refused to disclose their contracted rates for fear that their competitors will use this to match them or attract their markets.

#### 5.4 Suggested Further Research

There would be need to do a full study on the Competitive Strategies employed by all the players in the Hotel industry including other players like guest houses and food chain restaurants and the performance of the players in the entire industry. This will answer questions like why some guest prefer staying in villas while others prefer the five star Hotels. This would be a wide population and would be costly both in time and money but it would explain clearly why different clients prefer different places for different rates.

#### 5.5 Implication of the Study for Policy and Practice.

Based on the findings of the survey, it is important that different players in the hotel industry put different competitive strategies to gain that competitive advantage not only for their profitability but also for their survival. It was clearly shown that hotels that are taken as bench markers have put in more advanced strategies and have organized good forums for strategic thinking and implementation. The study showed that price/cost advantage was not the preferred method as the price war resulted in undercutting and reduced profits. Management is compelled to put in place competitive strategies that make their Hotels the preferred destinations. The frequent visitors to the five star hotels is less price sensitive as shown from the survey and more quality of services provided preference.



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APPENDICES

Appendix I : Questionnaire Covering Letter

Date \_\_\_\_\_

**The Tittle of the Manager**

**Name of the Hotel**

**Physicall Location**

**Postal Adress**

Dear Sir / Madam

**RE : RESEARCH DATA COLLECTION FROM YOUR ESTEEMED HOTEL**

I am carrying out a Management Survey on the Competitive Strategies used by the Five star Hotels in Kenya to gain that competitive advantage, and also to link the performance to the strategies used to write a research project this being a requirement for the award of Master of Business Administration (MBA) Degree at the University of Nairobi.

Being a decision maker in your Hotel, you have been selected as a respondent. Kindly peruse through the attached Questionnaire and give your response to the questions asked for this study which will be treated in strict confidence.

Your cooperation will be highly appreciated. A copy of the final research work may be availed to you upon request.

Thanking you for the anticipated positive response.

**Yours Sincerely**

**David Kariuki**  
**MBA Student**  
**University of Nairobi**

Type of Visitors who frequent your Hotel	1	2	3	4	5
Conference and other Corporate					
Domestic (Business) Clients					
Walk In Clients					

**Appendix II : Questionnaire**

**Type 1 – General Information**

1. Name of your Hotel \_\_\_\_\_
2. Title \_\_\_\_\_
3. How Many Years have you worked for this Hotel \_\_\_\_\_

Data collected will be ranked in the ritcher scale as appended

Please indicate the source region of most of your guests in percentage terms totaling to 100%

Rank	Description
1	Not at all Important
2	Not Important
3	Some what not Important
4	Important
5	Very Important

4. Please indicate your most frequent visitors on a scale of 1 to 5 (5 being Highest 1 being lowest)

Type of Visitors who frequent your Hotel	1	2	3	4	5
Tourist's					
Airline Crew and lay over					
Conference and other Corporate					
Domestic (Resident) Clients					
Walk In Guests					

5. How Many years has this Hotel been operational in years

- 1 to 5 Years ( )
- 6 to 10 Years ( )
- 11 to 15 Years ( )
- 16 to 20 Years ( )
- Over 21 Years ( )

6. Please indicate the source region of most of your guests in percentage terms totaling to 100%

Source Market Of Your Guests	1	2	3	4	5
Europeans					
Americans					
Asians					
Kenyan					
Rest of Africa					

8 What factors do most of your guests prefer in scale of 1 to 5

Preference Of Your Guests	1	2	3	4	5
Superior Rooms					
Good Quality Food					
Recreation Facilities					
Location of the Hotel					
Price Charged					

### Competitive Strategies Employed

1. What is the strategy does your Hotel use to attract Guests

2. Which brand is your hotel work

4. What is your hotel's competitive advantage, please rank in scale of 1 to 5 (1 your lowest)

	Very Unimportant	Not Important	Neither	Important	Very Important
Superior Differentiation	( )	( )	( )	( )	( )
Market Pricing	( )	( )	( )	( )	( )
Superior Focus	( )	( )	( )	( )	( )

Good Quality Detail

2. If Differentiation, please specify strategies you employ in each of the following category ranking in a scale of 1 to 5

Nature	1	2	3	4	5
Location of the Hotel					
Décor and Ambience of the Hotel					
Room Quality					
Room Type					
Room Size					
Food Quality					
Number of Restaurants available					
Food Menu Selection					
Entertainment Services					
Extra service to Guests					
Business Centre Services					
Health Club Facilities					
Staff level of Understanding					
Personalized Service to Guests					
Soliciting guests comments					
Picking and Dropping Guests to the Airports					

3. Which Hotel is your bench mark \_\_\_\_\_

4. What in your views do they offer that makes them superior to yourselves, please rank in scale of 1 to 5 ( 1 being lowest)

<b>Superior Services Offered By The Bench Mark Hotel</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Superior Rooms					
Good Quality Food					
Recreation Facilities					
Location of the Hotel					
Price Charged					

5. Do you have any other issues that you feel may be important for this survey please indicate

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### **Management view regarding Guests**

1. Please indicate the level of importance of each of the following factors in the guest choice of staying in your Hotel

<b>Determining Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Location of the Hotel					

Ambience and the physical attraction					
Décor of the Hotel					
Restaurants available					
Choice of their Foods and Beverages					
Chain link with their other units					
Calibre of their Management style					
Friendly Front office staff					
Their Business Centre facilities					
Health Facilities					
Personalized services					
Conference Facilities					
Incentives given to customers					

Would you mind if your name was mentioned in the final report

Thank you for your time and response.



### 7.3 Appendix III

### List of Five Star Hotels in Kenya

The following are the Five Star Hotels in Kenya ( Year 2005 classification)

<u>NAME</u>	<u>LOCATION</u>	<u>OWNERSHIP</u>
1. The Stanley Hotel	Nairobi in the City CBD	Sarova Group (family )
2. The Norfolk Hotel	Nairobi In the City CBD	Fairmont Group
3. Serena Hotels	Nairobi Within the CBD	Serena Group
4. Intercontinental Hotel	Nairobi In the City CBD	Intercontinental Hotels
5. Hilton Hotel	Nairobi In the City CBD	Hilton Hotels
6. Grand Regency Hotel	Nairobi In the City CBD	Under receivership
7. Windsor Hotel	Nairobi Outside the CBD	Locally owned Hotel
8. Safari Park Hotel	Nairobi Outside the CBD	Foreign Owned
9. Nairobi Safari Club*	Nairobi In the City CBD	Locally owned
10. Panari Hotel	Nairobi Outside the CBD	The newest family owned.
11. Mombasa Serena	Mombasa	Serena Group
12. Whitesands Hotel	Mombasa	Sarova Group
13. Nyali Beach Hotel	Mombasa	Former Blocks Hotel
14. Diani Reef Hotel	Mombasa	