INFLUENCE OF COMPETITIVE STRATEGIES ON PERFORMANCE OF HOTELS: A CASE OF THIKA TOWN, KENYA

BY

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A Research Project Report Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Arts in Project Planning and Management of the University of Nairobi.

2014

DECLARATION

This research project report is my original work and has not been submitted to any university for any award.

Signature …………………………………… Date ……………………………..

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L50/61611/2013

This research project report has been submitted for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this research report to my wife Mary Wanjiru, my son Jeremy Ngandu, my daughter Emelda Njoki for their motivation, support and understanding and have born the long hours I have been away for the studies. Also dedicated to my brother Francis Karuga for moral support and the fruitful discussions we have held together towards achieving this milestone.

ACKNOWLEDGEMENT

I greatly acknowledge the encouragement, guidance and support I continually received from my supervisor Professor Harriet Kidombo. I also greatly acknowledge the encouragement, guidance and support I received from the team of lecturers who participated in a project/proposal writing seminar that gave me a deeper understanding of what is expected.

I am also grateful to the support I continually received from my MPPM colleagues especially Catherine Khaduli and Judith Amusugut through their input and lively discussions. Special thanks to the local Authority of Thika Sub- County for availing the list of hotels for my study and also the respondents who I trust correctly and willingly answered the questionnaires.

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ABBREVIATIONS AND ACRONYMS

ADR-Average Daily Rate

CBD-Central Business District

CBS-Central Bureau of Statistics

GDP-Gross Domestic Product

ICEG-International Centre for Economic Growth

Krep-Kenya Rural Enterprises Programme

MPPM-Master of Arts in Project Planning and Management

SMEs-Small and Micro Enterprises

SPSS-Statistic Package for Social Scientists

TCM-Thika Cloth Mills

UNWTO-United Nations World Tourism Organization

ABSTRACT

The hotel industry in Kenya has in the past few years experienced a lot of changes and growth which have affected the state of competition. This has demanded that the hotels formulate and implement competitive strategies to be able to cope with competitive pressure. The study sought to determine the competitive strategies employed by the hotels in Thika town and the influence of the competitive strategies on the performance of hotels. The study objectives include; to establish the influence of cost leadership, differentiation and focus (cost leadership, differentiation) on performance of hotels in Thika town. The beneficiaries of the findings of the study will include; the hotel owners and managers in Thika town and other areas will understand, formulate and implement the competitive strategies that will help improve their performance, the owners and managers of other business enterprises, other players wishing to join the hotel industry will have an understanding of the competitive strategies employed and therefore stand a higher chance of success and students from institutions of higher learning will access material for increasing their knowledge and undertake related studies. The study has reviewed existing literature on the competitive strategies using the Igor Ansoff and Michael Porter models and identified a knowledge gap to be addressed through a cross-sectional survey; targeting eating house hotels. This study was conducted using a descriptive research design. An interviewer-administered questionnaire was piloted and pretested after which it was administered to all participants on consenting to be part of the research. A sample of 50 owners/managers of hotels was used with a target population of 150 persons. Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 17.0) and analyzed using descriptive statistics. The finding was presented inform of frequency tables and explanations were presented in prose. In addition, the researcher conducted a Karl Pearson’s Product moment correlation coefficient to ascertain whether a statistical significant relationship exists between the independent variables and the dependent variable. The study established that differentiation strategies had the strongest influence on performance with a correlation coefficient of 0.933. Cost leadership strategies also had significant influence on performance with correlation coefficients of 0.897. Focus (cost leadership, differentiation) strategies also had significant influence on performance with correlation coefficients of 0.883. Meaning the findings of the study indicated that the strategy with the strongest influence on performance of hotels is differentiation strategy.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

For any organization to operate successfully, it must establish itself and match between itself and the environment in which it is operating. The environmental forces could either be the internal multifaceted activities, a firm's immediate external environment or even the remote external environment all of which contribute to making the business environment complex. Therefore all the environmental factors must be anticipated, monitored, assessed and incorporated in top level decisions making. This complexity and sophistication of the environment necessitates strategic management (Pearce and Robinson, 2002). Therefore, the success and survival of any organization depends on how well it is able to relate and competitively position itself in the environment.

The Kenyan business environment has experienced many changes among them: globalization, increased competition and accelerated implementation of economic reforms by the Government, privatization and commercialization of public sector, price decontrols and liberalization of both domestic and foreign markets (Aosa, 1992). All these changes require that organizations make adjustments in order for them to survive. The hotel industry is no exception and has also been affected by the environmental changes.

Hotels like other small and micro enterprises (SMEs) face other unique challenges like lack of quality access to requisite information, unavailability of credit, poor market research and poor market for their products. Despite these challenges, they continue to play a major role in providing employment opportunities. According to the National SME baseline survey conducted by Central Bureau of Statistics, (CBS), International Centre for Economic Growth (ICEG) and Kenya Rural Enterprise Programme (Krep) in 1999, SMEs provide employment to 2.3 million people. Randiki (2000) noted that though medium sized firms played a bigger role as an engine for industrialization than SMEs, SMEs are also important as a seedbed for industrialization.

1.1.1 Competitive Strategy

Porter (1998) notes that competition is at the core of every success or failure of firms. This means that it is necessary for every firm to craft competitive strategies that will enable it to gain competitive advantage over their rivals. Competitive strategy is that part of business strategy that deals with management plan for competing successfully–how to build sustainable competitive advantage, how to outmaneuver your rivals, how to defend oneself against competitive pressure or how to strengthen the firm's market positioning (Thompson & Strickland, 1996). Competitive strategy is the distinctive approach which a firm uses or intends to use in order to succeed in the market place and it involves positioning the business to maximize the value of capabilities that distinguish it from its competitors (Porter, 1980).

The essence of formulating competitive strategies is relating a company to match a company to its environment. Porter (1980) argues that although the relevant environment is very broad, the key aspect of the firm's environment is the industry or industries in which it competes. Therefore industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Competitive strategy therefore emphasizes the improvement of the competitive position of the firm's products or services in the specific industry or market segment (Hunger and Wheelen, 1995).

Thompson and Strickland (1998) defines company strategy as that game plan that management has for positioning the company in its chosen market arena, competing successfully ,pleasing customers and achieving good business performance. They continue to say that it consists of competitive moves and business approaches that managers employ in running the company. This shows that strategy is all about competition. However, it is worth noting that good strategies without implementation do not lead to success. Only organizations that are capable of formulating and implementing effective competitive strategies will achieve profitability and growth.

1.1.2 Performance of the hotel industry

Lusch and Laczniak (1989) defines business performance as the total economic results of the activities undertaken by an organization. The performance of any business organization is affected by the strategies the organization has chosen (Mutuku, 2005). Hunger and Wheelen (1995) says that strategies, which are a set of managerial decisions and actions determine the long-term of the corporation. Performance in an organization may take many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions (Manyuru, 2005). Measurement of firm performance generally include such bottom-line, financial indicators as sales, profits, cash flow return on equity and growth (Dess and Robinson, 1984).However, Thompson et al., (2007) notes that using financial measures alone overlooks the fact that what enables a company achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength. Non-financial measures include innovativeness (Goldsmith and Clutterbuck, 1984) and market standing (Saunders and Wong, 1985; Hooley and Lynch, 1985).

1.1.3 Relationship between competitive strategies and performance

The heart and the soul of any strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long term competitive position and gain a competitive edge over its rivals (Thompson et al.,2007). Johnson and Scholes (2002), say that competitive strategy is the basis on which a business might achieve competitive advantage in its market place. Thompson et al., (2007) add that competitive advantage is the key to above average profitability and financial performance. This is because He says strong buyer preference for the company's products translate into higher sales volumes or ability to command higher prices, thus driving up earnings, return on investments and other financial performance indicators.

Strategy can either be explicit or implicit. Ansoff and Mc Donnel (1990) notes that there are many great firms those have succeeded and are succeeding without the benefit of an explicitly enunciated strategy. However, an extensive study in America of some strategies like mergers and acquisitions found out that deliberate strategy produces significantly better financial performance than unplanned, opportunistic, adaptive approach.

1.1.4 Global hotel industry trends

There is no official standard definition of what a hotel consists of. In simple terms, the Oxford English Dictionary online defines a hotel as 'an establishment providing accommodation, meals and other services for travelers and tourists, by the night'. The 'International Hotel Industry' report (2009), Mintel using UN World Tourism Organization (UNWTO) data, estimated that in

2008, the number of rooms in hotels and similar establishments was 20.1mn and that it had been growing at an estimated rate of 2.2% over the previous five years. This estimate, however, was based upon previous estimates.

However it is important to note that UNWTO statistics include not just hotels but also inns, bed & breakfasts and other 'similar establishments', thus overestimating the size of the actual hotel industry. In 2009, STR Global estimated that the global hotel industry was more in the area of 11mn rooms, but this just included hotels as opposed to hotels and similar establishments. Recent research by MKG Consulting estimated that the US rooms accounted for 65% of total room count, which corresponded with WTO and Mintel estimates. Global Tourism in a year characterized by a stalled global economic recovery, major political changes in the Middle East and North Africa and natural disasters in Japan, international tourist arrivals grew by over 4% in 2011 to 980 million, according to the latest UNWTO World Tourism Barometer.

With growth expected to continue in 2012, albeit at a somewhat slower rate, international tourist arrivals are on track to reach the milestone one billion mark in 2012.By region, Europe (+6%) was the best performer. Contrary to previous years, growth was higher in advanced economies (+5.0%) than in emerging ones (+3.8%), due largely to the strong results in Europe, and the setbacks in the Middle East and North Africa. Despite persistent economic uncertainty, tourist arrivals to Europe reached 503 million in 2011. Central and Eastern Europe and Southern Mediterranean destinations (+8% each) experienced the best results. Although part of the growth in Southern Mediterranean Europe resulted from a shift in traffic away from the Middle East and North Africa, destinations in the Mediterranean also profited from improved outbound flows from markets such as Scandinavia, Germany and the Russian Federation (Cameron Cartwell, 2013).

1.1.5 The hotel industry in Africa

Investment in Africa continues to capture the attention of the global lodging community. In recent years, Africa's emergence as a key target market for international hotel investors and operators has affirmed the region, notably sub-Saharan Africa, as a hot spot for development. Over the past year, increased global attention has presented both opportunities and risks in the hotel investment landscape of sub-Saharan Africa. Currently, approximately 30 sizable hotel groups operate in Africa, representing more than 60 brands. From a geographic standpoint, approximately 47% of existing hotel rooms are in sub-Saharan Africa. This distribution does not reflect geography, as there are nearly 50 countries in sub-Saharan Africa, while only 5 countries make up Northern Africa (Howard Roth, 2013).

The established tourism destinations on Africa's Northern coast, most notably Morocco and Egypt, have long existed as vacation spots for Europeans, resulting in the current imbalance. In terms of development activity, however, sub-Saharan Africa leads the continent. In 2013, the development pipeline in sub-Saharan Africa increased 23% over the previous year, with about 80 hotels in various stages of development. Increased investor attention to this region has resulted in some improvements in policymaking and access to financing; however, long-standing risks and barriers to entry continue to pervade in the market. Most notably, poor transportation infrastructure has historically restricted the connectivity of the sub-Saharan region (Howard Roth, 2013).

Air travel remains limited despite investments from nations in airports and/ or local airlines, as seen in Kenya and South Africa. Construction is generally expensive compared to other developing global markets, such as the Middle East, mostly due to a costly and unreliable supply of utilities, including electrical power, and key construction materials like as cement. Moreover, the fragmented road infrastructure and a lengthy process for required official documentation (e.g., licenses, customs) have resulted in construction delays. Given the aforementioned challenges, hotel operators and investors entering the market are often advised to collaborate with strong local partners and advisors to mitigate risks (Michael Fishbin, 2013).

In Nigeria, an equally strong economy also driven by oil production has positioned the nation for lodging development. From 2008 through 2012, the nation experienced average annual GDP growth of 7%, achieving US$262.6 billion in 2012. Lagos, Nigeria's capital city, currently boasts one of the highest hotel rates among African destinations, achieving an average daily rate (ADR) of US$277 as of YTD September 2013; the higher rates in Lagos primarily result from limited hotel room supply and the significant influx of business travelers drawn to the country's natural resources. Nigeria remains the most active market in sub-Saharan Africa for hotel development in 2013, with nearly 7,500 rooms under development, an increase of 10% from 2012. On the leisure side, coastal Tanzania is drawing international attention. Unlike the predominantly business-oriented hotel markets in oil-rich Nigeria and Ghana, Tanzania relies heavily on leisure tourists, offering guests pristine beach resorts and extensive nature reserves for safaris. In recent years, government efforts to promote domestic and international tourism to Tanzania have significantly increased, and there has been a concerted effort to attract travelers from emerging markets, particularly China, India and Russia. Given the nation's efforts, a 40% annual increase in total visitors is anticipated in Tanzania in 2013(Michael Fishbin, 2013).

Opportunity for investment in Africa exists, but it requires careful planning by the investor. Given the region's improving economic factors, decreased risk through governmental and international investment, and the current undersupply of hotel rooms, investment opportunities in the sub-Saharan African hotel market remain as diverse as they are abundant, with plentiful opportunity in both business and leisure travel. Nonetheless, despite certain challenges, sub-Saharan Africa offers significant opportunity for hotel development. From an economic standpoint, the region is well-positioned for growth; due to an abundance of natural resources such as oil, the World Bank has forecasted annual GDP growth in sub-Saharan Africa to increase to 5.5% per year by 2015, up from 4.2% in 2012. Additionally, sub-Saharan Africa's landscape, which features rich, natural resources and diverse landscapes unique to the region, positions the lodging market to capture both business and leisure demand (Jeff Green, 2013).

1.1.6 The hotel industry in Kenya

Performing trade worldwide is inevitably rather opulence in most industries. Practically all tactical decisions today are embroidered by global concerns. Through the influx of many industrial sectors, hotel management industry is also flourishing at a fast rate of knots. Undoubtedly, the high quality food and beverage, reception, hotel keeping and full of expertise have played a momentous role in the expansion of hotel industry worldwide. Kenya being sanctified with natural beauty has always been attractive for the tourist. Hotels date back to 1904 when Norfork inescapably became an integral part of the country history. One could without fear of correction say that had there, in fact been no Norfork Hotel, there might never have been the capital. It was at the Norfork that all new arrivals gathered, then men with the money, ambition and foresight to found a colony for Kenya.

The hotels in Kenya offer comfortable and luxurious accommodation to even the most discerning traveler. Due to tremendous flow, the hotel facility in Kenya is among the best in world. Tourism has to a much extent been of great boost to the hotels. A record number of tourists, making up to 13.5% growth marked the year 2011 first halve which stood at 549,083 compared to 2010 which stood at 483,468. Subsequently, earnings from the sector grew by an estimated Ksh 10 billion , standing at Ksh 40.5 billion compared to 2010 Ksh 30 billion, this is as per first halve year results –released on 25th August 2011 by the Ministry of Tourism, (www.ktf.co.ke).

Many foreign investors are looking forward to invest in this industry capitalizing the expansion opportunities of this sector. Expansion of the existing hotels has also created direct as well as indirect avenues for employment. The rising nature of this industry can be better gauged by an increasing rate of jobs and apprenticeship which illustrates that this sector is experiencing a shift towards highly competitive, integrated and customer oriented market framework. Many fresh graduates are looking forward to pick this sector being most promising with advancement opportunities and new exposure. The progressive career path is evident from the fact that universities are now offering degrees in hotel management courses and other kinds of diplomas and short courses. This trend was not seen ten years ago in Kenya.

The hotel industry is facing a number of significant challenges in recent years, which have posed threat to the diminishing threat quality of services. Thika has experienced a rapid growth of new hotels resulting from the high demand from tourists, business travelers and business operators. As a result, availability of skilled staff has been on decline with hardly any. Hotels have increased high staff turnover rate that has become day to day challenge. This leaves the industry with no option but to employ people from other disciplines and train them on the jobs, this has compromised the level of customer satisfaction. Security is still a major challenge, terrorism alerts which have led to travel ban to Kenya in the past have adversely been of continuous concern. This resulted in a fall in revenue generated from international tourism, a drop that was felt not only on hotels but also by various business partners and environs. Hotels are working around the clock to provide a safe environment for its staff and customers. While these challenges remain risks to hotels, tourism industry is showing signs of recovery with revenue increasing.

The Kenya hotels and restaurants regulation of 1988 established standard upon which classification of hotels is based. The regulation classifies vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest and one as the lowest. In Kenya, there are 18 (5- star hotels), 18 (4-star hotels), 32 (3-star hotels), 60 (2-star hotels) and 16 (1-star hotels) as published in the Kenya Gazette by the Ministry of Tourism on 13th June, 2003 and 23rd July, 2004. The hotels that are star-rated have recognition and expectations from guests on standards of facilities and services. The classification was arrived at on assessment by the licensing department under the Ministry of Tourism and Wildlife. These classified hotels enable suppliers both in the domestic and international markets to understand the value of the product they are paying for and to make informed choices of where to put their clients. The three star and above category of hotels consist of chain and independent hotels.

1.1.7 The Hotel Industry in Thika Town

Thika is Northeast of Nairobi, toward Mount Kenya, a market town in Central Province, Kenya, lying on the A2 road 40 km Northeast of Nairobi, and on the Thika River. It has a population of 88,265 (1999 census) and is growing rapidly, like the entire greater Nairobi area. Thika, Kenya is home to the Chania Falls and the Thika Falls, while Ol Donyo Sabuk National Park lies to its south east. The town has a railway station, but there is only limited passenger service. The town is headquarters of the Thika District. The district is the prime pineapple-growing region in Kenya and is close to “Fourteen Falls” which is a popular picnic site. Thika was formerly a center for light industry, but the focus has shifted to the Athi River. The decline of the textile industry has hit local firms, including Thika Cloth Mills (TCM), which is a cotton to fabric manufacturer that competes against Egyptian & Chinese manufacturers.

The hotel industry in Thika town is growing very fast due to a number of reasons some of which are explained below; The emergence of the Thika super highway has made transport very convenient, and therefore the population of people living in the region over the last five years has grown drastically. The rising population is in need of services ranging from quality food, accommodation and other forms of entertainment. Consequently, the hotel industry has become very competitive with the players employing competitive strategies to outsmart their competitors. In addition, the town is strategically positioned with many people mainly businessmen and farmers commuting daily in business missions and banking services. All these people need the hotel services leading to quick growth of the industry.

All the categories of hotels are in Thika town. These include; vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest and one as the lowest. This study however intends to focus on the classification of hotels as given by the Local Authority of Thika Sub County, County Government of Kiambu. Its classification involves high standard lodging hotels with restaurants, butcheries and bars/membership clubs. It also includes eating house hotels which is the focus of this study. The rapid growth of new hotels in Thika town has encountered some challenges. The availability of skilled staff has been on decline with hardly any. Hotels have increased high staff turnover rate that has become day to day challenge. Security is also a major challenge and terrorism alerts which have been witnessed in the country over the last one year have adversely been of continuous concern. This has resulted in a fall in revenue generated from international tourism, thus affecting the hotels and causing a drop that has been felt not only on hotels in Thika town but also by various business partners and environs. Hotels in Thika town are working around the clock to provide a safe environment for its staff and customers.

1.2 Statement of the Problem

All business firms exist in an open system. This means they impact and are impacted by the external conditions largely beyond their control. This requires managers to look beyond the limits of the firm's own operations (Pearce and Robinson, 2002). It thus calls for all organizations regardless of the sector in which they are to formulate competitive strategies in response to this turbulent environment. This will enable them to cope with competition. The hotel industry in Kenya is facing challenges which include: changing customer needs and tastes, rising demand for highly qualified staff, very high staff turnover rates and also increasing demand for more professional services. This demands that the hotel owners and managers devise competitive strategies to enable competitive positioning of their businesses. Hotels offer very essential services to all categories of people: men, women and children. Demand for these services is even increasing as the society becomes engaged in other economic activities and thus seek for ready quality foods and services.

Besides, the hotel industry is very unique. It faces very low barriers for entry and high barriers to exit. This increases the threat of new entrants and rivalry among players. Again, the buyers have a high bargaining power because there are many hotels and thus they have a choice. Suppliers however do not have high bargaining power because they are many. The services offered by the hotels do not face a high threat from substitute products. Owing to the uniqueness of this industry and the conclusions of the previous studies, it is worth carrying out this study.

Previous studies reveal that strategic management, which is about competitiveness in the market place leads to improved performance far more than it results in no change or even poorer performance (Hunger and Wheelen, 1995).Other studies have found that the link between strategy and performance was lessened by situational variables, such as a focus on manufacturing and profitability (Davis and Schul, 1993; Zahra, 1993). However studies by McGee and Thomas (1986, 1992), found no link between strategy and performance. Studies have been carried out on competitive strategies adopted by Kenyan firms from various sectors. These studies include; Ndubai (2003), who studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. The study revealed that strategies used included strategic choice of location, stocking other items like cosmetics, mobile phones, surgical and diagnostic items, attractive counter displays, staff uniforms and road signboards. Karanja (2002) studied competitive strategies by real estate firms and found that most firms used differentiation, cost leadership though to a lesser extent and narrow focused differentiation. Obado (2005) looked at competitive strategies employed by sugar manufacturing firms in Kenya. He found that they used cost leadership and differentiation as the main strategies.

These studies revealed the existence of competitive strategies in the firms studied. However, they did not examine the influence of these strategies on the performance of the firms studied. Also these studies done in Kenya did not relate competitive strategies to performance; yet others done elsewhere revealed mixed conclusions. This therefore justifies the need for further research in this area. Thus, the research question this study sought to answer is: What competitive strategies are employed by the hotels in Thika town and what influence do these strategies have on the performance of the hotels?

1.3 Purpose of the study

The purpose of the study was to establish the influence of competitive strategies on performance of hotels: A case of Thika town, Kenya.

1.4 Objectives of the study

1) To establish the influence of cost leadership on the performance of hotels in Thika town.
2) To determine the influence of differentiation on performance of hotels in Thika town.
3) To assess the influence of focus on cost leadership on performance of hotels in Thika town.
4) To assess the influence of focus on differentiation on performance of hotels in Thika town

1.5 Research questions

1) How does cost leadership influence the performance of hotels in Thika town?
2) How does differentiation influence the performance of hotels in Thika town?
3) How does focus on cost leadership, influence the performance of hotels in Thika town?
4) How does focus on differentiation influence the performance of hotels in Thika town

1.6 Significance of the study

The findings of the study will be beneficial and useful to the following stakeholders:

The hotel owners and managers in Thika town and other areas will understand, formulate and implement the competitive strategies that will help improve their performance. The owners and managers of other business enterprises in Thika town and other areas will understand, formulate and implement the competitive strategies that will help improve their performance. Other players wishing to join the hotel industry will have an understanding of the competitive strategies employed and therefore stand a higher chance of success. Students from institutions of higher learning will access material gathered from this study for increasing their knowledge and undertake related studies.

1.7 Delimitation of the study

Different categories of hotels are in Thika town. These include; vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest and one as the lowest. This study however focused on the classification of hotels as given by the Local Authority of Thika Sub

County, County Government of Kiambu. Its classification involved high standard lodging hotels with restaurants, butcheries and bars/membership clubs. It also included eating house hotels which was the focus of this study. The study only covered hotels within the Central Business District (CBD) of Thika Town (150 No.) as listed by the Local Authority of Thika Sub County, County Government of Kiambu and not outside the town. The study took four months to complete.

The population of the study consisted of only eating house hotels in Thika town. The town was considered for this study due to its observed rapid growth of the hotel industry due to its proximity to Nairobi city and most importantly the Thika superhighway which has accelerated growth. In addition, other business activities are vibrant in the town which attracts many people daily in need of the hotel services. The town is also strategically positioned at the centre of other large towns and neighboring agricultural lands thus having a positive impact on the hotel industry. The town has all the classes of hotel which was interesting for the study.

1.8 Limitations of the study

There are shortcomings that were encountered in the study some of which are as follows; The respondents were not willing to give information on their performance ie their sales, profits and even the number of clients they serve as they felt this should be treated confidentially. They were requested to give a range not the actual and were convinced that this information would be confidential. In addition, some respondents did not have the time and commitment to fill the questionnaires. The introduction letter provided to the respondent convinced Him/her to cooperate in information provision. The drop and pick method was applied to give the respondents time to effectively fill the questionnaires. The exercise consumed some money in travelling to deliver the questionnaires and also to make photocopies for the proposal and final document. The arrangements were made to secure a quick loan from the place of employment Sacco to cater for this.

1.9 Assumptions of the study

Some assumptions were expected in this study which includes: the chosen data collection instrument were valid and measured the desired constructs; the respondents answered questions correctly, truthfully and within the expected time. The respondents provided all the information to comprehensively address the research question.

1.10 Definitions of significant terms

Competitive strategies refer to ways employed by the players to outmaneuver other players in the industry and hence succeed in the market place. This study looked at cost leadership, differentiation, focus on cost leadership and focus on differentiation strategies.

Cost leadership is about minimizing the cost to the organization of delivering products and services. It involves increasing profits by reducing costs and increasing market share through charging lower prices. Some indicators considered were; access low cost material, charging low prices to enjoy high profit margins and access to capital needed to invest in technology.

Differentiation involves making your products or services different from and more attractive than those of your competitors. Some indicators considered were: offering a variety of services, superior products and promotional activities.

Focus It rests on the promise that a firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly.

Hotel refers to eating house; snack bar; tea house. The classification does not include standard lodgings and restaurants with bars/membership clubs. The Kenya hotels and restaurants regulation of 1988 established standard upon which classification of hotels is based. The regulation classifies vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest and one as the lowest. This classification was not considered in this study.

Performance was measured in terms of average monthly sales turnover, average monthly profits realized and the average number of clients served per month.

Thika town refers to the Central Business District as registered by the Local Authorities of Thika Sub-County of Kiambu County

1.11 Organization of the study

The research project report consists of five chapters. Chapter one have the introduction covering the following sub headings: Background for the study, significance of the study, limitations of the study, delimitations of the study, objectives of the study, research questions, definitions of significant terms and relationship between competitive strategies and performance. Chapter two consists of the literature review covering; cost leadership, differentiation, focus on cost leadership and differentiation, theoretical framework and the conceptual framework. Chapter three consists of research methodology with the following items; research design, sampling procedure, target population, validity, reliability, methods of data collection, and methods of data analysis and operational definition of variables. Chapter four has covered the data analysis, presentation, interpretation and discussion. Chapter five covers the summary of findings, conclusions and recommendations

CHAPTER TWO

LITERATURE REVIEW

2.1 Cost leadership and performance of hotels.

In his study on Kenyan Sugar manufacturing firms, Obado (2005) found that all the firms employed cost leadership strategies in their value chain activities. A firm that chooses cost leadership strategy focuses on gaining advantages by reducing its economic costs below the costs of all its competitors (Barney, 1997). Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight costs and overhead controls, avoidance of marginal costs accounts and cost minimization in many areas like advertising, services etc. Here, low costs relative to competitors becomes the theme running through the entire strategy although quality and other areas cannot be ignored (Porter, 1998). These factors have an influence on the performance of hotels

Achieving a low cost overall position often requires a high relative market share or other advantages such as favorable access to raw materials, having a high degree of capitalization (Porter 1998, Pearce and Robinson 1997). A low cost leader is able to use the cost advantages to charge lower prices to enjoy higher profit margins. He can thus defend himself in price wars, attack competitors on price to gain market share (Pearce and Robinson, 1997).Once low cost is achieved, the position provides high margins which can be re-invested in new equipments and modern facilities in order to maintain the cost leadership (Porter, 1998). It defends the firm against powerful buyers who can exert powerful suppliers by providing more flexibility to cope with input costs increases. In addition, it places the firm in a favorable position vis-a vis substitutes relative to its competitors in the industry

A cost leadership strategy is one which a firm strives to have the lowest costs in the industry and offers its products and services to broad market at the lowest prices. Porter (1998) states that characteristics of cost leadership strategy include low level of differentiation, aim for average customer, use of knowledge gained from past experience and the addition of new products only after the market demands them. Thompson and Strickland (1998) agree with Porter’s view on cost leadership strategies and state that this strategy calls for being the low cost producer in an industry for a given level of quality. Firms acquire cost advantages by improving process efficiencies, accessing lower cost materials, making optimal outsourcing vertical integration decisions to avoid costs altogether. If competing firms are unable to lower their costs by similar amount, the firm will be able to sustain competitive advantage based on cost leadership. Firms sell their products at average industry prices to earn a profit that is higher than that of rivals or below the average industry prices to gain market share. As industry matures and prices decline firms that can produce cheaply will remain profitable for longer period of time (http: www.quickmba.com/strategy/generic,shtml,6th July 2002). Cost leadership strategy has advantages.

Firms that succeed in cost leadership strategy usually have adequate capital, skills, experiences and efficient distribution channels. The cost advantage protects a firm from new entrants hence reducing competition. However the risk of cost leadership is that competitors may leapfrog the technology and production capabilities hence eliminating the competitive advantage acquired from cost reduction. A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. It deals with management action plan for competing successfully and providing superior value to the customers. This enables it to differentiate or put the company apart from its competitors (Thompson& Strickland, 2003). Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998). The essence of formulating policy is to enable cope with competition. Porter (1998), says that competition is at the core of the success or failure of firms and it determines the appropriateness of a firm's activities that contribute to its performance, e.g. cohesive culture innovation etc. He further says that an industry is the fundamental arena where competition occurs and therefore firms develop competitive strategies in search of a favorable competitive position in the industry. In doing so, firms are not only looking for profitable positions but are also looking for ways of sustaining the profitability.

Tang and Bauer (1995) says that accompany that manages to develop a style of management that seeks sustained leadership by out-thinking the competition with more effective strategies and outperform the competition with superior quality and satisfaction is therefore able to achieve competitive dominance. Competition in an industry is rooted in its underlying economics, and competitive forces exists that go well beyond the established combatants in a particular industry. Whatever the collective strength of the competitive forces, the strategist's goal is to find a position in the industry where his or her company can best defend itself against those forces or can influence them in its favor (Pearce & Robinson, 2002). It is therefore important for firm to have the knowledge of these sources of competitive pressures as it helps guide its strategic action. The knowledge helps to highlight the company's critical strengths and weaknesses, animate the position of the firm in the industry, and clarify the areas where strategic changes may yield the greatest pay-offs and highlight the places where the industry trends promise to hold the greatest significance as either opportunities or threats. It also proves helpful if a company is considering areas for diversification (Porter, 1998).

Competition arises between firms if they sell goods or services to the same customers or they employ factors that are sourced from the same suppliers or group of suppliers (Nyokabi, 2001). Competitive strategy therefore involves positioning a business to maximize the value of the capabilities that distinguish it from its competitors (Porter, 1998). The objective of competitive strategy is to knock the socks off rival companies by doing a significantly better job of providing what buyers are looking for thus, enabling the company to earn a competitive advantage. The core of a company's competitive strategy thus consists of its internal initiatives to deliver superior value to customers but also includes offensive and defensive moves to counter the maneuvering of rivals and tactical effort to respond to whatever conditions prevail in the market (Thompson& Strickland, 2003).

An effective competitive strategy as Porter (1980) contends takes offensive and defensive actions in order to create a defendable position against the five competitive forces. Porter (1998) says that there are three potentially successful generic strategies that a firm can use for it to be able to outperform other firms in an industry. They include: overall cost leadership, diffentiation and focus. In his study on Kenyan Sugar manufacturing firms, Obado (2005) found that all the firms employed cost leadership strategies in their value chain activities. The firms also achieved differentiation by branding their sugar, distribution networks and customer service. The firms employed focus strategy though to a limited extent.

2.2 Differentiation and performance of hotels

According to a study conducted by Obado (2005) on Kenyan Sugar manufacturing firms, the firms achieved differentiation by branding their sugar, distribution networks and customer service. Differentiation involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). A company thus designs to appeal to customers with a special sensitivity for a particular product attribute which in turn helps build customer loyalty. This loyalty helps the company to charge premium prices for its products (Pearce & Robinson, 1997). To build competitive advantage through differentiation, a firm must search out sources of uniqueness that are burdensome and time consuming for rival to match (Thompson and Strickland, 2003). Other indicators of differentiation in hotels are; variety of services, quality of services offered and use of modern equipment in service delivery.

Barney (1997) says that though a company may have several basis of differentiation, at the end it is only a matter of customer perception. Approach to differentiation can take many forms such as design and brand image, technology, product features, customer service or dealer networks (Porter, 1998). All these create perpetual barriers against competitors (Pearce & Robinson, 1997). Advantages of differentiation are that it provides insulation against competitive rivalry because of brand royalty by customers; it increase margins which avoids the need for low cost position and positions the firm better vis-à-vis substitute products than its competitors (Porter, 1998). A differentiation strategy is one in which a firm offers products or services with unique features that customers value (Ndubai, 2003). The value added by the uniqueness commands a premium price. According to Coutler (2002) the key characteristics of differentiation strategy is perceived quality whether real or not. This may be through superior product design, technology, customer service or other dimensions. Differentiation strategy calls for development of a product or service that offer, unique attributes to the customers. The firm hopes to cover the extra costs by the premium price commanded by the product or service uniqueness. If suppliers increase their prices, the firm may be able to pass along the costs to its customers who cannot find substitute products easily (http: www.quickmba.com/strategy/generic,shtml,6th July 2002). The advantage of differentiation strategy is that the perceived quality insulates a company from threats from any of the five forces that determine the state of competition in an industry. Again, firms using differentiation strategy have some internal strength including high research and development capabilities, strong sales team and corporate reputation for quality and innovation. Brand loyalty protects a firm from threats of substitute products.

Rothschild (1984) contends that differentiation is often the secret to extending the life cycle of business and making it more expensive to enter and follow. The risks associated with differentiation strategy include imitation by competition and changing customer tastes and preferences. The shelf life of differentiation strategy is getting shorter and shorter. Differentiating the product offering of a firm means creating something that is perceived industry wide as being unique. It is a means of creating your own market to some extent. There are several approaches to differentiation: Different design ,brand image, number of features ,new technology. A differentiation strategy may mean differentiating along two or more of these dimensions. Differentiation is a defendable strategy for earning above average returns because: It insulates a firm from competitive rivalry by creating brand loyalty; it lowers the price elasticity of demand by making customers less sensitive to price changes in your products. Uniqueness, almost by definition, creates barriers and reduces substitutes. This leads to higher margins, which reduces the need for a low-cost advantage. Higher margins give the firm room to deal with powerful suppliers. Differentiation also mitigates buyer power since buyers now have fewer alternatives.

Achieving a successful strategy of differentiation usually requires the following: Exclusivity, which unfortunately also precludes market share and low cost advantage, strong marketing skills, product innovation as opposed to process innovation, applied R&D, customer support and less emphasis on incentive based pay structure (Porter,1998). Theuri (2003) who studied branded fast food outlets found that the fast food chains served specific target markets. They also offered variety of products and services besides ensuring high quality in their products and service. Marketing activities like advertisements and sales promotions were also existent. Studying the competitive strategy employed by the pharmaceutical industry, Ndubai (2003) found that the retail firms emphasized on customer service to enhance the image. Other strategies include choice of strategic locations, stocking other items like cosmetics, surgical and diagnostic items, mobile phones and scratch cards and also ensuring cleanliness and enough lighting in the shops. Attractive counter displays, staff uniforms and road sign boards were used as strategies. The major challenge faced is unethical competition which leads to price undercutting in the sector.

2.3 Focus and performance of hotels

The focus strategy whether anchored in a low cost base or differentiation base attempts to attend to the needs of particular market segment ((Pearce & Robinson, 1997). It rests on the promise that a firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result the firm achieves either differentiation from better meeting the needs of the particular target market or lower costs in serving this market or even both (Porter, 1998). These factors have an influence on the performance of hotels. Firms pursuing this strategy are willing to service isolated geographic areas, satisfy needs of customers with special financing, inventory or servicing problems or even to tailor the products to somewhat unique demands of the small to medium –sized customers. The firms that achieve strategy may potentially earn above average returns for its industry. It can also be used to select targets that are least vulnerable to substitute products or where competitors are weakest.

Porter (1998) states that the advantage of focus strategy includes having power over buyers since the firm may be the only source of supply. Buyers do not have a strong bargaining power giving a firm competitive advantage. Customer loyalty also protects a firm from threat of new entrants and threat of substitute products. The firm adopting focus strategy can easily stay closer to its customers and effectively monitor their needs. Here we focus on a particular buyer group, product segment, or geographical market. Whereas low cost and differentiation are aimed at achieving their objectives industry wide, the focus or niche strategy is built on serving a particular target (customer, product, or location) very well. For reasons discussed above, this creates a defendable position within that part of the market.

Failure to develop a strategy in one of these three directions is a firm that is “stuck in the middle.” This means you lack the market share, capital, and overhead control to be a cost leader, and lack the industry wide differentiation necessary to create margins which obviate the need for a low-cost position. Being “stuck” implies low profits as a rule: profits are bid away to compete with low cost producers; or, the firm loses high margin business to firms who achieve better differentiation (Porter, 1998). Classic examples of this problem are large, international airline companies, many of which are now bankrupt. Depending on a firm’s capabilities and resources, a “stuck” firm must gravitate toward either low cost (usually by buying market share) or focus or differentiation (which may mean decreasing market share).

Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in market share. Focus strategy is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment.

Generally firms pursue only one of the above generic strategies. However some firms make an effort to pursue only one of the above generic strategies. However some firms make an effort to pursue more than one strategy at a time by bringing out a differentiated product at low cost. Though approaches like these are successful in short term, they are hardly sustainable in the long term. If firms try to maintain cost leadership as well as differentiation at the same time, they may fail to achieve either. Combining multiple strategies is successful in only one case. Combining a market segmentation strategy with a product differentiation strategy is an effective way of matching your firm's product strategy (supply side) to the characteristics of your target market segments (demand side). But combinations like cost leadership with product differentiation are hard (but not impossible) to implement due to the potential for conflict between cost minimization and the additional cost of value-added differentiation (Treacy, 1995).

The risks associated with focus strategy include being at the mercy of powerful suppliers since the firm is only able to buy in small quantities. Small volumes also mean higher production costs. These firms do not enjoy lower costs advantages arising from economies of scale. Changes in customer tastes and preferences may lead to disappearance of market segment. It may also be fairly easy for broad market cost leader to adopt its products in order to compete directly with firms pursuing focus strategy. Finally, other focuses may be able to curve out segments that they can serve even well (http: www.quickmba.com/strategy/generic,shtml,6th July 2002).

Porter (1998) argues that his generic strategies are not compatible to one another. A firm that attempts to achieve an advantage on all fronts may achieve no advantage at all. For example if a firm differentiates itself by supplying very high quality it risks undermining the quality if it seeks to become a cost leader. Therefore according to Porter (1998), to be successful over a long term a firm must select one and only one of the three generic strategies. Otherwise with more than one firm risks being ‘stuck in the middle’ and may not achieve competitive advantage. Those firms that succeed with multiple generic strategies do so by creating separate business units for each strategy.

2.4 Theoretical framework

Theory plays a vital role in the research process. It is not only an important source for the generation of problems and hypothesis, but, just as important, the meaning and significance of key concepts can only be interpreted within the context of a theory. Theoretical systems combine taxonomies and conceptual framework by relating descriptions, explanations and predictions in a systematic manner. A theoretical system is comprised of propositions that are interrelated in a way that permits some prepositions to be derived from others. A theoretical system, such as Durkheim’s, provides a structure for an inclusive explanation of empirical phenomenon; its scope is not limited to one particular aspect of the event to be explained. A theoretical system also consists of a set of propositions. However, contrary to their status within a conceptual framework, these propositions form a deductive system. The theoretical framework refers to a structure of concepts that exists (tested) and is a ready-made map for a study. It consists of theories, principles, generalizations and research findings which are closely related to the present study under investigation. It is in this framework where the present research problem understudy evolved.

2.4.1 Ansoff’s Growth Strategy

There are several competitive strategy models that various scholars have come up with the aim of giving the study a deeper insight on of them being the Ansoff’s growth strategy. The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The Matrix allows managers to consider ways to grow business via existing and/or new product, in existing and /or new markets. There are four possible product/market combinations. This matrix help companies decide what course of action should be taken given current performance .The matrix consist of four strategies; i) Market penetration (existing markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions; ii) product development (existing markets, new products):

A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers or these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive; iii) Market development (new markets, existing products): An established product in the market place can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm; iv) Diversification results in the company entering new markets where it had no presence of before. It usually requires new skills, new techniques and new facilities. As a result, it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

The matrix illustrates, in particular, that as the elements of risk increases the further the strategy moves away from known quantities- the existing product and the existing market. Thus product development (requiring in effect a new product) and market extension (a new market) typically involve a greater risk than 'penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason amongst others, most marketing activity revolves around penetration.

Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value – although it does always offer a useful reminder of the options which are open. In particular, Millar (1992) questions the notion of being 'caught in the muddle'. He claims that there is a viable middle ground between strategies. Many companies for example, have entered a market as niche player and gradually expanded. According to Baden-Fuller and Stopford (1992) the most successful companies are the ones that can resolve what they call 'the dilemma of opposites'.

2.4.2 Michael Porter's Competitive Forces

The nature and degree of competition is an industry hinge on five forces: the threat of new entrants, threat of substitute products, bargaining power of buyers, bargaining power of suppliers and the jockeying among current contestants. The collective strength of these five forces determines the ultimate profit potential of an industry (Pearce & Robinson, 2002, Porter 1998). Rivalry occurs when players use tactics like price competition, advertising battles, product introductions and increase customer service warranties. It occurs because one or more competitors feel the pressures or the opportunity to improve position. Pressure from substitute products because substitute products limit the potential returns of an industry by placing ceilings on prices firms in the industry can charge. Suppliers can exert bargaining power over participants by threatening to raise prices or reduce quality of purchased goods or services. They can thus squeeze profitability out of an industry. New entrants bring new capacity and the desire to gain market shares and often substantial resources which can inflate prices or bids down. Buyers on the other hand can exercise power by forcing prices down and bargaining for higher quality or more services and playing competitors against each other all at the expense of industry profitability.

Michael Porter's five forces industry analysis does more than look at a company direct competitors, it looks at multiple aspects of the industry's competitive structure and economic environment, including the bargaining power of suppliers, bargaining power of buyers, the threat of new entrants , and the threat of substitute products. The idea is to look at each of these factors and determine the degree to which they increase competition in the industry. If the forces are strong, they increase competition; if the forces are weak they decrease competition. Porter's five forces definition can be utilized by any business and can be applied to any industry. The competitive environment of an industry has a strong influence on the performance of businesses within that industry. Porter's five forces define whether an industry is attractive or unattractive from the perspective of a company.

The state of competition in an industry is determined by the five basic competitive forces. Porter (1998) calls His strategies generic because they are not firm or industry depended. They can be applied to a firm in any industry. As noted earlier, Porter (1998) says that there are three potentially successful generic strategies that a firm can use for it to be able to outperform other firms in an industry. They include: overall cost leadership, diffentiation and focus. A firm can sometimes successfully pursue more than one approach as its primary target. The strategies are applied at business unit level.

TARGET SCOPE	**ADVANTAGE**	
	LOW COST	**PRODUCT UNIQUENESS**
BROAD (Industry wide)	Cost Leadership Strategy	Differentiation Strategy
NARROW (Market segment)	Focus strategy (Low cost)	Focus strategy (Differentiation)

Figure 1: Porter's Generic Strategies

Source: (http: www.quickmba.com/strategy/generic,shtml,6th July 2002)

2.5 Conceptual Framework

According to Kerlinger (2000) the term concept and construct have similar meanings in a way. Most of the scientists use these terms interchangeably. A concept expresses an abstraction formed by generalization from particulars. A concept is an abstract idea or a mental symbol, typically associated with a corresponding representation in language or symbology, that denotes all of the objects in a given category or class of entities, interactions, phenomena, or relationships between them. In a conceptual framework, descriptive categories are systematically placed in broad structure of explicit propositions, statements or relationships between two or more empirical properties, to be accepted or rejected.

A conceptual framework brings together all the variables in a study and analyses their relationship. An independent variable (also called the "predictor variable") is those variables that cause changes in the dependent variables. An independent variable is presumed to affect the dependent variable. A dependent variable is a variable whose outcome depends on the manipulation of the independent variable. In the case of this study, competitive strategies (cost leadership, differentiation and focus) are the independent variables and performance of hotels is the dependent variable. The moderating variables used in this study are; Population, location of the town and Thika superhighway. An extraneous variable (security) in this study is a variable that behaves like the independent variable in that it has a significant contributory or contingent effect on the relationship between the dependent and the independent variable. Such a variable is assumed not to be very significant in predicting the performance of hotel in Thika town.

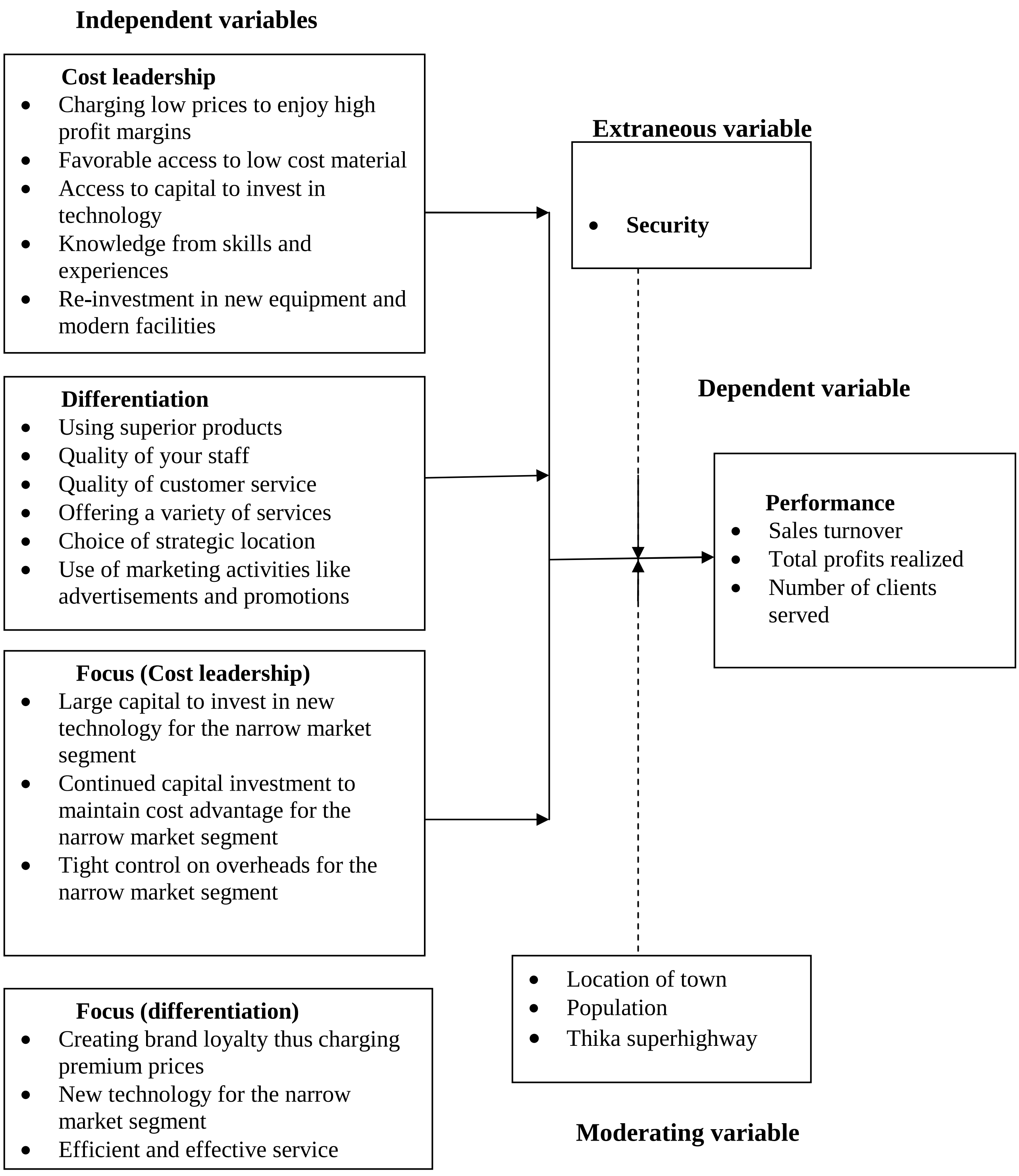

Figure 2: Conceptual Framework:

2.6 Knowledge Gaps

Previous studies reveal that strategic management, which is about competitiveness in the market place leads to improved performance far more than it results in no change or even poorer performance (Hunger and Wheelen, 1995).Other studies have found that the link between strategy and performance was lessened by situational variables, such as a focus on manufacturing and profitability (Davis and Schul, 1993; Zahra, 1993). However studies by McGee and Thomas (1986, 1992), found no link between strategy and performance. Studies have been carried out on competitive strategies adopted by Kenyan firms from various sectors. These studies include; Ndubai (2003), who studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. The study revealed that strategies used included strategic choice of location, stocking other items like cosmetics, mobile phones, surgical and diagnostic items, attractive counter displays, staff uniforms and road signboards.

Karanja (2002) studied competitive strategies by real estate firms and found that most firms used differentiation, cost leadership though to a lesser extent and narrow focused differentiation. Obado (2005) looked at competitive strategies employed by sugar manufacturing firms in Kenya. He found that they used cost leadership and differentiation as the main strategies. These studies revealed the existence of competitive strategies in the firms studied. However, they did not examine the influence of these strategies on the performance of the firms studied. Also these studies done in Kenya did not relate competitive strategies to performance; yet others done elsewhere revealed mixed conclusions. This therefore justifies the need for further research in this area. The most common measures of corporate performance according to Hunger and Wheelen (1995) are the rate of return on investment (ROI), earnings per share (EPS) and rate of return on equity (ROE). A study by Manyuru (2005) on corporate governance and performance considered turnover, net profit and market share price (MSP) as the measures of performance. Quoting Drobetz (2004), Manyuru says that data on turnover has been used by many companies in assessing corporate performance. However, on its own it does not reveal the level of efficiency in production and other cost related areas

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter consists of the research methodology including data collection and the procedures under the following sub headings: research design, the target population, sample and sampling procedures, the research instruments, validity and reliability of the instruments, data collection procedures and data analysis

3.2 Research Design

Descriptive survey design has been used in this study survey. It is considered more appropriate for a study involving relationships and comparative analysis. In addition, comparison has been important in this study, hence a survey design was suitable because it enabled collection of data from broad survey units. This design is considered appropriate since the study is largely descriptive and purposes to sample statistics to make generalization about population parameters as successfully used by Omondi (2006) in similar study. According to Doyle (2004), a survey research refers to a body of techniques for collecting data on entity or human characteristics, attitudes, thoughts and behavior by obtaining responses from a group of entities or individuals to a set of prepared questions. Cooper and Schindler (2006), defines survey as a measurement process used to collect information during a highly structured interview-sometimes with human interviewer and other times without.

According to Angus and Katona (1980), the capacity for wide application and broad coverage gives the survey technique its greatest usefulness. The cross sectional survey will be considered appropriate to this study since it will enable a collection of data from hotels which will enrich the amount of information to be collected. This mitigates the disadvantages of other methods such as case studies where generalization is limited (Doyle, 2004). The main advantage of survey research is that it has the potential to provide us with a lot of information obtained from quite a large sample of individuals as projected from this study.

3.3 Target Population

A population can be referred to as the entire set of relevant units of analysis, or data. The population of the study consisted of selected hotels in Thika town. The town was considered for this study due to its rapid growth of the hotel industry due to its proximity to Nairobi city and most importantly the Thika superhighway which has accelerated growth. In addition, other business activities are vibrant in the town which attracts many people daily in need of the hotel services. The town is also strategically positioned at the centre of other large towns and neighboring agricultural lands thus having a positive impact on the hotel industry. The town has all the classes of hotel which was interesting for the study and was easily accessible to the researcher information from the Local Authority of Thika Sub-County, County Government of Kiambu.

The study focused on classifications of hotels described as ‘eating house’ within the Central Business District of Thika town. The available information from the Local Authority of Thika Sub-County, County Government of Kiambu showed that Thika town has 150 No. hotels of this category. In each hotel, the study targeted either the owner or the manager. The target population therefore was 150 persons. Positivism paradigm was applied. The underlying assumptions of positivism are: The belief that the social world can be studied in the same way as the natural world, that is there is a method for studying the social world that is value-free and, that explanation of a casual nature can be provided.

3.4 Sample Size

According to Parten, the sample size should be ‘optimal’, meaning it should neither be too large nor too small but should fulfill the requirements of efficiency, representativeness, reliability and flexibility. The study used the systematic random sampling technique that involved selecting every k^{th} item in the population after a randomly selected point between 1 and k. The first item was selected at random and the subsequent items were selected every k^{th} item from list. The value of k was determined as the ratio of the population size over the desired sample size.

Therefore the formula used according to Gupta (2012) and David (2008) was;

$$K = N/n$$

Where; K is the sampling interval or sampling ratio

N is the population size

n is the sample size

The population size was 150 persons and k was determined as 3; therefore the sample size was 50 persons. The listing of the hotels was therefore as follows; (3, 6, 9, 12,15,18,21...............150).

3.5 Sampling procedure

A sample is a group in a research study on which information is obtained. A population is the group to which the results of the study are intended to apply. Sampling refers to the process of selecting these individuals. Each hotel owner/manager in this study was the sampling unit. A systematic sampling technique was used in this study because it matches with the survey research design chosen which is ideal with probability sampling techniques. Systematic sampling is a slight variation of the simple random sampling technique in which only the first sample unit is selected at random and the remaining units are automatically selected in a definite sequence at equal spacing from one another. This technique of drawing samples is usually recommended as there is complete and up to date list of the sampling units and the units are arranged in some alphabetical order.

Systematic random sample appears like a stratified random sample with one unit per stratum. The systematic technique has some advantages in that it is very easy to operate and checking can also be done quickly and also more efficient than simple random sampling. A sampling frame is a complete listing of the sampling units. It shows the population and selected sample. The population was 150 No. owners/managers as per the Local Authority of Thika Sub-County, County Government of Kiambu records and the selected sample was 50 No. owners/managers of the hotels.

3.6 Research instruments

Quantitative data on the influence of competitive strategies on the performance of hotels in Thika was collected using a structured questionnaire in order to allow for descriptive analysis from the responses. The questionnaire contained both structured and unstructured questions meaning it had both open-ended and close-ended questions. The choice for the questionnaire as a data collection tool was founded on the fact that it suitable for collecting a large amount of data from respondents within a short period of time. It was divided into five sub-sections; A, B ,C,D and E. Sub-section A targeted data on the overview of the firm, Sub-section B collected data on cost leadership and performance, Sub-section C collected data on differentiation and performance, subsection D collected data on focus (cost leadership, differentiation) and sub-section E collected data on performance.

3.6 1 Pilot testing of the Instruments

The questionnaire was randomly administered to 10% of the respondents (15 persons) from the target population. This helped in refining the questions through rephrasing and removal of ambiguous questions. It also helped to remove typographical errors. The pilot testing process was used to determine if questions asked were relevant and appropriate. The questionnaires were then ready for distribution once all the issues had been addressed. Pilot testing process helps to check on the clarity and suitability of the wording in the questionnaire. Orodho (2004) states that piloting helps to establish whether the questions measure what they are supposed to measure, the respondents interpret all questions in the same manner, the wording is clear and also helps eliminate potential research bias.

3.6.2 Validity of the questionnaire

Validity involves the degree to which you are measuring what you are supposed to, more simply the accuracy of your measurement. It is about propositions, inferences or conclusions. Validity is more important than reliability because if an instrument does not accurately measure what it is supposed to, there is no reason to use it even if it measures consistently. Content validity of the instruments was used to measure the degree to which the items represent specific areas covered by the study. Validity was ascertained by checking that the questions measure what they were supposed to measure such as the: clarity of wording and whether the respondents interpreted all questions in the similar ways to eliminate areas likely to cause confusion and ambiguity.

To enhance the questionnaire validity, the research instruments were appraised by the supervisor to evaluate the applicability and appropriateness of the content and adequacy of the instruments from a research perspective. The corrections on the identified questions were incorporated in the instrument and a field test was conducted with pilot randomly selected respondents from the sample population to ensure content of the research instrument. Then the questionnaires were dispatched to the field and administered by an experienced research assistant.

3.6.3 Reliability of research instruments

Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects (Mugenda & Mugenda, 1999). To measure reliability, the split-half method was applied. In this method all items that measure the same construct were randomly divided into two sets. The entire instrument was administered to a sample of people and the total score was calculated for each randomly divided half. The correlation between these two total scores resulted to split – half reliability.

Reliability answers the question "Are scores stable over time when the instrument is administered a second time (Creswell, 2003). To ensure reliability, the researcher used split-half technique to calculate reliability coefficient (Spearman coefficient) which should be within the recommended reliability coefficient of 0.7-1 (Nachmias & Nachmias 1996). This involved scoring two-halves of the tests separately for each person and then calculating a correlation coefficient for the two sets of scores. The instruments were split into the odd items and the even items.

The Spearman Brown prophecy formula is:

*P*xx' = 2 *P*yy, / 1 + *P*yy,

Where: - *P*xx' is the reliability projected for the full-length test/scale,

- *P*yy` is the correlation between the half-tests.

- *P*yy, is also an estimate of the reliability of the test/scale if it contains the same number of items as that contained in the half-test.

3.7 Data Collection Procedure

To generate data for this research study, the researcher obtained a letter of introduction from the University of Nairobi which was taken to the Sub-County Administrator of Thika for permission after securing a permit from the National Council for Science, Technology and Innovation. The researcher then visited the sampled hotels to establish rapport and make appointments with the owners and/or managers. The researcher, with the help of a trained research assistant collected information from respondents on the dates agreed upon through direct contact after obtaining informed consent. Instructions were carefully explained to the respondent prior to the interviews after assuring them that the information given would be confidential and be used only for the purpose of the study. Adequate time was accorded to each respondent to obtain appropriate answers to the questions after which the completed questionnaires were checked for completeness and accuracy. The data collection exercise took 15 days after which the data was be entered into a Microsoft Excel database and cleaned to remove errors.

Drop and pick later approach which is a variation of mail survey was used to administer the questionnaires. To improve the return of the questionnaires, the researcher requested the respondents to provide their phone numbers for follow up. This helped in follow up or reminder. The introduction letter from the researcher was provided to set the stage for the respondent to respond. The researcher also engaged a trained research assistant within the area of study to follow up, guide and remind the respondent. The questionnaires were given either to the owners or the hotel Managers. Data on the performance covered 12 months from July 2013 to June 2014. This period was considered adequate to derive conclusive results.

3.8 Data Analysis Technique

Data collected from this study was entered in to a Microsoft Excel database and cleaned to ensure completeness and accuracy. Statistical Package for Social Sciences (SPSS) Version 17.0 was then used to analyze the data and present it using descriptive statistics like frequency distributions, percentages and averages. The data was analyzed using descriptive statistics such as mean, standard deviation and percentages. Inferential statistics such as correlation was also used. The significance level will be set at $p< 0.01$ for every statistical set. Content analysis was used to analyze open ended questions. Standard deviation was computed for each research question to test for consistency and the variability of responses across the study participants. The specific effect of independent variables vis-à-vis the dependent variable was tested through the Pearson's Product Moment Correlation.

3.9 Ethical issues

Obtaining a research permit from a National Council for Science, Technology and Innovation to carry out this research authenticated the study. The letter of transmittal was given to the respondents, seeking to explain what the study was about and assured the respondents that the research is purely for academic purposes. Consent was sought before the exercise began and the study observed confidentiality on the information shared by the respondents (i.e. names were not written on the questionnaires) and the information gathered may only be used for the purposes of this study. The personal right of choice to participation in this study was ensured by informing the respondents of their voluntary participation and withdrawal from the study anytime they wish. The findings will be shared to any respondent who wishe to know the outcome of the research.

3.10 Operationalization of Variables

This is a table that in more explicit ways shows the variables and their operational indicators.

Operationalization of the study variables was according to the objectives of the study; to establish the influence of cost leadership, differentiation, focus on cost leadership and focus on differentiation on performance of hotels in Thika town. These study variables are as shown in this table.

Table 3.1: Operationalization of Variables

Objectives	Variable	Indicators	Measurement	Scale	Data collection Method	Data Analysis
1. To establish the influence of cost leadership on the performance of hotels in Thika town	**Independent variable** Cost leadership	.Charging low prices to enjoy high profit margins .Favorable access to low cost material .Access to capital to invest in technology .Knowledge from skills and experiences .Re-investment in new equipment and modern facilities	Cost of products and services	Ordinal	Questionnaire	Mean, standard deviation, frequencies and percentage
2. To determine the influence of differentiation on performance of hotels in Thika town.	**Independent variable** Differentiation	.Using superior products .Quality of your staff .Quality of customer service .Offering a variety of services .Choice of strategic location .Use of marketing activities like advertisements and promotions	Product and service uniqueness	Ordinal	Questionnaire	Mean, standard deviation, frequencies and percentage

3. To assess the influence of focus (cost leadership, differentiation) on performance of hotels in Thika town.	**Independent variable** Focus on cost leadership	.Large capital to invest in new technology for the narrow market segment .Continued capital investment to maintain cost advantage for the narrow market segment .Tight control on overheads for the narrow market segment .Creating brand loyalty thus charging premium prices .Efficient and effective service for the narrow strategic market	Cost of products and services for the particular market / Product and service uniqueness for the particular market segment segment	Ordinal	Questionnaire	Mean, standard deviation, frequencies and percentage
4. Performance of hotels in Thika town	**Dependent variable** Performance	Average monthly sales turn over Average monthly net profit Average monthly No. of clients served	Sales turn over Net profit No. of clients served	Ordinal	Questionnaire	Mean, standard deviation, frequencies and percentage

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

The chapter provides the major findings and results of the study as directed by the objectives of the study which are; to establish the influence of cost leadership, differentiation, focus on cost leadership and focus on differentiation on the performance of hotels in Thika town.

4.2 Questionnaire Response Rate

The response rate of a survey is a measure of how many people approached, (i.e. 'sampled') actually completed the survey (expressed as a percentage from 0% to 100%). It is usually assumed that the higher the response rate, the more likely the results are representative of the population. Table 4.1 shows the response rate from the sample size.

Table 4.1: Questionnaire Response Rate

Item description	Sample Size	Respondents	% of Respondents
Response rate	50	39	78

The questionnaires were distributed to 50 respondents, out of which 39 filled in and returned the questionnaires, making a total response rate of 78% as shown on table 4.1. The response rate was generally good and conforms to Mugenda and Mugenda (1999) stipulation, that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent. The response rate of the study was a good representative of the target population capable of producing useful results.

4.3 Overview of firms profile

As part of their demographic information, the study sought to establish the background information of the respondents. These included; name of hotel, years of operation, number of employees, number of branches and their importance to the firm and the categories of hotel.

4.3.1 Years of operation

The study sought to find out the years of operation of the hotel. The number of years that the hotels have been in operation is an important indicator of the growth in the industry.

Table 4.2: Number of years a firm has been in operation.

Years of operation	Frequency	Per cent
1-5	20	51.3
6-10	10	25.6
11-15	5	12.8
16-20	4	10.3
Total	**39**	**100.0**

As shown in the table 4.2, the hotels surveyed ranged in age from one to twenty years of operations. The summary data shows that most of the hotels surveyed (51.3%) were established in the last five years. This indicates growth in the industry. This could be as a result of increased demand for hotel services owing to the fact that Thika town is expanding in terms of population size and level of business activities, the proximity of the town to Nairobi city and the construction of the Thika superhighway.

4.3.2 Branch Networks

The study also sought to establish the number of branch outlets. The number of branch outlets that are set up by firms is normally an indicator of market potential in many industries. The results are shown in table 4.3 below.

Table 4.3: Hotels with Branches

No. of branches	Frequency	Percent
1	7	18.0
0	32	82.0
Total	**39**	**100.0**

The findings on the table 4.3 above indicate that (32) respondents (82%) did not have any branches while the rest (7) respondents (18%) had only one branch each. This may be explained by the fact that most the hotels fall under small and micro enterprises that are more often than not family owned.

4.3.3 Number of employees

The study also sought to establish the number of employees in each of the hotels. The results are shown in table 4.4 below.

Table 4.4: Number of employees

No. of employees	Frequency	Percent
5-10	18	46.1
11-15	9	23.1
16-20	6	15.4
Above 20	6	15.4
Total		**100.0**

From the findings of the table 4.4, majority of the hotels surveyed (84.6%) had twenty employees and below. Only 15.4% of the respondents had more than twenty employees. This could be explained by the fact that most hotels are small and micro enterprises that employ a small number of staff

4.3.4 Ownership

The respondents were further asked to indicate the ownership of the hotel. The ownership of any organization is very important because it determines who and how strategy is formulated and implemented in the organization. The findings are shown in table 4.5 below.

Table 4.5: Ownership

Ownership	Frequency	Percent
Sole proprietorship	30	76.9
Partnership	8	20.5
Limited Company	1	2.6
Total	**39**	**100.0**

Findings from the table 4.5 indicate that out of the hotels surveyed, (30) 76.9% were sole proprietorships,(8) 20.5% were partnerships while only (1) hotel was a limited liability company. Most of the hotels are family owned.

4.3.5 Vision and Mission Statements

The respondents were further asked to indicate the vision and mission statements of the hotel. These are very important aspects of the strategic management process in every organization because they determine the direction of the organization.

Table 4.6 Vision Statement

Existence of a vision statement	Frequency	Percent
Yes	26	66.7
No	13	33.3
Total	**39**	**100.0**

Findings on the table 4.6 above indicate that 26 respondents (66.7%) had written down vision statement wile 13 (33.3%) did not have any vision statements for their hotels.

Table 4.7 Mission statement

Existence of a mission statement	Frequency	Percent
Yes	25	64.1
No	10	25.6
No response	4	10.3
Total	**39**	**100.0**

Table 4.7 presents the findings which indicate that 25 (64.1%) of the respondents had mission statements for their hotel while 10 (25.6%) did not have. 10.3% of the respondents did not respond to the question.

4.3.6 Formulation of Strategy

Table 4.8: Responsibility for strategy development

Who Makes Strategy	Frequency	Percent
The owner(s)	12	40.0
The manager and the owner(s)	14	46.7
Staff representatives and manager and owners	4	13.3
Total	**30**	**100.0**

Results presented in the table 4.8 indicate that of the hotels that had strategy, 40% were prepared by the owners alone, 46.7% involved the owner and their managers in the development of the strategy while 13.3% involved staff representatives, managers and owners in strategy development. This could be explained by the fact that most owners are hardly involved in the management of the hotels; hence the person who understands the operations more is the manager.

4.4 Cost leadership and performance

In an effort to determine the influence of cost leadership strategies on the performance of hotels, the respondents were asked to indicate their level of agreement with cost leadership strategies as an influence on the performance of hotels in Thika town.

Table 4.9: Cost leadership and performance

Indicators	Mean	Std. Deviation
Charging low prices to enjoy high profit margin	4.200	0.615
Favorable access to low cost material	3.853	0.982
Access to capital to invest in technology	4.413	0.736
Knowledge from skills and past experiences	4.560	0.739
Re-investment in new equipments and modern facilities	4.226	0.909

On a scale of 1 – 5, with 1 representing low influence and 5 representing strong influence the respondents indicated that charging low prices to enjoy high profit margin with a mean of 4.200 and a standard deviation of 0.615, and favorable access to low cost material with a mean of 3.853 and a standard deviation of 0.982 have a high influence on performance. Further, the respondents indicated that access to capital to invest in technology with a mean of 4.413 and a standard deviation of 0.736 also has an influence on performance in the hotel industry. It was also agreed among the respondents that re-investment in new equipments and modern facilities is also a strategy that influences performance with a mean of 4.226 and a standard deviation of 0.909. The respondents indicated that the aspect of cost leadership strategy that also has influence on performance is knowledge from skills and past experiences with a mean of 4.560 and a standard deviation of 0.739. These finding indicate that cost leadership strategy has strong influence on performance of hotel industry in Thika town.

4.5 Differentiation and performance

The study also sought to examine the influence of differentiation strategies on the performance of hotels. The respondents were asked to indicate their level of agreement with the influence of differentiation strategies on the performance of hotels in Thika town.

Table 4.10: Differentiation and performance

Indicators	Mean	Std. Deviation
Using superior products	4.440	0.702
Use of marketing activities like advertisements and promotions	4.440	0.499
Choice of strategic location	3.853	0.849
Quality of staff	3.853	0.849
Quality customer service	3.813	0.833
Offering a variety of services	4.440	0.702

On the extent of the use of the above differentiation strategies, again on a scale of 1 to 5, with 1 representing low influence and 5 representing strong influence, respondents indicated that differentiation strategy has a strong influence on performance as evidenced by the high means on almost all the variables. The respondents indicated that use of superior products strategy was widely applied with a mean of 4.440 and standard deviation of 0.702. Use of quality staff strategy was had influence with a mean of 3.853 and a standard deviation of 0.849. In addition, the respondents agreed with a mean of 3.853 and a standard deviation of 0.849 that choice of strategic position strategy had influence on performance. Further, the respondents agreed with a mean of 4.440 and a standard deviation of 0.702 that offering a variety of services strategy had influence on performance in the industry. The respondents also agreed with a mean of 3.813 and standard deviation of 0.833 for the influence by quality customer service strategy. Lastly, marketing activities like advertisements and promotions had influence on performance as indicated by a mean of 4.440 and standard deviation of 0.702.

4.6 Focus (Cost leadership, differentiation) and performance

Further, the study sought to establish the influence of focus cost leadership on the performance of hotels. The respondents were asked to indicate their level of agreement with the influence of focus strategies on the performance of hotels in Thika town.

Table 4.11: Focus (Cost leadership, differentiation) and performance

Indicators	Mean	Std. Deviation
Large capital to invest in new technology for the narrow market segment	4.053	0.883
Continued capital investment to maintain cost advantage for the narrow market segment	4.053	0.883
Tight control on overheads for the narrow market segment	3.946	0.957
Creating brand loyalty thus charging premium prices	3.906	0.975
Efficient and effective service	4.026	0.869

From the findings, as shown in table 4.11 above, the respondents indicated with a mean of 4.053 and a standard deviation of 0.883 that large capital to invest in new technology for the narrow market segment strategy has influence on performance in the industry. The respondents also indicated with a mean of 4.053 and a standard deviation of 0.833 that continued capital investment to maintain cost advantage for the narrow market segment strategy also influences performance. The respondents also indicated with a mean of 3.946 and a standard deviation of 0.957 that tight control on overheads has influence on performance. The respondents also indicated with a mean of 3.906 and a standard deviation of 0.957 that creating brand loyalty thus charging premium prices has influence on performance. Lastly, efficient and effective service strategies influences performance and have a mean of 4.026 and standard deviation of 0.869.

4.7 Performance of hotels

The respondents were asked to rate various measures of performance in relation to competitive strategies by Thika hotels since implementation. The results are shown in table 4.13 below

Table 4.12: Performance of hotels

Indicators	**Mean**	**Std deviation**
Sales turnover	3.800	0.402
Net profits	3.826	0.381
No. of clients served	3.813	0.392

According to the findings, the respondents indicated that sales turn over in Thika hotels since implementation of competitive strategies had improved as shown by a mean of 3.800 and a standard deviation of 0.402. In addition, the respondents indicated with a mean of 3.826 and a standard deviation of 0.381 that net profit in Thika hotels since implementation of competitive strategies had improved. Lastly, the respondents indicated that the number of clients served in Thika hotels since implementation of competitive strategies had improved. This is shown by a mean of 3.813 and a standard deviation of 0.392.

4.8 Correlation Analysis

Correlation is a number between +1 and -1 that determines the degree of association between two variables. In addition, a positive correlation coefficient implies that there is a positive association while a negative correlation coefficient implies that there is an inverse or negative relationship.

Table 4.13: Correlation Analysis

		Performance	Differentiation	Cost leadership	Focus
Performance	Pearson Correlation	1	.933**	.897**	.883**
	Sig. (2-tailed)		.000	.000	.000
	N	50	50	50	50
Differentiation	Pearson Correlation	.933**	1	.965**	.950**
	Sig. (2-tailed)	.000		.000	.000
	N	50	50	50	50
Cost leadership	Pearson Correlation	.897**	.965**	1	.931**
	Sig. (2-tailed)	.000	.000		.000
	N	50	50	50	50
Focus	Pearson Correlation	.883**	.950**	.931**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	50	50	50	50

**. Correlation is significant at the 0.01 level (2-tailed).

According to the findings, there is a strong positive association between differentiation and performance with a correlation coefficient of 0.933. Further, the findings show that there is a positive significant association between cost leadership and performance as shown by a correlation coefficient of 0.897. Lastly, the findings show that there is a significant positive association between focus (cost leadership, differentiation) and performance as shown by a correlation coefficient of 0.883.

From these findings we can therefore infer that differentiation has the highest influence on performance in hotels in Thika town followed by cost leadership and focus. However, all the three variables have a strong positive and significant relationship with performance of hotels in Thika town.

4.9 Discussion of Findings

This section looks at findings of the three variables, that is: influence of cost leadership strategies on the performance of hotels, influence of differentiation strategies on the performance of hotels and influence of focus strategies on the performance of hotels. This section further looks at how these finding are linked to previous literature. The findings show that the three variables have a significant influence on the performance of hotels. This is in line with the findings in the literature review which indicates that there are three potentially successful generic strategies that a firm can use for it to be able to outperform other firms in an industry. They include: overall cost leadership, differentiation and focus (Porter, 1998).

4.9.1 Cost leadership and performance

The study established that cost leadership influences performance to a great extent. From the literature review, a firm that chooses cost leadership strategy focuses on gaining advantages by reducing its economic costs below the costs of all its competitors (Barney, 1997). Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight costs and overhead controls, avoidance of marginal costs accounts and cost minimization in many areas like advertising, services etc. Here, low costs relative to competitors becomes the theme running through the entire strategy although quality and other areas cannot be ignored (Porter, 1998).

The findings confirm that achieving a low cost overall position often requires a high relative market share or other advantages such as favourable access to raw materials, having a high degree of capitalization (Porter 1998, Pearce and Robinson 1997). A low cost leader is able to use the cost advantages to charge lower prices to enjoy higher profit margins. He can thus defend himself in price wars, attack competitors on price to gain market share (Pearce and Robinson, 1997).Once low cost is achieved, the position provides high margins which can be re-invested in new equipments and modern facilities in order to maintain the cost leadership (Porter, 1998). It defends the firm against powerful buyers who can exert powerful suppliers by providing more flexibility to cope with input costs increases. In addition, it places the firm in a favourable position vis-a vis substitutes relative to its competitors in the industry. A cost leadership strategy is one which a firm strives to have the lowest costs in the industry and offers its products and services to broad market at the lowest prices.

These findings agree with Porter (1998) who states that characteristics of cost leadership strategy include low level of differentiation; aim for average customer, use of knowledge gained from past experience and the addition of new products only after the market demands them. Thompson and Strickland (1998) agree with Porter’s view on cost leadership strategies and state that this strategy calls for being the low cost producer in an industry for a given level of quality. Firms acquire cost advantages by improving process efficiencies, accessing lower cost materials, making optimal outsourcing vertical integration decisions to avoid costs altogether. If competing firms are unable to lower their costs by similar amount, the firm will be able to sustain competitive advantage based on cost leadership. Firms sell their products at average industry prices to earn a profit that is higher than that of rivals or below the average industry prices to gain market share. As industry matures and prices decline firms that can produce cheaply will remain profitable for longer period of time (http: www.quickmba.com/strategy/generic,shtml,6th July 2002).

4.9.2 Differentiation and performance

The second objective of the study was to determine the influence of differentiation on the performance of hotels. Differentiation involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). A company thus designs to appeal to customers with a special sensitivity for a particular product attribute which in turn helps build customer loyalty. This loyalty helps the company to charge premium prices for its products (Pearce & Robinson, 1997). To build competitive advantage through differentiation, a firm must search out sources of uniqueness that are burdensome and time consuming for rival to match (Thompson and Strickland, 2003).

The study established that according to Barney (1997), though a company may have several basis of differentiation, at the end it is only a matter of customer perception. Approach to differentiation can take many forms such as design and brand image, technology, product features, customer service or dealer networks (Porter, 1998). All these create perpetual barriers against competitors (Pearce & Robinson, 1997). Advantages of differentiation are that it provides insulation against competitive rivalry because of brand royalty by customers; it increase margins which avoids the need for low cost position and positions the firm better vis-à-vis substitute products than its competitors (Porter, 1998).

The study also established that a differentiation strategy is one in which a firm offers products or services with unique features that customers value (Ndubai, 2003). The value added by the uniqueness commands a premium price. According to Coutler (2002) the key characteristics of differentiation strategy is perceived quality whether real or not. This may be through superior product design, technology, customer service or other dimensions. Differentiation strategy calls for development of a product or service that offer, unique attributes to the customers. The firm hopes to cover the extra costs by the premium price commanded by the product or service uniqueness. If suppliers increase their prices, the firm may be able to pass along the costs to its customers who cannot find substitute products easily (http: www.quickmba.com/strategy/generic,shtml,6th July 2002).

4.9.3 Focus (Cost leadership, differentiation)

The third and forth objectives of this study was to establish the influence of focus (cost leadership, differentiation) on the performance of hotels. The focus strategy whether anchored in a low cost base or differentiation base attempts to attend to the needs of particular market segment ((Pearce & Robinson, 1997). It rests on the promise that a firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result the firm achieves either differentiation from better meeting the needs of the particular target market or lower costs in serving this market or even both (Porter, 1998).

The study established that according to Porter (1998), the advantage of focus strategy includes having power over buyers since the firm may be the only source of supply. Buyers do not have a strong bargaining power giving a firm competitive advantage. Customer loyalty also protects a firm from threat of new entrants and threat of substitute products. The firm adopting focus strategy can easily stay closer to its customers and effectively monitor their needs. Here we focus on a particular buyer group, product segment, or geographical market. Whereas low cost and differentiation are aimed at achieving their objectives industry wide, the focus or niche strategy is built on serving a particular target (customer, product, or location) very well

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objectives of the study.

5.2 Summary of Findings

The study sought to examine the influencing of competitive strategies on the performance of hotels. From the findings it can generally be said that cost leadership and differentiation objectives strongly influence the performance of hotels. Focus (cost leadership, differentiation) objectives also have positive influence on performance of hotels but to a smaller degree. The overall findings generally indicate that differentiation highly determine the performance of the firm. This is confirmed with the Karl Pearson's Product Moment correlation of 0.933 which indicates a strong positive association between performance and differentiation. The study established that quality of staff, offering a variety of services and using superior products, (with means of 4.440, 4.440 and 3.853 respectively), greatly influence performance of hotels. These are the components that an organization would endeavour to employ widely in order to maximise sales and consequently profit.

The study also established that cost leadership highly determine the performance of the firm. This is confirmed with the Karl Pearson's Product Moment correlation of 0.897 which indicates a positive association between performance and cost leadership. The study established that charging low prices to enjoy high profit margin, favourable access to raw material and re-investment in new equipments and modern facilities (with means of 4.200, 3.853 and 4.226 respectively), greatly influence performance of hotels. The study found out that focus variables determines the performance of the firm. This is confirmed with the Karl Pearson's Product Moment correlation of 0.883 which indicates a positive association between performance and focus.

5.3 Conclusions

From the findings, the study concludes that cost leadership and differentiation objectives strongly influence the performance of hotels. Focus (cost leadership, differentiation) objectives also have positive influence on performance of hotels but to a lesser degree. The overall findings generally indicate that differentiation in comparison to other strategies highly influence the performance of the firm. Therefore some of the indicators studied which should be applied to be competitive are; quality of staff, offering a variety of services and using superior products. These are the components that an organization would endeavour to employ widely in order to maximise sales and consequently profit.

The study also established that cost leadership strategies highly determine the performance of the firm. The study established that charging low prices to enjoy high profit margin, favourable access to raw material and re-investment in new equipments and modern facilities among other indicators should be employed to enhance competitive advantage in the industry.

5.4 Recommendations

From the study findings and conclusions, the study recommends that:

1) As has been established from the study, the industry is growing very fast and many hotels are coming up. This really demands that the hotel owners/managers create a unique image to their clients for them to survive. Some of the ways in which the hotels are able to achieve differentiation is through maintaining quality of staff, offering a variety of services and using superior products. These are the components that hotels would endeavour to employ widely in order to maximise sales and consequently profit.

2) In addition to the employment of the differentiation strategies highlighted in this study, owners/managers of the hotels are also encouraged to look for other serious ways to differentiate themselves in the market. This will enable them to cope up with the challenges in the industry and stay ahead of competition.

3) From the findings, it is prudent for owners/managers to re-evaluate their business processes and apply the strategies that will enhance performance in the industry.

5.5 Suggested Areas for Further Research

There are various competitive strategies that influence the performance of the hotel industry.

1) The study only looked at the influence of competitive strategies on performance of hotels in Thika town. Other studies should be done on the influence of competitive strategies on performance of hotels in other areas like Mombasa and Nairobi. The study could also be done in other sectors such as public transport and the banking industries.
2) Due to time constraint, not all performance indicators were included in this research. This leaves room for future research. Other studies should be done based on performance indicators not covered by this study, for example, non-financial measures like innovativeness and market standing.
3) The sample size of this research is relatively small. The size is sufficiently large for accomplishing the goal of explanation and understanding. The data obtained was valuable for provided insight into the influence of competitive strategies on performance of hotels. To increase validity and reliability, a study should be tested among larger industries.

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APPENDICES

APPENDIX I: Letter of transmittal of data collection instruments

NGANDU HENRY MAINA
P O BOX 47309 – 00100
NAIROBI
Telephone: 0722-297351
September 22, 2014

Dear Respondent;

RE: COLLECTION OF STUDY DATA

I am a post graduate student at the University of Nairobi, pursuing a course in Master of Arts in Project Planning and Management (MPPM). As part of my course work assessment, I am required to submit a research project. In this regard I am undertaking research on "Influence of competitive strategies of the performance of hotels. A case of Thika town, Kenya".

The purpose of this letter therefore is to ask you to kindly assist me by responding to the attached interview guide. The information provided will be used exclusively for academic purpose and your name will not appear on any report.

My supervisor and I assure you that the information you will provide will be treated in strict confidence. A copy of the final paper will be availed to you upon request. Your cooperation will be highly appreciated.

Yours sincerely,

Henry Maina Ngandu

MPPM student

APPENDIX II: Questionnaire

This section asks you questions that will help us understand the overview of firms. Please remember that this information is not for the purpose of trying to identify any individual and remains anonymous. Kindly Tick appropriately in the closed questions (√) and write your views in the open ended questions.

Section A: Overview of the firm

1. Name of the Hotel
2. When was the hotel established?
3. What was the number of employees at inception and currently?
   At inception.....................Currently.................
4. Do you have any branches? Yes ( ) No ( ). If yes how many?
5. Of what importance are they to the firm? Please tick the statements that apply to your hotel.
   a) It enables focus on special needs of different customers ( )
   b) Enables us to reach to many customers ( )
   c) It is a way of creating awareness ( )
   d) It helps build customer confidence in our stability ( )
   e) Others specify............................
6. In which of the following categories does your hotel fall?
   a) Sole proprietorship ( )
   b) Partnership ( )
   c) Others (specify)...........................

7 Does your hotel have a written;

a) Vision statement Yes ( ) No ( )

b) Mission statement Yes ( ) No ( )

8) If yes (above) who is involved in the development of strategy in the hotel? Please tick the statement(s) that apply to your hotel.

   a) The owner (s) ( )The Manager and the owners ( )
   b) Staff representatives and manager ( )
   c) Others (Specify)........................

Section B: Cost leadership and performance

Using the below likert scale, state the extent to which you agree with the cost leadership strategies influence on performance of hotels in Thika. (1= Not at all**, 2=** A less extent **3=** A moderate extent **4=** A large extent **5=** A very large extent**).** Please mark with a CROSS (X) in the applicable box

	5	4	3	2	1
Charging low prices to enjoy high profit margin					
Favorable access to low cost material					
Access to capital to invest in technology					
Knowledge from skills and past experiences					
Re-investment in new equipments and modern facilities					

Section C: Differentiation and performance

Using the preceding likert scale, state the extent to which you agree with differentiation strategies Influence on performance of hotels in Thika Town. Please mark with a CROSS (X) in the applicable box.

	5	4	3	2	1
Using superior products					
Use of marketing activities like advertisements and promotions					
Choice of strategic location					
Quality of staff					
Quality customer service					
Offering a variety of services					

Section D: Focus (Cost leadership, differentiation)

Using the preceding likert scale, state the extent to which you agree with focus strategies as an influence on performance of hotels in Thika Town. Please mark with a CROSS (X) in the applicable box.

	5	4	3	2	1
Large capital to invest in new technology for the narrow market segment					
Continued capital investment to maintain cost advantage for the narrow market segment					
Tight control on overheads for the narrow market segment					
Creating brand loyalty thus charging premium prices					
Efficient and effective service for the narrow strategic market					

Section E: Performance

Please rate the following areas in terms of performance in Thika hotels since implementation of the competitive strategies. Please mark with a CROSS (X) in the applicable box.

	Greatly improved	**Improved**	**Average**	**Slight improvement**	**No improvement at all**
Sales turn over					
Net profit					
No. Of clients served					

APPENDIX III: List of the target population for hotels in Thika town

County Government of Kiambu (Thika Sub County)

Business Register for small eating place hotels

S/NO	Business Name	Ward Name	Zone Name
1	Abdirahim Abdi café	Biashara Ward	Industrial Area
2	Adson Pub hotel	Biashara Ward	Haile Sillassie Av.
3	Ali Kabati Hotel	Biashara Ward	Kenyatta Highway
4	Alice Njuguna Café	Biashara Ward	Bus Stage
5	Al-shammi café	Biashara Ward	Uhuru St.
6	Amani Café	Biashara Ward	Commercial St.
7	Amazing Grace Café	Biashara Ward	Kenyatta Highway
8	Aquinas Githaiga Café	Biashara Ward	Jua Kali
9	Armstrong Njue café	Biashara Ward	Biashara
10	Bamboo corner pub & restaurant	Biashara Ward	Kenyatta Highway
11	Bamboo corner pub & restaurants	Biashara Ward	Biashara
12	Beatrice Wairimu hotel	Biashara Ward	Magoko and Off
13	Ben Mwaura Hotel	Biashara Ward	School Rd.
14	Benjamin Kariuki Café	Biashara Ward	Karatina Rd.
15	Benjamin Mburu café	Biashara Ward	Bus Stage
16	Bernard Kimiti	Biashara Ward	Industrial Area
17	Bernard Mwite	Biashara Ward	Factory Rd.
18	Bethrehem Restaurant	Biashara Ward	Wabera St.
19	Bethuel Kinyanjui café	Biashara Ward	Jua Kali
20	Beyond Hotels & Recreation Limited	Biashara Ward	Kwame Nkuruma Rd
21	Beyond Yummyz limited	Biashara Ward	Biashara
22	Bismillahi hotel	Biashara Ward	Kenyatta Highway
23	Boniface Kibarabara ward	Biashara Ward	Majengo
24	Booth Extrusion Limited	Biashara Ward	Kenyatta Highway
25	Brade Chicken café	Biashara Ward	Kwame Nkuruma Rd
26	Bren's enterprices	Biashara Ward	General Kago Rd.
27	Brimms Cafeteria	Biashara Ward	Mama Ngina St
28	Caesar's Restaurant	Biashara Ward	Cross Rd.
29	Cafe Eden	Biashara Ward	Kenyatta Highway
30	Café Excel	Biashara Ward	Mama Ngina St
31	Café Favourite	Biashara Ward	Mama Ngina St
32	Café Pazuri	Biashara Ward	Kwame Nkuruma Rd
33	Cascade Annex	Biashara Ward	Mama Ngina St

34	Cascades Restaurant	Biashara Ward	Uhuru St.
35	Cashey canteen	Biashara Ward	Kenyatta Highway
36	CBD café	Biashara Ward	Commercial St.
37	Celina Mwangi café	Biashara Ward	Wabera St.
38	Central hotel	Biashara Ward	Cross Rd.
39	Chamara Co. Ltd	Biashara Ward	Workshop Rd.
40	Chania Hotel Bar & Restaurant	Biashara Ward	Kenyatta Highway
41	Charles Mwangi café	Biashara Ward	Workshop Rd.
42	Chill and Grill	Biashara Ward	Commercial St.
43	Chini Wa Mnazi	Biashara Ward	Upper Rd.
44	Chos and Choice	Biashara Ward	Magoko and Off
45	City Grill	Biashara Ward	Biashara
46	City Park Canteen	Biashara Ward	Kenyatta Highway
47	Club leo's	Biashara Ward	Mama Ngina St
48	Combat Kitchens Limited	Biashara Ward	White Sisters Road
49	Congress hotel	Biashara Ward	Biashara
50	Cossy pub	Biashara Ward	U-shop-Bylaw
51	County Pork	Biashara Ward	Kenyatta Highway
52	Cynthia Parlour café	Biashara Ward	Wanyua Market
53	Damaris Wangari Café	Biashara Ward	Uhuru St.
54	Daniel café	Biashara Ward	Kwame Nkuruma Rd
55	Dans Hotel	Biashara Ward	Upper Rd.
56	David Chege hotel	Biashara Ward	Kilimambogo Rd.
57	David Irungu café	Biashara Ward	Kenyatta Highway
58	David Kimani hotel	Biashara Ward	General Kago Rd.
59	David Mwaura Nduruhu	Biashara Ward	Mama Ngina St
60	David Nganga Cafe	Biashara Ward	Athena
61	Diala Lunch Enterprises	Biashara Ward	Biashara
62	Dickson Mungai Café	Biashara Ward	Station Rd.
63	Diva Express	Biashara Ward	Uhuru St.
64	Domestic foods café	Biashara Ward	Ziwani
65	Dominic Igecha	Biashara Ward	Muindi Mbingu St.
66	Dominic Mwangi	Biashara Ward	Kenyatta Highway
67	Double G. café	Biashara Ward	Kenyatta Highway
68	Dud's Enterprise	Biashara Ward	Kenyatta Highway
69	Dufton Macharia	Biashara Ward	Stadium Rd.
70	Ebeneza Food Kiosk	Biashara Ward	Kwame Nkuruma Rd
71	Ebeneza Milk Bar	Biashara Ward	General Kago Rd.

72	Eboss food café	Biashara Ward	Bus Stage
73	Elijah John Kahiga	Biashara Ward	Uhuru St.
74	Eliud Maina hotel	Biashara Ward	Kenyatta Highway
75	Elton Café	Biashara Ward	Mama Ngina St
76	Emmy Uside	Biashara Ward	Y.M.C.A
77	Ephantus Githuka	Biashara Ward	Kenyatta Highway
78	Erustus Kuria Café	Biashara Ward	Garissa Rd.
79	Erustus Njuguna Hotel	Biashara Ward	Garissa Rd.
80	Esther Katutah	Biashara Ward	Garissa Rd.
81	Evans Mwangi hotel	Biashara Ward	Jua Kali
82	Exciting Bar	Biashara Ward	Kenyatta Highway
83	Ezekiel Mulandi	Biashara Ward	General Kago Rd.
84	Fashion house place	Biashara Ward	Uhuru St.
85	Fast food café	Biashara Ward	Commercial St.
86	Felistus Waweru hotel	Biashara Ward	Commercial St.
87	Floolen café	Biashara Ward	Uhuru St.
88	Florence Nganga	Biashara Ward	Bus Stage
89	Florence Njeri café	Biashara Ward	Kisii Rd.
90	Florence Wanjiru	Biashara Ward	Industrial Area
91	Food Mart	Biashara Ward	Kenyatta Highway
92	Gikeno Restaurant (Majengo)	Biashara Ward	Upper Rd.
93	Gina's Prime Café	Biashara Ward	Biashara
94	Golden plate cafeteria	Biashara Ward	Kenyatta Highway
95	Grace Muthoni Kariuki	Biashara Ward	Kenyatta Highway
96	Happyland Hotel	Biashara Ward	Cross Rd.
97	High palace Restaurant	Biashara Ward	Kenyatta Highway
98	Hika Limited	Biashara Ward	Cross Rd.
99	Homeway Pub & Restaurant	Biashara Ward	Cross Rd.
100	J.B Gardens	Biashara Ward	Kenyatta Highway
101	Jacinta Ngugi	Biashara Ward	Mama Ngina St
102	Joseph Tumbo	Biashara Ward	Stadium Rd.
103	Joslly fast food café	Biashara Ward	Mama Ngina St
104	Jubilee Hotel	Biashara Ward	Cross Rd.
105	Kagongo Bar	Biashara Ward	Mama Ngina St
106	Kalasha investment	Biashara Ward	Kwame Nkuruma Rd
107	Kenchary café limited	Biashara Ward	Stadium Rd.
108	Korea Bar and Restaurant	Biashara Ward	Bus Stage
109	Kristina café	Biashara Ward	Kisii Rd.
110	Liquid Cash Club	Biashara Ward	Haile Sillassie Av.
111	M.K Pub & Restaurant	Biashara Ward	Uhuru St.

112	Macjerry Café	Biashara Ward	Biashara
113	Macvast Executive Restaurant	Biashara Ward	Commercial St.
114	Makis Bar & Restaurant	Biashara Ward	Mama Ngina St
115	Marafique Place	Biashara Ward	Biashara
116	Marble chips	Biashara Ward	Kenyatta Highway
117	Maxx hotel	Biashara Ward	Commercial St.
118	Maze Bar & Restaurant	Biashara Ward	Cross Rd.
119	Memento Pub	Biashara Ward	Garissa Rd.
120	Mercy Restaurant	Biashara Ward	Kisii Rd.
121	Milly's Pot	Biashara Ward	Commercial St.
122	Mimos Delight	Biashara Ward	Mama Ngina St
123	Nduruhu Holdings	Biashara Ward	Mama Ngina St
124	Neutral Pub & Restaurant	Biashara Ward	Uhuru St.
125	New Special Services Holdings Ltd	Biashara Ward	Uhuru St.
126	Patrick Mutua Maluku	Biashara Ward	Garissa Rd.
127	Pazuri Coffee House	Biashara Ward	Kwame Nkuruma Rd
128	Peter Njuguna Chomba	Biashara Ward	Cross Rd.
129	Pishon Glory Café	Biashara Ward	Bus Stage
130	Poxy Pub	Biashara Ward	Moi Market
131	Quality hotel	Biashara Ward	Mama Ngina St
132	Qwetu café	Biashara Ward	Kenyatta Highway
133	Royal caterers Ltd	Biashara Ward	Mama Ngina St
134	Rubyz Restaurant	Biashara Ward	Uhuru St.
135	Sahara Resraurant	Biashara Ward	Kenyatta Highway
136	Samuel P M Njoroge	Biashara Ward	Kenyatta Highway
137	Simmar's Restaurant	Biashara Ward	Uhuru St.
138	Sizzle N Grill Steak House	Biashara Ward	Uhuru St.
139	Tamu Tamu Thika	Biashara Ward	Biashara
140	Tasty chicken Grill	Biashara Ward	Uhuru St.
141	The 12D Group Exciting Pub	Biashara Ward	Kenyatta Highway
142	The 12D Group Pub	Biashara Ward	Uhuru St.
143	The Brown Bottle Pub & Restaurant	Biashara Ward	Kenyatta Highway
144	The Food Palace	Biashara Ward	Stadium Rd.
145	The Meating Zone	Biashara Ward	Kenyatta Highway
146	The Redheart Meeting Point	Biashara Ward	Kenyatta Highway
147	The Spinners Club	Biashara Ward	Kwame Nkuruma Rd
148	Vienna Tasty meals	Biashara Ward	Commercial St.
149	Winsers Chips	Biashara Ward	Kwame Nkuruma Rd
150	Zippys Place	Biashara Ward	Uhuru St.