

SERVICE DIFFERENTIATION STRATEGIES USED BY LAW FIRMS IN NAIROBI

This Management Research Project is my original work and has not been submitted for a degree in any other university.

Signed Isabella Nyambura Date 11/11/06
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A MANAGEMENT RESEARCH PROJECT PROPOSAL SUBMITTED IN
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(MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

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My special thanks go to my mother for creating so much value in my life. Her moral support and sacrifice have inspired me to be the best that I can be. Her vast knowledge of the discipline of Strategic Management and her stand on quality and details served to enrich the quality, scope and content of this study.

Profound thanks and appreciation go to my mother for her encouragement, which kept me focused. Your moral support made it easier and possible for me to pursue my studies. You are a true source of inspiration.

To the lecturers at the School of Business who were involved in the noble task of imparting knowledge and to all my colleagues in the MBA class, I sincerely thank each and every one of you. To all who assisted me in any way or another, during the programme, I appreciate you. Special mention in this regard.

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My special thanks go to my supervisor, Mrs. Margaret Ombok, for her invaluable support and insightful contribution that has enriched the results of this study. Her vast knowledge of the discipline of Strategic Management, uncompromising stand on quality and details served to enrich the quality, scope and content of this study.

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Service differentiation strategies are used by law firms to distinguish themselves from their competitors. The objective of this study was to determine the extent to which service differentiation strategies are used by law firms to achieve competitive advantage.

This was a descriptive survey. According to the Law Society of Kenya Directory 2002-2006, there are 1500 law firms in Nairobi. However, due to the large size of the population, a sample of 100 was selected to represent the population. Data was collected using semi-structured questionnaire. The questionnaire was dropped and picked later from the respondents. The response and non-response rates were 93% and 7% respectively. The data collected was analysed and findings summarized in the form of frequencies, percentages, mean and standard deviation. The mean score sought to determine the extent of usage of service differentiation strategies. Offering, Service Delivery and Image strategies were the service differentiation strategies under study. As per the research findings, offering strategy posted the highest mean of 4.1, followed by Service Delivery strategy with a mean score of 3.6. Image strategy scored the lowest mean of 3.5. The overall mean of service differentiation strategies was 3.7, which confirmed that law firms used service differentiation strategies to a large extent.

The researcher faced several limitations while conducting this study. Firstly, due to time and cost constraints, the study was restricted to law firms in Nairobi whereas law firms exist in other parts of Kenya. Secondly, some of the respondents were not objective in filling the questionnaire due to fear of exposure of their strategies to competitors despite

ABSTRACT

Law firms in Kenya are operating in a very competitive environment, which is threatening their growth and survival. The services offered by law firms are similar in nature. The high credence and experience qualities of services make it difficult for clients to evaluate the services provided by law firms prior to purchase. Therefore, law firms must stand out in order to draw clients to themselves and create repeat purchases. Service differentiation strategies are used by law firms to distinguish themselves from their competitors. The objective of this study was to determine the extent to which service differentiation strategies are used by law firms to achieve competitive advantage.

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assurance by the researcher. Last but not least, the research did not establish whether there was a relationship between performance and use of service differentiation strategies.

1.1 Background

It is suggested that research on the extent of use of service differentiation strategies by law firms in the other parts of Kenya be conducted. In addition, a study should be carried out to determine the perception of customers and/or employees on the extent of usage of service differentiation strategies in law firms. It is further suggested that a study should be carried out to determine whether law firms use other strategies, such as mergers, as a means of achieving competitive advantage. Last but not least, a study should be conducted to determine whether there is a relationship between performance and the use of service differentiation strategies.

Environmental factors that impact, to a greater or lesser extent, on almost all organizations such as political, social, economic, technological, environmental, and legal factors. Customers, competitors, creditors, labour market, and suppliers are components of the operating environment (Johnson and Scholes, 2002).

Ansoff (1979) observes that prior to the advent of the twentieth century, the business environment was fairly stable, predictable, and easy to manage. Ansoff (1979) further observes that the beginning of the twentieth century brought about changes in the environment that were progressively novel, costlier to deal with, faster, and more difficult to anticipate. Globalization and Liberalization are examples of these environmental changes. Globalization brought about the convergence of markets, and Liberalization of the economies of various countries encouraged free markets (Johnson and Scholes, 2002; Levelock, 1996). The net effect of these environmental changes has been increased competition in the business environment that has threatened the survival of most, if not all, organizations.

Organizations have adopted various strategies in dealing with the challenges brought about by globalization and liberalization such as exporting, joint ventures, strategic

CHAPTER ONE

INTRODUCTION

1.1 Background

The relationship between any organization and its environment is that of mutual dependency. Organizations acquire raw materials from the environment, process them, and then output the finished products to the environment. As such, the activities of an organization have an impact on the environment and vice versa. The business environment of a firm consists of all the external influences that impact a firm's decision, and performance (Grant, 1998). The macro and operating environments are the two components of the business environment (Pearce and Robinson, 2002). The macro environment consists of broad environmental factors that impact, to a greater or lesser extent, on almost all organizations such as political, social, economic, technological, environmental, and legal factors. Customers, competitors, creditors, labour market, and suppliers are components of the operating environment (Johnson and Scholes, 2002).

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alliances, and foreign direct investment (Pearce and Robinson, 2002). The goal of these strategies is to achieve competitive advantage for the organizations.

1.1.1 Service Differentiation Strategy

Kotler (2003) defines differentiation as the process of adding a set of meaningful and valued differences to distinguish a company's offering from the competitors' offering. The essence of a differentiation strategy is to be unique in ways that are valuable to customers and that can be sustained (Thompson, Scholes and Whittington, 2005). The key ingredients of a successful differentiation strategy are that the differences added to the product or service should be highly valued by the customer, and should be unique enough to distinguish an organization's offering from that of competitors.

Services can be differentiated. Service providers often use pricing to differentiate their offering. However, pricing strategies are quickly emulated by competitors (Kotler, 2003). According to Kotler (2003), service differentiation is the solution to price competition. Kotler (2003) further argues that services can be differentiated through the offering, delivery and image as a means of gaining competitive advantage for the organization providing services.

The goal of a successful differentiation strategy is to gain competitive advantage for the organization. Competitive advantage is the ability of the firm to outperform rivals on the primary performance goal, that is, profitability (Grant, 1998). Organizations are said to have achieved competitive advantage when they provide their customers with what they want, better or more efficiently than competitors (Johnson, et al, 2005). A successful differentiation strategy enables a firm to earn a persistently higher rate of profit (or has the potential to earn a persistently higher rate of profit), and a premium in the market that exceeds the cost of differentiation (Grant, 1998). According to Ennew, Watkins & Wrights (1995), the uniqueness, and the associated customer loyalty that are as a result of

differentiation, protect the firm from its competitors, threat of entry, and substitute products.

1.1.2 The Law Firms in Kenya

The legal services offered by law firms in Kenya are conveyancing (preparation of documents relating to the transfer of immovable property), litigation (representing clients in court), incorporating companies, commercial work, intellectual property, registration, matrimonial matters, probate issues, and legal advice, just to name a few (Jackson, 1988). Law Firms are the offices and/or businesses established by advocates. Law firms carry on business as sole proprietorships or partnerships (Jackson, 1988).

Law firms in Kenya are currently facing stiff challenges in many aspects of their work and unprecedented change. They are operating in a cut – throat competitive environment, which is as a result of the increase in the number of law firms operating in Kenya from 2 in 1902 (Mwangi, 2001) to about 3,000 in 2005 (Kenya Law Society Directory, 2005 - 2006). The emergence and development of alternative dispute settlement services, which services may also be provided by non – lawyers and are substitutes of the traditional legal services, have contributed to the competitiveness of the industry (Gichuhi, 2005). Cross border practice (advocates from Uganda, Tanzania and Kenya being able to run law firms in any of the three countries), once it becomes fully operational, will increase the level of competitiveness in the industry (Ojienda, 2005).

Cost or price based competition as a means of achieving competitive advantage is made difficult by the prohibition on undercutting (section 36 of the Advocates Act chapter 16 of the Laws of Kenya). Undercutting is charging fees below the prescribed minimum. In addition, advocates are prohibited from advertising their services by virtue of Rules 2 and 11 of the Advocates Practice Rules (Chapter 16 of the laws of Kenya). This means that law firms cannot inform prospective clients of the services that they offer through

advertisement, which information would assist the clients to evaluate the alternatives. As such, law firms rely on word of mouth or referrals as a means of marketing their services.

Law firms may use strategies such as mergers, strategic alliances and joint ventures as a means of achieving competitive advantage. However, Service differentiation strategies may be more effective in assisting law firms to achieve competitive advantage taking into account the similarity, intangibility and the credence qualities of the legal services offered by law firms.

1.2 Statement of the Problem

Law firms provide services which secure the rights of individuals and organization and facilitate transactions in all businesses, whether private or public. Further, law firms contribute to government revenues through direct taxes such as income and value added taxes and generation of employment.

Law firms in Kenya are facing numerous challenges. The main challenge is increased competition, which is as a result of the increased number of law firms in the industry. The increased competition poses a great threat to the growth and survival law firms. The intangibility, similarity and the high credence qualities of the services provided by law firms, coupled with the fact that advocates are prohibited from advertising, makes it very difficult for clients to be made aware of the services offered by law firms and to evaluate the quality of services offered by law firms prior to making a purchase commitment. The difficulty in evaluating services prior to making purchase commitments often means that customers must rely on signals of value such as the place and people to infer quality or the value that the service will create. Clients also rely on prior experiences to evaluate whether the promised service will meet their expectations (Porter, 1985; Thompson and Strickland, 2003). In most cases, clients are not aware of the services offered by the law firms and rely on referrals and word of mouth to make a purchase decision (Kotler, 2003; Porter, 1985). The prohibition on under – cutting makes cost or price based competition

very difficult. Further, price based competition can be quickly emulated by competitors. Therefore, service differentiation strategy is the most appropriate basis of competition for law firms. Service differentiation strategies will enable law firms to stand out in the market place.

In order to survive or grow, law firms need to provide a basis on which to stand out in the market place, and draw clients' attention as well as offer them an opportunity to try out their services and subsequently create repeat purchases and loyalty (Porter, 1985). Further, law firms have to find effective ways to appeal to clients. The high credence qualities and similarity of the legal services require that law firms differentiate their services from those of their competitors. In view of the fact that advocates are prohibited from advertising, law firms have to use other indicators other than advertising to signal value to their clients.

Research on differentiation strategies in Kenya by Kibiru (1998), Muchira (2005), Bett (2005) and Mukewa (2005) focused on Chemical Importing Companies, Formal Private Security Industry, Micro – Finance Institutions and Classified Hotels respectively. These studies were carried out in different industries and their findings cannot be generalized to law firms due to differences in the economic, social, cultural and technological environment.

Given the role played by the law firms in Kenya as well as the need to grow and prosper, there is need for management to formulate more effective service differentiation strategies. It is not however known which service differentiation strategies the incumbent law firms in Nairobi use to enhance their competitiveness in the Kenyan market.

The study therefore sought to fill the gap by providing answers to the following research question: To what extent do law firms in Nairobi use service differentiation strategies to enhance competitiveness?

1.3 Research Objective

The objective of this study was to determine the extent to which service differentiation strategies are used by law firms operating in Nairobi to develop and maintain competitive advantage.

1.4 Importance of the study

The results of the study may be of benefit to the following:

- (i) All existing law firms in Kenya as it may assist them to put in place effective service differentiation strategies in order to develop and sustain competitive advantage in a changing environment characterized by cut - throat competition and an influx of new entrants. Push and pull factors of entrepreneurship have contributed significantly to the growth of law firms in Kenya. The findings will assist law firms to identify service differentiation strategies which can assist them to win client loyalty and attract clients.
- (ii) The study may also assist potential investors in understanding the private legal services industry and enable them to make well informed investment decisions.
- (iii) Government agencies and policy makers may use the results to formulate positive national policies based on a framework that is relevant and sensitive to the forces influencing law firms in Kenya.
- (iv) Academicians and researchers may use the results as a source of reference.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The environment has become very turbulent, increasingly novel (Ansoff, 1979) and uncertain (Johnson, Scholes, and Whittington 2005). Globalization, liberalization, advances in information technology, change in demographic and social attitudes, more demanding customers and advances in science are some of the examples of environmental changes that are exerting great pressures on all organizations (Ojienda, 2005). These environmental changes have increased the intensity of competition in the market place.

Organizations develop strategies, which enable them to cope with these environmental changes. The strategies enable the organizations to seize the opportunities, and minimize the impact of the threats that are created by these environmental changes (Johnson et al, 2005). Successful and effective strategies are those that enable an organization to achieve, and maintain competitive advantage.

2.2 The concept of Strategy

There are as many definitions of strategies as there are different authors. Thompson & Strickland (2003) define strategy as the game plan management uses to stake out a market position, conduct its operations, attract, and please customers, compete successfully and achieve organizational objectives. According to Hax & Majluf (1996), strategy is a means of establishing the organizational purpose in terms of its long-term objectives, action, programs, and resource allocation priorities. Johnson & Scholes (2002) define strategy as building on or stretching an organization's resources and competencies to create opportunities so as to capitalize on them. The objective of strategy is to achieve competitive advantage for the organization. An organization gains competitive advantage whenever it has an edge over rivals in securing customers,

defending against competitive forces and in earning above average profits (Thompson and Strickland, 2003).

According to Irons (1993), a good strategy is one that neutralizes threats, and exploits opportunities while capitalizing on strength and avoiding or fixing weakness. Thompson and Strickland (2003) argue that a good strategy is one which is well matched to a company's external and internal situation. Further, a successful strategy is one that is consistent with the firm's goals and values, external environment, resources, capabilities, organization and systems. Lack of consistency between the strategy, external and internal environment is a formula for failure (Grant, 1998). In other words, there must be a fit between the organization, strategy and the environment.

In summary, strategy is about winning (Grant, 1998). Strategy shows the way a company elects to relate to its environment, conduct its activities, and helps to build an integrated action in the organization. Further, strategy provides the basic direction for the business especially with respect to the dynamic changes in the relevant environment (Newman, Logan & Hegarty, 1989).

2.3 Meaning and Nature of Services

The phenomenon growth of services has been one of the mega-trends of recent years (Kotler 2003). According to Irons (1993), service business now accounts for about 60% of the world's economic activity. Berkowitz, Kevin and Rudelius (1989) define services as intangible items such as airline trips, financial advice or telephone calls that an organization provides to consumers. Further, Kotler (2003) defines a service as any act or performance that one party can offer to another that is essentially intangible, and does not result in the ownership of anything. According to Zeithaml and Bitner (2000), services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort, or health) that are

essentially intangible concerns for its first time purchaser. In contrast, tangible products have a physical presence; they are a thing or object that can be stored or possessed, and whose intrinsic value is embedded within its physical presence (Cateora and Graham, 1999).

According to Kibera and Waruingi (1988), services are unique. The characteristics of services that make them unique are intangibility, inseparability, variability and perishability (Kotler, 2003). Intangibility: Unlike products, services cannot be seen or tasted, felt, heard or smelled before they are bought. To reduce uncertainty, buyers will look for evidence of service quality. They will draw inferences about quality from the place, people, equipment, communication material, symbols and price that they see. Therefore, the task of the service provider is to “manage the evidence” and to “tangibilize” the “intangible” (Kotler, 2003). Inseparability: The consumers cannot separate the services from the deliverer or the setting in which the service occurs. For example, to receive an education, a person may attend a university. The quality of the education may be high but if the student has difficulty parking, finds counseling services poor or sees little opportunity for extra curriculum activity, he or she may not be satisfied with the educational experience (Berkowitz, Kevin and Rudelius, 1989). Variability/Inconsistency: The quality of service is inconsistent. It depends on the person providing it and quality depends on different capabilities and job performance (Berkowitz, Kevin and Rudelius, 1989). Inventory/Perishability: Services cannot be stored (Kotler, 2003).

Kotler (2003) and Zeithaml and Bitner (2000) observe that services are generally high in experience and credence qualities. This creates more risk in purchasing (Kotler, 2000) and makes it difficult for the customer to evaluate the services. The customer may be unaware or lack sufficient knowledge to appraise whether the offerings will satisfy the given wants and needs even after consumption (Zeithaml and Britner, 2000). The high credence and experience qualities of services have several consequences (Kotler, 2003).

Firstly, services' customers generally rely on word of mouth rather than advertising when making a purchase decision (Kotler, 2003). Secondly, customers rely on signals of value such as price, extensive advertising campaigns, advertisement content, image, reputation, packaging, the professionalism, appearance, and personality of supplier employees, the seller's list of customers, the firm's market share, the length of time the firm has been in business, the attractiveness of the facilities, and the information provided in sales presentations, and the quality of the brochures to infer the value a firm will or does create (Porter, 1985; Thompson and Strickland, 2003). Thirdly, they are highly loyal to service providers who satisfy them (Kotler, 2003).

2.4 Service Differentiation Strategy

Differentiation is the process of adding a set of meaningful and valued differences to distinguish a company's offering from competitors' offering (Kotler, 2003). According to Porter (1985), a firm differentiates itself from competitors if it can be unique at something that is valuable to buyers beyond simply offering a low price. Johnson, Scholes and Whittington (2005) argue that differentiation seeks to provide products or services that offer benefits that are different from those of competitors and that are widely valued by the customers. Grant (1998) observes that differentiation extends beyond the physical characteristics of the product or service to encompass everything about the product or service that influences the value customers derive from it.

Differentiation is about perception. Barney (1996) notes that firms often alter the objective properties of their products or services in order to implement a product differentiation strategy, but the existence of product differentiation, in the end, is always a matter of customer's perception. Porter (1985) observes that buyers use signals of value such as advertising, reputation and personality, the professionalism, appearance, and personality of supplier's employees, the attractiveness of facilities, and information provided in sales presentations to infer the value a firm will or does create. Porter (1985) notes that incomplete knowledge of what is valuable to consumers can become an

opportunity for differentiation strategy, since a firm may be able to adopt a new form of differentiation preemptively and educate buyers to value it. However, Porter (1985) cautions that buyers will not pay for value that they do not perceive, no matter how real it may be.

Further, Grant (1998) observes that differentiation is all about a firm's responsiveness to customer requirements. To succeed in any differentiation strategy, a company has to study buyers' needs and behaviour carefully to learn what buyers consider important, what they think have value and what they are willing to pay for (Thompson & Strickland, 2003). A company must incorporate buyer desired attributes into the product or service offering that will set it visibly and distinctively apart from rivals. Porter (1985) argues that uniqueness does not lead to differentiation unless it is valuable to the buyer. A successful differentiation strategy finds ways of creating value for buyers that yield a price premium in excess of the extra costs. Johnson and Strickland (2003) note that differentiation fails if buyers do not value the brand's uniqueness enough to buy it instead of rivals' brand or when the differentiation is easily copied or matched by its rivals, thus eliminating the basis of differentiation. The critical issue is whether differentiation creates value for customers (Grant, 1998).

Differentiation may be tangible or intangible (Grant, 1998). Tangible differentiation is concerned with the observable characteristics of a product or service that are relevant to the preference and choice process of customers. These include characteristics such as size, shape, colour, weight, design, material and technology. Tangible differentiation also includes the performance of the product or service in terms of reliability, consistency, taste, speed, durability and safety. Intangible differentiation arises because the value that customers perceive in a product or service is not dependent exclusively on the tangible aspects of the offering.

Services can be differentiated (Kotler, 2003). The intangibility and inseparability of services mean that customers rarely compare alternative service offerings in advance of purchase in the way that potential buyers of products do. Differences in the attractiveness or value of competing services are not that obvious to the potential buyer. Moreover, to the extent that customers view a service as homogeneous, they care less about the provider than the price. Service providers often use pricing to differentiate their offerings. However, pricing strategies, for example price, are quickly emulated by competitors. Kotler (2003) argues that the solution to price competition is to develop a differentiated offering, delivery and image which will enable the firm to stand out among competitors.

2.4.1.1 Perceived Value

The objective of differentiation is to achieve competitive advantage by increasing the perceived value (Barney, 1996). Competitive advantage is said to occur when a sufficient number of buyers become strongly attached to the differentiated attributes. For service companies, competitive advantage is likely to be much more related to the extent to which customers value less tangible aspects of the firm. This could be the soundness of the advice given, the attitude of the staff, the ambience of the offices, the swiftness of services and so on (Johnson and Scholes, 2002).

2.4.1 Service Delivery

The variability of services suggests that standardization and quality are difficult to control. Firms that persistently cultivate a customer orientation and execute sound internal marketing schemes increase their ability to differentiate their brand by offering superior quality service delivery (Kotler, 2003). Service delivery refers to how well the service is delivered to the customer. It includes speed, accuracy, and care attending to the delivery process. There are three categories of service delivery differentiation namely, reliability, resilience and innovativeness. A firm can be reliable on time delivery, order completeness, and order cycle time. Resilience is the ability to handle emergencies and

answering queries while innovativeness is about creating better information systems and developing new ways of assisting the customer (Adcock et al., 2001).

A service company can differentiate its service delivery in three ways namely people, physical environment, and process (Kotler, 2003). In addition, service delivery can be differentiated through customer orientation. It is important to note that superior service performance is a more effective differentiator than image because it is harder for competitors to duplicate a superior distribution system than it is to copy an advertising campaign (Adcock et al., 2001).

2.4.1.1 Personnel

Irons (1993) notes that the consumer sees a service not as what is done, in terms of time to achieve a task or delivery of an item, but in qualitative terms, how it is done. Irons (1993), further observes that expectations and experience mingle, and consumers draw much of their final belief from the personality and behaviour of the person they meet, because he or she provides more clues to the personal sustainability of the solution offered than the product itself, thus emphasizing the old cliché that “services are about people”; though it would be better to rephrase the statement to read “services are people”. About 90% of the staff of a service company, and not uncommonly 100%, influence the purchase decision of a customer (Irons, 1993).

Churchill and Peter (1995) observe that to provide quality services, organizations must tailor their products to the needs of specific customers. A good start is to consider what customers look for in deciding whether they have purchased a high quality service. According to Ennew, Watkins and Wright (1998), purchasers attach considerable importance to the image of the service providers and the performance of sale staff (Ennew, Watkins & Wright, 1998).

Rust et al (1996) observe that many services require personal interactions between customers and the firm's employees, and the interactions strongly influence the customer's perception of service quality. The buyer sees the seller of services as someone the buyer can lean on for advice and help (in marketing of services). This relationship is especially likely when the provider of the service is a professional, such as a doctor, lawyer or financial adviser. The client relationship tends to be personalized and ongoing (Churchill and Peter, 1995). The choice of whom to consult as a professional, for example, a lawyer is laced with doubts and uncertainties. In turn, these will be overlaid with personal feelings and views. The lawyer is clearly providing a service, which if the options are simply verbal, may be seen only in the person of the lawyer, probably may not be touched, hopefully can be heard but not smelled, and (an important point in service) may be talked to and so influenced by the customer concerning his or her views and delivery. It is important to note that the employees of a law firm or health clinic, from the professional who provide the service to the receptionist and office staff who represent the firm to the client, and everything these individuals do or say can influence the perception of the organization (Zeithaml and Bitner, 2000).

Companies can gain a strong competitive advantage through having better – trained people. Selecting and training employees, motivating them to care about their jobs and to make an extra effort to serve their customers is very crucial. Employees must believe in what they are doing and enjoy their work before they can, in turn, provide good service to customers (Irons, 1993). Better trained personnel exhibit six characteristics; competence - they possess the required skills and knowledge; courtesy - they are friendly, respectful and considerate; credibility - they are trustworthy; reliability- they perform the services consistently and accurately; responsiveness - they respond quickly to customers' requests and problems; and communication - they make an effort to understand the customer and communicate clearly.

2.4.1.2 Physical Environment

Servicescape is the ambience, the background music, the comfort of the seating, and the physical layout. Servicescape can serve as a facilitator in aiding the performance of persons in the environment. How the setting is designed can enhance or inhibit the efficient flow of activities in the setting, making it easier or harder for the customers and employees to accomplish their goals. A well designed, functional facility can make the service a pleasure to experience from the customer's point of view and a pleasure to perform for the employees. On the other hand, poor and inefficient design may frustrate both customers and employees. For example, an international traveler who finds himself in a poorly designed airport with a few signs, poor ventilation, and a few places to sit or eat will find the experience quite dissatisfying, and the employees who work there will probably be unmotivated as well (Zeithaml and Bitner, 2000).

2.4.1.3 Process

Services are made 'face to face', at the time of consumption (Irons, 1993). Due to the nature of services, customers are often involved in the production of services, as such, the entire production process is more important in services than it is for goods. There are all sorts of operational issues that directly affect the customer's perception and level of satisfaction regarding a service. This could be the speed of an order being delivered in a fast food restaurant or, in an industrial setting, perhaps the ease of paying a bill, or other issues regarding the way the offering is transferred to the customer. Most services have procedures that can make that service more or less acceptable to the customer. When these procedures are unnecessarily complex and customers do not see any reason for the bureaucracy, then there is a natural tendency to reject the offering (Zeithaml and Bitner, 2000). For example, a customer at a restaurant is not interested merely in the end result, that is, cessation of hunger. The entire experience of arriving at a restaurant, that is, being seated, enjoying the ambience, ordering, receiving, and eating the meal is important. Similarly, in applying for a bank loan, the customer evaluates the purchase not only by the interest rate to be paid. The speed and sensitivity of the approval process,

the interactions with bank officers, the accuracy of bank statements, and the ease of getting redress if mistakes are found, all affect the person's attitude about doing further business with the bank and his or her willingness to recommend it to others (Rust et al, 1998).

Therefore, an organization must view services as a process and the discontinuities as the key points and then select those that are more important to the customer, rather than the organization. This entails removing the rigid hierarchical structures and adopting structures that are flatter, flexible, and conducive to team work and contact with others on a basis of need rather than the job (Irons, 1993).

2.4.1.4 Customer Orientation

The overwhelming element of service business distinctiveness and success is market force. A strong characteristic, commonly to all successful service companies, is a feeling that a customer is someone who is more, much more than simply a target (Irons, 1993). Organizations must be concerned with customer satisfaction, that is, putting the customer first, anticipating needs and problems, tailoring products and services to meet needs, and being 'nice' (Ennew et al, 1998). According to Rust et al (1996), organizations must listen to customers, give them individualized attention and develop effective and efficient complaint management mechanisms. Aaker (1991) observes that a customer driven firm is built on pillars. The first pillar is an in – depth understanding of the customer based on customer contact and market research. The second one is a clear idea about what the organization wants customers' perception to be and what they actually are and why. The third pillar is that the business should make sure that it is delivering quality or value by measuring customer satisfaction and reacting to the resulting input.

Services are relationships and successful services are successful relationships. Building a relationship with a chosen market, whether the relationship is transient (a one – time visit to a restaurant) or long term (as with a bank or professional adviser) is the essence of

building a brand. Such relationships will be based on a series of interactions. It is from these interactions with the organization that customers form their perceptions of the individual rightfulness of a solution whether it is to assess value, decide to buy, repeat purchase or recommend to others (Irons, 1993). Therefore, the ability of service providers to maintain good customer relations is a key to success (Churchill and Peter, 1995). As such, the success of a service organization depends in part on its employees' ability to develop client relationships, as well as provide the basic service such as diagnosing an illness or recognizing a good investment (Churchill and Peter, 1995).

The benefits of customer care are customer loyalty through satisfaction, increased opportunities for cross – selling and employee benefit (Ennew et al, 1998). Good customer care service enhances corporate image and may provide insulation from price competition (Keller, 1998). Through superior customer care, an organization can achieve differentiation and competitive advantage (Ennew et al, 1998).

2.4.2 Offering

The offering is a service differentiator. The offering can include innovative features (Kotler, 2003). Innovation is the initial commercialization of an invention by producing and marketing a new good or service or by using a new method of production (Grant, 1998). Innovation is seen as the ability to change the rules of the game (Johnson and Scholes, 2002). Johnson and Scholes (2002) further argue that the success of all innovatory organizations is likely to be built on the willingness to challenge the status quo in an industry, market and an awareness of how the organization's resources and competences can be 'stretched' to create new opportunities. The rapid developments in information technology have created opportunities for organizations that can do business in new ways.

What a customer expects from a service is called the primary service package. To this, the provider can add secondary service features (innovative features). For example, in

the airline industry, various carriers have introduced such service features as movies, merchandise for sale, air to ground telephone service and frequent flier award programs. Marriott, a company in the hotel industry in America, has set up hotel rooms for high – tech travelers' accommodation that support computers, fax machines, and e-mail. Many companies are using the web to offer secondary service features that were never possible before.

Companies may also achieve differentiation through the sheer range of its service offering (Kotler, 2003). For example, the Bank of America has a wide range of services such as savings account, college loans, home mortgages just to name a few. The wide range of services assists the Bank of America to achieve competitive advantage. The major challenge of innovations is that most service offerings and innovations are easily copied. Still, the company that regularly introduces innovations will gain a succession of temporary advantages.

2.4.3 Image

Image is the way the public perceives the company or its products. A company can build its brand image through creating or sponsoring various events. Event marketers favour sports events and use venues such as art museums, zoos, or ice shows to entertain clients and employees (Kotler, 2003). Events can create attention, although whether they have a lasting effect on brand awareness, knowledge, or preference will vary considerably, depending on the quality of the product, the event itself, and its execution. Companies can also create events designed to surprise the public or create a buzz. Events and sponsorship enhance the corporate image dimension, identify with a particular target market or lifestyle, increase awareness of a company or product name, create or reinforce consumer perception of key associations, express commitment to the community or social issues or reward key employees and permit merchandising or promotional activities (Keller, 1998).

A company can further differentiate its image using special attributes, such as the company's heritage, its being the first to enter the field, its being the largest or oldest company in its industry or being the most preferred according to opinion polls (Trout and Rivkin, 2000). Rust et al (1996), observes that customers use letter – heads to assess the quality of the firm. Rust et al (1996) further observe that promotional materials and written correspondence provide tangible evidence of the firm's professionalism.

Image differentiation can also be achieved through the provision of higher quality services than competitors (Kotler, 1988). A reputation for high quality directly reduces the purchase risk for new customers, whereas poor reputation makes selling the service much more difficult (Rust et al, 1996). Rust et al (1996) further argue that success at producing high quality service helps to build enthusiasm and higher morale among staff members, a factor that is essential to delivering still better services. High quality services are more likely to stimulate positive word of mouth by current customers, reinforcing the firm's own advertisements by giving them more credibility and further improving the firm's reputation (Rust, et al, 1996). The five dimensions of service quality are reliability, responsiveness, assurance, empathy and tangibles. Reliability is delivery of services as promised. Frontline employees directly influence customer perception of responsiveness through personal willingness to help and their promptness in serving customers. Service reliability directly addresses customer concerns about service variability and intangibility (Rust, Zahorik and Keiningham, 1996). The assurance dimension of service quality is highly dependent on employees' ability to communicate their credibility and to inspire trust and confidence. Empathy implies that employees will pay attention, listen, adopt and be flexible in delivering what customers need. Employee appearance and dress are important aspects of the tangibles dimension of quality, along with many other factors that are independent of service employees (e.g. the service facility, décor, brochures, signage) (Zeithaml and Bitner, 2000).

The servicescape and other elements of the physical evidence essentially “wrap” the service and convey an external image of what is “inside” to consumers. The physical setting portrays a particular sensory or emotional reaction. The design of the physical facility can differentiate a firm from competitors and signal the market segment the service is intended for (Zeithaml and Bitner, 1996). A physical space is the location in which a service is offered and consumed (Adcock, Halbery and Roso, 2001). Adcock et al (2001) argue that if the environment is unacceptable then this affects the total offering in an adverse way. The feel of the surrounding is particularly relevant when a customer visits a supplier’s premises such as a bank, restaurant or sport club (Adcock et al, 2001). For example, a bank that wants to convey the image of a safe bank must communicate this through the building’s architecture, interior design, and lay out, colour, materials and furnishings. Companies can create a strong image by inviting prospects and customers to visit their well-laid out headquarters and factories.

Fast-food outlets are known to favour colour schemes that include red and yellow to give an impression of speed. The colours are also visible in the uniform worn by the employees. These compliment the surrounding and well-dressed staff are said to enhance image of efficiency with colours chosen to add to the message. It is really a form of packaging, but interpreted as intangible offerings and aimed at enhancing the acceptability of the total offering (Adcock et al, 2001). For instance, the servicescape of a store- front legal services clinic located in a strip development differentiates it from corporate law firms located in downtown high-rises (Zeithaml and Bitner, 2001).

2.5 Summary Of Literature Review

The environment has become very turbulent, less predictable and uncertain. Businesses are operating in a cut-throat competitive environment that threatens their survival. Muir, Douglas & Meechan (2004) observe that the legal profession of England and Wales is experiencing challenges in many aspects of its work and unprecedented change. Law firms have not been immune to internal and external influences on their organization. A

once elite and learned profession is now operating in a competitive cut-throat business environment, much like any other business and profession. It has come as a shock for many lawyers to find that in the early years of the new millennium their profession has become subject to the same commercial pressures and values as banking, running an airline or manufacturing green and yellow widgets (Muir, Douglas & Meechan 2004). The observations made by Muir et al (2004) can also be made about law firms in Kenya, which are operating under a very competitive environment (Ojienda, 2005).

Law firms need to address the strategic issues that have been brought about by the changes in the environment. Well-developed plans and strategies such as service differentiation may help law firms to cope with the increasing levels of competition, as well as the dynamic business environment within which they operate (Muir et al, 2004). The services offered by law firms are unique in nature. They are intangible (Kotler, 2003) making it very difficult for the services to be evaluated in terms of effectiveness and quality before consumption. Therefore, law firms have to differentiate their offerings from those of competitors in order to stand out in the market place and gain competitive advantage over their competitors.

3.3 Sample Size and Sample Design

A total of 93 law firms were studied out of the selected sample of 100 law firms. The response rate was 93%. The non-response rate was 7%. This was a fair representative sample of law firms in Nairobi. The nature of the respondents' work (the respondents were the managers of law firms who made strategic decisions and were also practicing lawyers), required them to attend court. This meant that the respondents were not readily available. Therefore, convenience sampling was used to select sample elements. The criteria used to select the sample elements was availability and accessibility of the respondents. The main advantage of using this method was that the response rate was increased as the selected subjects were easily and conveniently available (Irsenkai and Wallen, 2006).

PART THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive survey intended to establish the extent to which law firms in Nairobi use service differentiation strategies. The objective of the study was to ascertain what and which service differentiation strategies law firms in Nairobi use. Mukewa (2005), Muchira (2005), and Bett (2005) successfully used the descriptive design in related studies.

3.2 The Population

The population of study consisted of all law firms in Nairobi. Nairobi city was chosen as the unit of interest of the study as it had the highest number of law firms in Kenya and is very competitive. According to the Law Society of Kenya Directory of Member 2005-2006, there are 3000 law firms in Kenya with 1500 of the law firms being in Nairobi. The directory was used as a sampling frame as the list indicated the members who were qualified to offer legal services. Due to the size of the sample, a survey was conducted.

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3.4 Data Collection Method CHAPTER FOUR

Primary data was collected using a semi-structured questionnaire. The respondents were the individuals who manage the law firms and make strategic decisions. Only one person per firm was required to fill the questionnaire. The drop and pick method was used to administer the questionnaire. Follow up was done via personal visits, telephone calls or e-mail to facilitate responses and also enhance the response rate.

The questionnaire was divided into two parts. Part I contained questions on the general information on the law firms. Part II contained questions on a five point likert scale aimed at determining the extent to which law firms in Nairobi had adopted service differentiation strategies in respect to service delivery, image and offering.

3.5 Operational Dimensions of Differentiation Strategies

In order to operationalize the service differentiation strategies used by law firms, the variables were defined as shown in Appendix iii. The last column indicated the particular question relevant to each quality/determinant. The variables were measured using the five point likert scale.

3.6 Data Analysis

Descriptive statistics were used to analyze data. In part I of the questionnaire data was analyzed using frequency distribution and percentages. Data in part II was analyzed using the mean score and standard deviation to determine the extent of use of service differentiation strategies.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

In this chapter, data pertaining to the extent to which service differentiation strategies are used by law firms operating in Nairobi to sustain their competitive advantage is hereby analyzed and interpreted. The target population was all law firms in Nairobi. According to the Law Society of Kenya Directory, there are 1500 law firms in Nairobi. Due to the large size of the population, a representative sample of one hundred law firms was selected for the study.

A total of one hundred questionnaires were distributed to the respondents, out of which ninety three (93) responded by completing and returning the questionnaires. Seven (7) law firms did not fill their questionnaires. This gave a response rate of 93% and non-response rate of 7%. The response rate of 93% is high enough to validate the sample of the study. The questionnaires were coded, edited and tabulated for completeness and accuracy. Data pertaining to the general information on the firms was analyzed using frequency distribution and percentages, while data used to determine the extent of use of service differentiation strategies were analyzed using mean scores and standard deviation.

4.2 Profile of Law firms in Nairobi

In this section, data on the profile of law firms, that is, ownership, age of the firms, number of advocates and type of clients was analyzed using frequencies and percentages, and the findings summarized as shown on table 1.

Table 1 – Profile of Law Firms in Nairobi

<i>Profiles</i>	<i>Number</i>	<i>Percentage</i>
<i>Ownership</i>		
Sole proprietorship	36	39
Partnership	57	61
Total	93	100
<i>Number of advocates</i>		
1-5	74	80
Over 5	19	20
Total	93	100
<i>Type of clients</i>		
Individual	6	6
Corporate	7	8
Both	80	86
Total	93	100
<i>Age of the firm in years</i>		
Less than 5	32	34
5-10	25	27
11-15	20	22
Over 16	16	17
Total	93	100

Source: Research Data

The shareholding profile of the law firms was analyzed and 36 firms were established to be sole proprietorships. These firms comprised 39% of the population under study. The study revealed that 57 (61%) of the firms under study carried business as partnerships.

In respect of the number of advocates employed in the firm, the data indicated that 74 (80%) firms employed between 1-5 advocates while 19 (20%) of the firms under study employed over 5 advocates. The data indicated that most firms employed 1-5 advocates.

With regard to the type of clients that the firms served, the data established that out of the firms studied, 6 (6%) firms served individual clients, 7 (8%) of the firms served corporate clients and 80 (86 %) of the firms served both corporate and individual clients. The data indicated that most of the law firms served both corporate and individual clients. The respondents were also requested to indicate the length of time that the firms had been in operation. The data revealed that 32 (34%) firms had been in operation for less than 5 years, 25 (27%) firms had been in operation between 5-10 years, 20 (22%) firms had been in operation between 11-15 years, and 16 (17%) firms had been in operation for over 16 years. The data established that a higher percentage (34%) of the firms had been in operation for less than five years, which confirms that there has been a high entry of new firms in the industry in the last five years hence the increased competition (Ojienda, 2005).

4.3 Service Differentiation Strategy

The service differentiation strategies at the disposal of law firms in Nairobi are service delivery, image and offering. The researcher was interested in determining the extent to which law firms in Nairobi applied service differentiation strategies. This was measured on a five-point likert scale, where respondents were required to indicate to what extent they applied the service differentiation strategies.

The range was 'very large extent', 'large extent', 'some extent', 'small extent' and 'no extent'. Mean scores were extensively used to record the extent of usage of service differentiation strategies by law firms. Scores equal to or greater than 4.5 denotes to a 'very large extent'. Scores equal to or greater than 3.5 but less than 4.5 denote to a 'large extent'. Scores equal to or greater than 2.5 but less than 3.5 denote to 'some extent'. Scores equal to or greater than 1.5 but less than 2.5 denote to a 'small extent' while those less than 1.5 denote to 'no extent'. Standard deviation was used to analyze data and standard deviation of less than one was considered as low. Any standard deviation equal to or greater than one was considered high. The standard deviation was to confirm the

agreement of the respondents on the usage of service differentiation strategies. A low standard deviation of less than one implies general agreement on the extent of usage of service differentiation strategies. A high standard deviation of one and above means that the respondents varied significantly in their responses and/or there was no agreement on the extent of usage.

4.3.1 Service Delivery Strategy

The data collected through the questionnaire in respect to service delivery strategy was analyzed using the mean score and standard deviation and the findings summarized as shown on table 2.

Table 2 – Broad dimension of Service Delivery

Broad Dimension	Mean	Standard deviation
Personnel		
Competence	4.2	1
Courtesy	3.7	1.1
Credibility	3.9	1.3
Reliability	4	0.9
Responsiveness	4.1	0.9
Communication	3.9	1.2
Training	3.1	1.3
Motivation	3.6	1.3
Overall Personnel Mean	3.8	1.1
Process		
Accessibility	3.8	1.1
Comfort	4.1	0.9
Overall Process Mean	3.7	1.1
Physical Environment		
Location	3.2	1.1
Ambience	3.5	1.1
Overall Physical Environment Mean	3.3	1.1
Customer Orientation		
Understand Customers	3.7	1.2
Customer satisfaction	3.5	1.2
Relationship with customer	3.7	1.2
Overall Customer Orientation Mean	3.6	1.2

Source: Research data

The broad dimensions of service delivery strategy are personnel, process, the environment and customer orientation. In order for the personnel strategy to be effective, the employees of a firm must be competent, trained, credible, motivated, reliable, responsive to customers and exhibit courtesy. Competency scored a mean of 4.2 and standard deviation of 1. This means that the staff of law firms are competent to a large extent. However, the high value of the standard deviation implies that there was no agreement on the extent of usage. Courtesy, which reflected the ability of employees to be friendly, respectful and considerate, scored a mean of 3.7 and a standard deviation of 1.1. This implies that the employees of law firms are courteous to a large extent. However, the standard deviation, which is greater than 1 implies that the responses on the extent of usage varied across the firms.

Credibility recorded a mean score of 3.9 and standard deviation of 1.3. These values implied that the employees are credible to a large extent save that the responses on the extent to which the employees of law firms were credible varied significantly. Reliability scored a mean of 4 and standard deviation of 0.9. The mean score implies that the employees are reliable to a large extent. However, the low value of the standard deviation implies an agreement on the extent of usage of reliability. Responsiveness scored a mean of 4.1 and standard deviation of 0.9. The values imply that the staff are responsive to a large extent and there was general agreement on the extent of the responsiveness of the employees.

Communication had a mean score of 3.9 and standard variation of 1.2, which implies that the employees make an effort to understand the customer and communicate clearly to a large extent. However, the high value of the standard deviation indicates that there is no agreement on the extent to which employees are able to communicate clearly and effectively. Training scored a mean of 3.1 and standard deviation of 1.3. This implies that the employees are trained to some extent. However, the responses on the extent of training of the employees vary significantly across the firms. Motivation of employees

scored a mean of 3.6 and standard deviation of 1.3. This means that employees are motivated by the proprietors of the firms to a large extent. However, the high value of standard deviation implies that the respondents varied significantly in their responses on the issue of motivation. Competence had the highest mean score of 4.2 while training scored the lowest mean of 3.1. The overall mean score for personnel strategy and standard deviation are 3.8 and 1.1 respectively. This implies that the personnel strategy is used to a large extent though the responses on the extent of usage of competency as a differentiator varied significantly.

4.3.2 Image Differentiation Strategy

The process of providing services affects the client's attitude about doing further business with the firm. The attributes of process strategy that were tested are accessibility, comfort and efficiency. Accessibility scored a mean of 3.8 and standard deviation of 1.1. The mean score implies that most firms are accessible to a large extent. However, the responses varied significantly on the extent of usage. Comfort scored a mean of 3.2 and standard deviation of 1.1. These scores imply that firms provide a comfortable atmosphere for their clients to some extent though the responses on the extent of usage varied. Efficiency scored the highest mean of 4.1 and standard deviation of 0.9. These values indicate that the firms are efficient to a large extent and there is also general agreement on the extent of usage. Process as a differentiator scored an overall mean of 3.7 and standard deviation of 1.1. The values imply that process is used as a differentiator to a large extent though the extent of use varies significantly across the firms.

4.3.3 Ambiance

The physical environment acts as a facilitator in aiding the performances of the individuals in any environment. The location and ambience were the aspects of the physical environment tested in the study. Location scored a mean of 3.2 and standard deviation of 1.1. These values supported the use of location as a differentiation to some extent through the degree of usage varied significantly. Ambience scored 3.4 and a standard deviation of 1.1. These values mean that ambience is used as a facilitator to some extent though the extent of usage varied significantly. The physical environment

scored an overall mean of 3.3 and standard deviation of 1.1. These values support the usage of the physical environment as a differentiation to some extent though the extent of usage varies significantly.

Customer orientation scored an overall mean of 3.6 and standard deviation of 1.2. These values mean that customer orientation is used to a large extent through there is a significant difference in its application.

4.3.2 Image Differentiation Strategy

The data collected through the questionnaire in respect to image differentiation strategy was analyzed using the mean score and standard deviation and the findings summarized as shown on table 3.

Table 3 – Broad dimension of Image Differentiation

Broad Dimension	Mean	Standard Deviation
Events	2.02	1.3
Media	3.9	1.2
Quality		
Reliability	4.1	0.9
Responsiveness	0.3	1.3
Empathy	3.6	1.1
Assonance	4.2	0.9
Overall mean for quality	3.2	1.1

Source: Research data

Image is the way the public perceives the company or its products. The broad dimensions of image that were tested in the study are events, media and quality. On the aspects of participation in events as a means of building corporate image, the mean score was 2.02 and standard deviation was 1.3. Firms participate in events to a small extent with

significant difference in the extent usage of events as means of building corporate image. Media scored a mean of 3.9 and standard deviation of 1.2. The results support the usage of media to a large extent however the extent of usage of media varies significantly across the firms.

4.4 Summary of Service Differentiation Strategies

Quality as a tool of building corporate image was tested under the dimensions of quality namely reliability, responsiveness, empathy and assurance. In response to reliability, the mean score was 4.1 and standard deviation was 0.9. These results imply that the firms use reliability as a differentiator to a large extent. There is also a general consensus on the extent of usage of reliability by the law firms. Responsiveness scored a mean of 3 and standard deviation of 1.3. This means that the firms are responsive to clients to some extent although the responses on responsiveness varied significantly on the extent of usage. Empathy scored a mean of 3.6 and standard deviation of 1.1. This indicates that the employees of the firms are empathetic to a large extent though the extent of usage empathy varies significantly from firm to firm. Assurance scored the highest mean of 4.2 and standard deviation of 0.9. The results imply that the employees inspire trust and confidence to a large extent and there is also a general agreement on the extent of usage. Quality as a differentiator scored an overall mean of 3.5 and standard deviation of 1.1. This implies that quality as a differentiator is used to a large extent though the responses on the extent of usage varied significantly.

4.3.3 Offering Strategy

The data collected through the questionnaire in respect to image differentiation strategy was analyzed using the mean score and standard deviation and the findings summarized as shown on table 4.

Table 4 – Broad Dimensions of Offering

Broad dimension	Mean	Standard Deviation
Range of services	4.1	1

Source: Research data

The range of services offered by the firms was tested under offering. The mean score was 4.1 and standard deviation was 1. The results supported the usage of the strategy to a large extent with a general agreement on the extent of usage.

5.1 Introduction

4.4 Summary of Service Differentiation Strategies

Table 5 represents the overall summary on the usage of service differentiation strategies.

Table 5 – Summary of Service Differentiation Strategies

Strategy	Mean	Standard deviation
Service delivery strategy	3.6	1.1
Image	3.5	1.1
Offering	4.1	1
Overall Mean	3.7	1.1

Source: Research data

The findings indicate that offering as a service differentiation strategy is used to a large extent as it has the highest mean score of 4.1. Service delivery as a service differentiation strategy was second in rank with a mean score of 3.6. Image as a service differentiation strategy had the lowest mean score of 3.5. However, there is no agreement on the extent of usage of any of the service differentiation strategies.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Law firms provide services, which services secure the rights of individuals and organizations in transactions in all businesses whether public or private. In the recent past, law firms have been facing increased competition (Ojienda, 2005). Law firms have developed strategies such as service differentiation strategies, as a means of achieving competitive advantage against competitors. The objective of this study was to determine the extent to which service differentiation strategies are used by law firms operating in Nairobi to develop and sustain competitive advantage.

5.2 Discussion

Regarding the use of service delivery strategy, the differentiator with the highest mean score of 3.8 is personnel followed by process with a mean score of 3.7. Customer orientation has a mean score of 3.8. The differentiator with the lowest mean score of 3.3 was the physical environment. Under personnel, competence scored the highest mean of 4.2 while motivation scored the lowest mean of 3.6. The high mean score of personnel is recognition by law firms of the fact that they can gain competitive advantage through their staff (Irons, 1993). Personnel strategies are premised on the fact that clients place considerable importance on the image of service providers and expected performance of the staff (Ennew, Watkins and Wright, 1998).

In respect to process, efficiency scored the highest mean of 4.1 while comfort scored the lowest mean of 3.2. The high mean score of efficiency confirms the argument by Rust et al (1998) that customers value speed, ease and the quality of service provision. Under the physical environment differentiator, ambience scored the highest mean of 3.5 while location scored the lowest mean of 3.2. The relatively high mean score of ambience is recognition, by law firms, of the fact that the physical environment can make their service

a pleasure to experience from the clients (Zeithaml and Bitner, 2000). In regard to customer orientation, understanding customers and establishing a relationship with the customer both scored a mean of 3.7 while customer satisfaction scored a mean of 3.5. The high mean scores of customer orientation and establishing a relationship with customers corresponds to the findings by Irons (1993), to the effect that successful companies have a strong customer focus. The overall mean of service delivery strategy is 3.6 with standard deviation of 1.1. These values for mean scores are relatively high which confirms that service delivery strategy is used by law firms to a large extent as a differentiation strategy, and corresponds to the findings of Kotler (2003). However, there is no agreement on the extent of usage as shown by the high value of standard deviation.

Offering strategy posted the highest mean score of 4.1 followed by service delivery. The scores analyzed and summarized on image differentiation indicated that the highest score of 3.9 was media while participation in events posted the lowest mean of 2.1. Quality scored a mean of 3.2. In respect to the attributes of quality, assurance scored the highest mean of 4.2 followed by reliability. Responsiveness, on the other hand scored the lowest mean of 3 under the attributes of quality. The overall mean of image differentiation strategy was 3.5, which indicates that the strategy is used to a large extent by law firms though there seems to be no agreement on the extent of usage of the same. This relatively high media mean score reveals that law firms recognize the fact that a company can differentiate its services through image (Aaker, 1991).

The study confirmed that service differentiation strategies are used to a large extent. It is With regard to offering, the only attribute studied was the range of services offered by law firms. This attribute scored a mean of 4.1 and standard deviation of 1. These results indicate that this strategy is use to a large extent though there is no agreement on the extent of usage of the same. This confirms that offering is a service differentiator (Kotler, 2003). The overall mean of all the service differentiation strategies was 3.7. This finding confirms that law firms use service differentiation strategies to a large extent as a means of achieving competitive advantage (Kotler, 2003).

5.3 Conclusion

The research findings reveal that 34% (32 firms) have been in operation for less than five years. This was the highest percentage out of the four categories under study (table 1). This implies that there have been a large number of new entrants in the market in the last five years. These findings explain the increase in the competitiveness in the industry (Ojienda, 2005). In respect to the nature of clients serviced by law firms, the research findings indicate that most law firms provide their services to both corporate and individual clients. Further, the profile of law firms revealed that most of the law firms under the study carry on business as partnerships.

Offering strategy posted the highest mean score of 4.1 followed by service delivery strategy. Image strategy posted the lowest mean of 3.5. The overall mean score of the service differentiation strategies namely service delivery, offering and image was 3.7 (table 5). This indicates that law firms use service differentiation strategies to a large extent as a means of achieving competitive advantage (Kotler, 2003).

5.4 Recommendations

Law firms are operating in a very competitive environment. In order to survive, law firms have to out perform competitors. Law firms can use service differentiation strategies as a means of attracting new clients and retaining the existing and new clients. The study confirmed that service differentiation strategies are used to a large extent. It is desirable therefore that all the firms take cognizance of this fact and improve further on the extent of usage of service differentiation strategies.

The research findings indicated that law firms place little importance on training. It is a proven fact that better training staff offer better quality services. As such, law firms would benefit greatly if they allocated more resources towards the training of their staff. Image differentiation strategy received the lowest mean. Image is a cue used by clients to

evaluate quality of a service. Therefore, there is a need for law firms to work on improving the extent of usage of the image strategy.

LIMITATIONS OF STUDY

The results of this study should be interpreted in the context of a number of study limitations namely:-

The study was restricted to the law firms carrying on business in Nairobi whereas law firms are spread throughout Kenya. Therefore, the findings cannot be generalized to the rest of the country. It was observed during data collection that some of the respondents exhibited bias in responding to some of the questions. This category of respondents feared that if they filled the questions objectively, the results together with the names of the firms would be published. Further, they feared that the disclosure would reveal their firms' weaknesses. As such, there is likelihood that some of the data collected was not an objective reflection of the practice in some of the law firms.

Further, the study did not seek to ascertain whether there was a relationship between the use of the service differentiation strategies and performance of the law firms. This would assist the law firms to determine if indeed the use of service differentiation strategies assisted the firms to gain competitive advantage.

SUGGESTIONS FOR FURTHER RESEARCH

The aim of the study was to determine the extent to which service differentiation strategies are used by law firms in Nairobi. In the context of the limitations of the study cited above, it is suggested that:-

Further research could be conducted in other parts of Kenya to determine the extent of usage of the service differentiation strategies. The findings in the study revealed that most law firms in Nairobi carry out business as partnerships. Research could be carried

out to ascertain whether law firms use other strategies, such as mergers, as a means of achieving competitive advantage.

Another field for future study would be a study to seek the employees or customer perception on the extent of usage of service differentiation strategies as means of achieving competitive advantage by the law firms. Further research should be conducted to ascertain whether there are any differences in the service differentiation strategies used by the large, medium and small law firms and whether there is a relationship between the performance of law firms and the usage of service differentiation strategies.

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APPENDICES

Appendix i: Introduction Letter

Isabella Nyambura,
Faculty of Commerce,
C/O of MBA Co-ordination Office,
Department of Business Administration,
University of Nairobi,
P.O. Box 30197,
NAIROBI.

August 29, 2006.

Dear Sir/Madam,

Good morning/afternoon. I am a postgraduate student at the University of Nairobi, the Faculty of Commerce. I am required to conduct research work in partial fulfillment of the requirement of the award of a degree in Masters of Business Administration degree (MBA). I am conducting a descriptive study on Service Differentiation Strategies used by law firms in Nairobi. The objectives of the study are to determine the extent to which law firms in Nairobi use differentiation strategies, and whether there is any difference in the differentiation strategies used by the small and large law firms.

After careful analysis, your esteemed firm has been selected to participate in this study. Kindly fill the attached questionnaire as honestly as possible. Kindly note that your response will be confidential and your identity (and that of your organization) will not be revealed at any time to anyone. Further, please note that your participation is voluntary.

Thank you very much for taking time to participate in this study.

Sincerely,

ISABELLA NYAMBURA
MBA Student

MRS. MARGARET OMBOK
Supervisor and Lecturer

Appendix ii: The Questionnaire

PART II

Questionnaire No.: _____

Date : _____

PART 1

Name of Firm (Optional) : _____

1. Using the categories below, please indicate the type of your firm (*please tick one*)

- (a) Sole Proprietorship (b) Partnership

2. Using the categories below, please indicate the number of advocates in your firm (*please tick one*)

- (a) 1 – 5 Advocates (b) Over 5 advocates

3. Using the categories below, please indicate the type of customers that your firm serves (*please tick one*)

- (a) Individual
 (b) Corporate
 (c) Both

4. For how long has your firm been in operation? (*please tick one*)

- (a) Less than 5 years
 (b) 5 – 10 years
 (c) 11 – 15 years
 (d) Over 16 years

PART II

Indicate the extent to which your firm practices the following, on a scale of 1-5 where:
 (Please tick where appropriate)

- 5 - to a very large extent
- 4 - to a large extent
- 3 - to some extent
- 2 - to a small extent
- 1 - to no extent

Number	Issue	5	4	3	2	1
1	The firm has adequate parking for its clients.					
2	The firm is located at a strategic place that is easily accessible to clients.					
3	The firm has a telephone (landline)/mobile facilities.					
4	The firm is engaged in corporate social responsibility e.g. through offering scholarships, involvement in a save a life fund etc.					
5	The firm has a website/e-mail facilities.					
6	The firm has a brochure or firm profile.					
7	The firm has a distinctive letterhead.					
8	The advocate(s) in the firm have business cards.					

Number	Issue	5	4	3	2	1
9.	Clients can walk into the office for advice without prior appointment.					
10	The advocate(s) in the firm is (are) always available.					
11	The firm has flexible working hours e.g. the firm is open during lunch hour, Saturdays etc.					
12	The firm has an established filing system.					
13	The firm has an in-house training program.					
14	The advocate(s) provide(s) personal mobile phone numbers to clients.					
15	The firm has a well developed a client complaint handling mechanism.					
16	The firm seeks to determine customer satisfaction.					
17	The staff show respect to clients when they talk to them.					
18	Advocate(s) walk clients to the door.					
19	The firm's offices are neat.					

Number	Issue	5	4	3	2	1
20	The firm has a customer care policy that is practised by all the staff.					
21	Clients can peruse their files without any restriction.					
22	The firm honours fee payment agreements made with clients.					
23	The firm discloses monetary court awards to their clients.					
24	The firm gives regular feedback to clients on the progress made in their matters.					
25	The firm meets deadlines.					
26	The staff keep their word.					
27	The firm takes a very short time to respond to clients' queries.					
28	The firm offers a wide range of services.					
29	The advocate(s) give sound legal advice and are knowledgeable.					

Number	Issue	5	4	3	2	1
30	The firm offers incentives to employees to encourage them to acquire further training.					
31	The firm pays for continuous legal education for the advocates.					
32	The firm gives discounts/gifts to clients.					
33	The firm gives bonuses to employees.					
34	The firm has reading materials such as magazines at the reception.					
35	The management of the firm gives compliments to employees.					
36	The firm has high quality furniture.					
37	The firm has an open door policy in respect to employees.					
38	The firm's offices have very good ventilation.					
39	The firm is equipped with music/television facilities at the reception.					
40	The employees are empowered to offer tailor made solutions to the clients.					

41	The firm acts on client's instructions immediately.				
42	The process of taking instructions from a new client is very simple and fast e.g. opening a file and taking instructions.				
43	The receptionist and other staff offer service with a smile.				
44	The firm follows up court matters to ensure that they are finalized and disposed by the court very quickly.				
45	The advocate(s) in the firm attend court when required.				
46	The interior design of the firm's offices is professionally done.				
47	The firm seeks to ascertain customer needs.				
48	The staff take time to listen to customers.				
49	The firm's management attends/participates in client's functions e.g. corporate social responsibility activities, cocktails, launching products or services etc.				
50	The firm does regular follow ups on existing clients e.g. call the clients regularly.				

Thank you for filing this questionnaire

Appendix iii: Operational Dimensions of differentiation Strategies

Delivery			
Personnel			
Broad Dimension	Dimension of Differentiation	Key Issues	Relevant Question
Competence	<ul style="list-style-type: none"> the staff are competent/ do they have the necessary skills to handle responsibilities 	<ul style="list-style-type: none"> feedback from clients found Advice 	24 and 25
	<ul style="list-style-type: none"> response to customer complaints correctly 		6, 8, 10, 14 and 24
Courtesy	<ul style="list-style-type: none"> the staff show respect when they talk to and handle customers the staff display friendliness when interacting with customers all the time 	<ul style="list-style-type: none"> training on how to deal with troublesome clients training on customer care 	15, 17, 18, 20 and 43
Credibility	<ul style="list-style-type: none"> customers trust all company employees company transactions carried out in honesty 	<ul style="list-style-type: none"> the firm allows clients to peruse their files the firm honours agreement on fees transparency about court awards 	21, 22 and 23

Reliability	<ul style="list-style-type: none"> the staff are dependable, trustworthy, accurate, and helpful 	<ul style="list-style-type: none"> the staff meet deadlines, give sound and accurate advice Availability of the staff personally, by phone or e-mail 	31, 33 and 35 10, 25, 26 and 41
Responsiveness	<ul style="list-style-type: none"> the staff respond to customer issues promptly 	<ul style="list-style-type: none"> turn around time for responding to queries 	27, 41 and 42
Communication	<ul style="list-style-type: none"> the staff are able to communicate on all aspect of the services the firm offers in ease the staff listen to customers customers are updated on the progress made on their matters 	<ul style="list-style-type: none"> the employees have communication materials such as brochures, business cards etc. the employees can be reached at anytime the advocates write to clients/give progress reports/feedback regularly 	6, 8, 10, 14 and 24 1, 3, 4, 5, 9, 11, 12 and 10
Training	<ul style="list-style-type: none"> the staff are trained continuously in relevant areas 	<ul style="list-style-type: none"> the firms gives incentives to employees to acquire training the firm pays for Continuous Legal Education Training the firm has in-house training facilities. 	30, 13 and 31 34, 36, 38 and 39

Motivation	<ul style="list-style-type: none"> • the firm give bonuses or rewards to employees • employees are empowered to make independent decisions 	<ul style="list-style-type: none"> • the firm pays for Practising Certificates • the management gives compliments to employees 	31, 33 and 35
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Process

Broad Dimension	Dimension of Differentiation	Key Issues	Relevant Question
Accessibility	<ul style="list-style-type: none"> • the offices of the firm are easily accessible 	<ul style="list-style-type: none"> • the firm has adequate parking • the firm has e-mail\website and telephone services • the firm has convenient and flexible working hours • the advocate (s) are always available • clients can walk in anytime to seek legal advice 	1, 3, 4, 5, 9, 11, 12 and 10
Comfort	<ul style="list-style-type: none"> • the reception is inviting 	<ul style="list-style-type: none"> • reading materials such as magazines are available at the reception 	34, 36, 38 and 39

<p>Physical Environment</p> <p>Broad Dimension</p> <p>Location</p> <p>Ambience</p>	<p>Dimension of Differentiation</p> <p>accessibility</p> <p>lay out of the office</p>	<ul style="list-style-type: none"> the firm has adequate and high quality chairs at the reception the firm's offices have in place good ventilation the firm has a television or Music facilities at the reception 	<p>Relevant Question</p> <p>1 and 2</p> <p>19, 36, 38, 39 and 46</p>
<p>Efficiency</p>	<ul style="list-style-type: none"> turn around time accuracy in giving effect to client's instructions 	<ul style="list-style-type: none"> it takes a very short time to open a file for a new client the employees are empowered to offer tailor made solutions to clients the firm follows up matters to ensure that they are finalized and heard by the court quickly 	<p>40 , 41, 42, 44 and 45</p>
<p>Customer Orientation</p> <p>Broad Dimension</p>	<p>Dimension of Differentiation</p>	<p>Key Issues</p> <ul style="list-style-type: none"> advocates attend court when required 	<p>Relevant Question</p>
<p>Understand Customers</p>	<ul style="list-style-type: none"> the firm knows what benefits the customers value 		<p>20 and 48</p>
<p>Customer satisfaction</p>	<ul style="list-style-type: none"> firm seeks to ascertain customer satisfaction 	<ul style="list-style-type: none"> the staff take time to talk to customers 	<p>15, 16, 20 and 48</p>

Physical Environment

Broad Dimension	Dimension of Differentiation	Key issues	Relevant Question
Location	<ul style="list-style-type: none"> accessibility 	<ul style="list-style-type: none"> the firm positioned in a strategic place 	1 and 2
Ambience	<ul style="list-style-type: none"> lay out of the office 	<ul style="list-style-type: none"> interior design is professionally done the office is neat the office has high quality furniture the furniture and equipment compliment the colour scheme the firm has good ventilation 	19, 36, 38, 39 and 46

Customer Orientation

Broad Dimension	Dimension of Differentiation	Key Issues	Relevant Question
Understand Customers	<ul style="list-style-type: none"> the firm knows what benefits the customers value 		20 and 48
Customer satisfaction	<ul style="list-style-type: none"> firm seeks to ascertain customer satisfaction 	<ul style="list-style-type: none"> the staff take time to talk to customers 	15, 16, 20 and 48

	<ul style="list-style-type: none"> the firm responds promptly to customer complaints 	<ul style="list-style-type: none"> the firm seeks feedback on customer satisfaction 	13
Relationship with Customer	<ul style="list-style-type: none"> the firm seek to develop long-term relationships with its customers 	<ul style="list-style-type: none"> the firm gives gifts/discounts to customers the firms follows up clients attendance of client's functions 	32, 43, 49 and 50

Image Differentiation

Broad Dimension	Dimension of Differentiation	Key issues	Relevant Question
Events	<ul style="list-style-type: none"> the firm sponsor or identify with activities that would give it mileage such as social responsibility 	<ul style="list-style-type: none"> the employees keep their word the employees are knowledgeable 	4
Media	<ul style="list-style-type: none"> the firm has brochures the firm has a website the firm has letterheads or business cards 	Key issues	5, 6, 7, 8, 19, 36, 38 and 46
Reliability	<ul style="list-style-type: none"> the firm meets 100% of its contractual obligations 	<ul style="list-style-type: none"> the firm meets its deadlines the employees keep their word. 	25 and 26

Responsiveness	<ul style="list-style-type: none"> the firm responds promptly to customer complaints 	<ul style="list-style-type: none"> the firm has a client feedback mechanism the firm has a complaints resolution mechanism 	15
Empathy	<ul style="list-style-type: none"> the employees listen to customers 	<ul style="list-style-type: none"> customers have communication skills employees are empowered to solve employees problems 	40 and 48
Assurance	<ul style="list-style-type: none"> the employees inspire trust and confidence in the customers 	<ul style="list-style-type: none"> the employees meet deadlines the employees keep their word the employees are knowledgeable 	25, 26 and 29

Offering

Broad Dimension	Dimension of Differentiation	Key issues	Relevant Question
Offering	<ul style="list-style-type: none"> the firm offer a variety of services 		28