SERVICE STRATEGIES AND COMPETITIVE ADVANTAGE OF FIVE STAR HOTELS IN NAIROBI, KENYA

BY:

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DECLARATION

This project report is my original work and has not been produced by any other person for any other examining body. All materials that are not my own has been cited and acknowledged.

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DEDICATION

This project report is dedicated to the Service Sectors in particular Hotel Industry, all its stakeholders and scholars. The three parties are in one way or another involved in the improvement of service quality. Customer encounter in service industry has gained greater relevance as well as hospitality industry being one of the most important sector in economic expansion and tourism development. It is therefore in the best interest for all parties involved to look into various service aspects that can enable the sector achieve compete effectively, sustain their business and moreover meet customer expectations.

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ABBREVIATIONS AND ACRONYMS

GDP - Gross Domestic Product

JKIA - Jomo Kenyatta International Airport

KEPSA - Kenya Private Sector Alliance

KICC - Kenya International Conference Centre

KTB - Kenya Tourist Board

MBA - Masters of Business Administration

NCBD - Nairobi Central Business District

ABSTRACT

Service experience also referred to as service encounter refers to the interaction between the service provider and the customer. The consumption of a service encompasses the interaction between the consumer and the service provider. Past studies in the service sectors has centered on the service provider efforts to win over competitors, improve service quality, compete effectively, employees behavior, management roles in the achievement of a competitive advantage among other factors. Past research on services has focused almost exclusively on the behavior of service employees excluding consumer's important role in the dual social process that shapes consumption experience in relation to customer satisfaction in service encounters. Service experience is difficult to evaluate as compared to a physical product, for instance, a car, whose exchange is tangible, it can be seen, touched, felt, tested before use. A number of factors positively or negatively influence the service outcome. For instance, when an international visitor to Kenya books a service from a particular hotel online, the expectation are very high that the customer will receive the best service, in terms of quality, responsiveness, speed, convenience, general atmosphere, employee behavior and attitude, failure to which the customer expectation will not have been met and the outcome will be poor service encounter, complaints, service failure providing a very devastating business climate to both the service provider and the customer. Albrecht (2004) states that, "we are now living in a very new economy, a service economy where relationships are becoming more important than physical products; the times have changed, we are no longer living in a manufacturing economy; what is being done in the eyes of the customer is critical; people are getting more and more critical of the quality of service they experience in their everyday lives, and they want something done about it".

CHAPTER ONE: INTRODUCTION

1.1   Background of the Study

Effective service delivery is key to the success of any business anywhere in the world. Today the service industry is experiencing a very tough time to provide an effective and efficient customer service and ensure that the business firm remain in business. The customer experience in day to day business running has become ultimate key component and a central driver to achieving customer loyalty and retention for business continuity and sustainability. Similarly, due to increased competition and rivalry in the service industry, pressure is mounting for the industry to be more focused not only to delivering customer satisfaction and building loyalty but also to turn around and think of the customer experience on a day to day business operation relative to service effectiveness and value delivery towards the achievement of a competitive advantage (Guiry, 1992).

The Kenya government has initiated various programmes and campaigns to promote international and domestic tourism, local and foreign investments, above all to promote peace and security to create a conducive environment for business. This has greatly influenced the performance of hospitality industry. Akama (2007) on his paper "The Efficacy of Tourism as a Tool for Economic Development in Kenya", stated that Kenya's tourism policy has put major emphasis in the expansion of tourism and hospitality facilities to facilitate increased international tourist. Low domestic tourism and seasonal variations for the international domestic tourism coupled by political instability, for example, the terrorists activities pause a great threat to the industry. Other factors, pausing significant competitive challenges includes the modern economic trends, emerging markets, shifts of market demographics influencing consumer tastes and behaviour among other factors.

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Business environment is fast changing due to the effects of globalization of the world economy, market liberalization, advanced technologies, improved communication networks, effects of the macro-environment, increased competition and rivalry within the industry. Transformation of the world to a global village and open markets has encouraged expansion of businesses and entry of new firms to compete in the market intensifying competitive rivalry in the industry (Kinoti, 2012). While rapid changes surround organizations, the service sector face a major challenge caused by consumers increased awareness and exposure to more information. The service companies have to differentiate themselves and strive to be as close as possible to the customers for the business survival. This has led to more emphasize on customer relations, customer care, and development of service strategies to respond to the market situations.

Today, the performance of hospitality industry is subjective of customer focus and provision of an excellent service responding to customer needs, and creating greater customer value. Deloitte (2010, p.3) stated that, consumers are increasingly environmentally aware, which present further challenges for hospitality industry. The rationale for service strategy development centers on creation of sustainable competitive advantage. Consumer change in behavior patterns and attitudes highly influence market growth and changes in the market. Newsweek (October 22, 2012), indicates that, hospitality industry has grown in stride with tourism industry, and that by year 2020, the World Travel Organization predicts a triple growth with the industry becoming one of the largest industries in the world. Albrecht (2004, p. 64) stated that the great flywheel of habit keeps a lot of companies on the same straight path long after it has become clear that they will face tougher times unless they learn to adapt. And that, the caretaker executive, the action-oriented leader is the one who likes to ride to the sound of the guns; and that the more premium will be on setting the strategic direction of a company in terms of a market-oriented service strategy.

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1.1.1 Service strategy

A service strategy is a distinctive approach employed by a firm to deliver valuable services to its customers. A service strategy means performing the firm's activities in different and unique ways to deliver value than rivals. Service strategies includes differentiation, cost leadership, management of human resource to enhance resource capabilities and competence; effective customer care; service standardization to deliver superior value to customers and better technologies; strategic positioning; and general response tactics to counteract internal and external forces such as service diversification to widen geographical coverage and spread risks, market promotion, strategic alliances and partnerships (Kinoti, 2012).

Today, customer experience is gaining eminency, it is key to customer loyalty and retention, establishment of long-term relationships and organizational networks, attraction of new customers and advocacy. For a firm to achieve competitive advantage positive customer experience is central to addressing customer concerns from their point of view. Scholes and Johnson (2008) emphasizes on the importance of understanding the customer value and identifying the critical success factors to help the organization excel to outperform competition, seeing value through the eyes of the customer and being clear about the relative strengths.

How well a customer is served the first time determine a service success or failure; and the little things perceived small create a lot of difference in determining the customer experience. Albrecht (2004, p.32) stated that, each of us has a personal storehouse of memories of the moments of truth in our life experience. If you are a service person, and you get it wrong at your point in the customer's chain of experience, you are very likely erasing from the customer's mind all the memories of

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the good treatment he or she may have had up until you. But if you get it right, you have a chance to undo all the wrongs that may have happened before the customer got to you. A service company must therefore look at the service as a product that requires to be enhanced in unique features that satisfy the customer expectation and encounter. Albrecht (2004, p.35) stated that an effective service company must show evidence that it really does have something special to offer and that it must consider that to survive and prosper it requires differentiation.

Albrecht (2004, p.36) further emphasized on Peters and Waterman point of view, 'that there is need to stay close to the customer, learning every intimate details, what really counts to your customer, their likes and dislike. Porter (1996) sights that, "a company can outperform rivals if it can establish a difference that it can preserve". Porter (2008, p.161), emphasized on the importance of having a corporate strategy stating that, "each concept of corporate strategy allows the diversified company to create shareholder value in a different way; companies can succeed with any of the concepts if they clearly define the corporation's role and objectives, have the skills necessary for meeting the concept's prerequisites, organize themselves to manage diversity in a way that fits the strategy". In view of his contributions, strategy is the source of the firm's competitive success. It helps a firm to identify the various methods and ways of doing things, making of choices and decisions that guides the organizational daily activities. Therefore, a combination of service strategies and effective coordination mechanisms are central to making a difference, and the attainment of sustainable competitive advantage.

1.1.2 The Concept of Competitive Advantage

Competitive advantage defines the unique attributes and elements that an organization has over its rivals giving the business the ability to generate greater value to the firm and its shareholders over time. Competitive advantage can also be defined as the ability of a firm to utilize its resources to create value and differentiate itself against competitors, and to meet current rising customer needs through provision of quality, effective and efficient service creating strong barriers against imitation.

The aim of any business is not just superior performance, cost reduction and short-term profits but rather long-term realization of superior performance, better firm positioning within the business environment and sustainability. Rumelt et al (2003) analysis Porter generic strategies stating that, competitive advantage means having low costs, differentiation advantage or a successful focus strategy, further they bring out Porter argument that, "competitive advantage grows fundamentally out of value a firm is able to create for its buyers exceeding the firm's cost of creating it. Martin (1999, p.326) quotes, "think in terms of value, not price; the difference between competitors is not the price, but what customers perceive they receive for their money".

The information age has brought with it greater changes in the way that business firms operates as a result of greater growth in information technology. Porter (2008, p. 74) says that, "information technology is changing the way companies operate. It is affecting the entire process by which companies create their products, further reshaping the product itself, the entire package of physical goods, services, and information companies provide to create value for their buyers." Information technology plays a great role in competition and so is strategy which integrates all the

organization scope of activities, available resources and competences to position the organization strategically fit within the business environment over competition. Scholes and Johnson, (2008, p.102), observes that competitive advantage may be achieved if a competitor possesses a unique or rare capability, for instance, unique skills, unique resources, innovative features. The essence of formulating competitive strategy is relating a company to its environment, Porter (1980). A study carried out in the University of Otago by Matear, Garett and Deans (2000) 'on Visionary Marketing for the 21st Century: Facing the Challenge', indicate that, competitive advantage can be derived from various sources which includes service innovation, reputation, brand management, information technology, market orientation, architecture and control of strategic assets. Strategy is about winning competition, direction to guide the firm actions and decision making process towards superior performance. Strategy plays a major role in the achievement of a competitive advantage and the business survival.

A good strategy must incorporate the way the firm competes within the industry in projection of the firm's vision which enhance a consolidated value system adopting to new ways of doing things, taking high risks, venturing into new areas of business, pursuing new business ideas to counteract the firm's weak points and create a competitive edge. According to Petzer and Mostert (2008), sustainable competitive advantage meets current competitive needs without harming the ability of the organization to meet its future needs. Sustainable competitive advantage has three different orientations which includes a conservation-orientation which is rooted in the idea that no organization has unlimited resources; needs-based orientation since the economic activity of the organization is concerned with the customer needs; and future-oriented or focused on the long term enhancement of resources to gain advantage.

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1.1.3 Hospitality Industry in Kenya

Hospitality industry in Kenya is growing significantly playing a major role in economic growth. Hotel industry offers various services among them, accommodation, restaurants/eating places, entertainment, transportation and business meeting facilities. KEPSA report (2005), the service sector in Kenya is the third component of economy that facilitate success of the primary and secondary components, that is, agriculture and manufacturing or industrial sector. Hotel industry also referred to a hospitality services is closely linked to tourism industry which is the second best Kenya's foreign earners and other trade sub-sectors such as domestic and international trade.

Kareithi (2003), 'characteristics and structure of the Kenyan tourism industry is founded on the country's rich wildlife resources, beach tourism', beautiful sceneries and diverse culture which attracts tourists across the world. KEPSA report indicate that statistical data for non-residents are well documented under the tourism sub-sector but local residents are not well documented. However, the impact of tourism industry on hospitality industry can be depicted from its contribution toward greater investment in hotel industry as travellers and visitors streaming to Kenya needs accommodation, a place to eat and relax. The industry is of great importance to the country not only from the services provided but also in the improvement of the infrastructure which is central to economic development.

The hotel industry in Kenya is governed by an Act of Parliament of the Law of Kenya, Chapter 494 of 1972, revised in 1986 establishing the authority and rights of ownership, licensing, regulations and other requirements relating to formation and running of a hotel in the country. The history of hotel industry in Kenya go way back

to over a hundred years in particular under the influence of White Settlers in Kenya, with the first Five-Star hotel "Sarova Stanley" opening in Nairobi in 1902 and the Block Hotels investment initiative as early as in 1904. Ochieng and Maxon (1992, p. 329). Hospitality industry in Kenya provides services with distinctive attributes that provides a global touch offering various impressive facilities to both domestic and international tourists, travellers, delegates from all over the world, organizations and traders. These includes; accommodation, conference/meeting facilities, entertainment, transport, leisure amenities, catering and hospitality services among others.

Johnson (2004, p. 69) and Kenya Hotel Directory (2012), give different categories of hotels which includes: Five-Star hotels, Three and Four star hotels, local hotels and restaurants, lodges and resorts. There are approximately over twenty five star hotels located in major towns and tourists areas while majority small hotels dominate all corners of the country. Kenya has close to five hundred licensed hotels locally mushrooming from takeout on the way, restaurants to hotel businesses with international standards. The hotel industry play a major role in boosting economic growth through its contribution towards tourism growth in Kenya and creation of job opportunities.

Kareithi (2003). Kenya is the most popular tourism destination in Africa which is key to foreign exchange earnings for the country's economy. Hotel industry is an important icon in tourism industry providing easy access to the points of destination allowing free movement of people, supportive business services and equipment, social amenities among others. On the hand, hotel industry enhance growth and development of the Micro and Small Scale Businesses (MSEs) creating market opportunities for their products and services such as handicrafts, curios, garbage collection, material-food supplies, housekeeping and security services.

1.1.4 Five-Star Hotels in Nairobi

Nairobi is an important economic hub for the East African region evolving from a pastoral Maasai village called "Ewaso Nai'beri" meaning 'a place of cool waters'. Due to its cool temperatures the British colonists building the Mombasa-Uganda railways found it a welcome relief from the hot Mombasa coastal sun and as a result of having difficulties in pronouncing the Maasai name renamed the place, Nairobi. After completion of the railway line the British moved their administrative headquarters from Mombasa to Nairobi making it the capital of British East Africa in 1905.

Nairobi City has intensively grown since the building of the Kenya-Uganda railway back from 1899 when it became the railway's headquarters and the capital city of the British Protectorate. It has extended its urban settlements from 30 square miles (48 sq.km.) covered in 1927 to approximately 425 square miles (684 sq. km.) covered today, growing to a major town, government administrative headquarter and tourism point of destination, (Obudho, 1992).

Further, in 1906 the city recorded a population of 10,512 people, in 1963, 350,000 and today over three million people. Nairobi is said to have grown to a truly cosmopolitan, multicultural, lively and modern city with an ever-growing skyline; and a gateway to Kenya embracing people from all the walks of life. Nairobi is considered the regional center driving economic activities in the East African region. The city is served by major roads connecting to the country's major towns, railway stations, and two airports operating domestic, regional and international flights. Growth in information technology is another aspect that enhance electronic information transfer and networking enhancing quality life.

The main attractions includes the National Parks, Safari Walks, Giraffe Centre, National Museum, Railway Museum, Karen Blixen, Snake Park and Aquarium, Parliament Building, KICC and luxurious hotels which offers accommodation and other hotel facilities of choice. Nairobi is a regional cooperation; economic development focal point; and a booming regional center for interested investors attracting international and local business hotel customers.

The Nairobi hotels caters for all tastes and customer preferences from the European, Asian and Latin cuisines to Chinese eateries. French and African dishes giving different dining experiences and serving a variety of dishes. The hotel works in conjunction with other classes of hotels such as the legendary Carnivore Restaurant which serves the whole gamut of Kenya's wild 'game meats' and popular to foreign visitors as well as local residents.

There are seventeen Five-Star hotels in Nairobi Province as shown on Appendix III. The hotels are located within a driving distance from the NCBD, road and railway networks within the regional countries and accessible to JKIA the biggest Airport in East and Central Africa which offers a direct flight connections from Kenya to Europe, Middle East, Far East and the African Continent, (KTB Web Publication).

The hotels are located in unique areas in the business district and its suburbs surrounded with the most prestigious multinational companies, developed infrastructure such as banks, foreign embassies, hospitals, good transport networks, a center for commerce and education, main government offices, large markets that ensure variety and ample food supplies.

1.2   Research Problem

Service strategy is about service transition, achievement of operational effectiveness, efficiency in service delivery and distinctive performance ensuring greater value to the customer and the service provider. Understanding the forces that shape the industry competition is the starting point for developing strategy, strategy can be viewed as the building defenses against the competitive forces or finding a position in the industry where the forces are weakest (Porter, 2008). The service providers must devote considerable attention to the development of service strategies and tactics with the main focus to achieve a competitive advantage and outperform competition.

Today hospitality industry is experiencing enormous growth across geographical boundaries, regionally and globally providing a new perspectives with increased number of classified hotels. This has made it complex to manage and meet the challenges paused by the increasing customer demands and competition within the industry. Leading hotels are known to employ strategies that are different than their competitors in every respect and being innovative to achieve competitive edge.

Customers are constantly seeking to draw greater lines of being relevant to the attainment of business success. When a customer walks in a hotel, the customer expects to be noticed at once, to be served well and promptly. A customer often notice when employees 'go an extra mile' for them, they expects service availability, affordable prices, accurate and dependable service, a conducive environment. The essence of service strategy is to offer service with a difference, for example, first class accommodation facilities, well coordinated schedules for visitors, cost sensitive, reliable, convenience and speed. Hospitality industry is the fastest growing sector of the economy with unlimited opportunities.

Kenya has several licensed hotels of international standards, among them the five-four-three star hotels classified differently in terms of size and facilities. Among the key drivers of growth in hotel industry is tourism industry and trade which have lifted hospitality industry to the heights of global competition and viability thus causing demand-supply imbalances due to changes in the market and increased competition. Hospitality industry is faced by a greater challenge to shift from transactional to relational exchange to satisfy customer relationship and experience as the top priority in the achievement of the firm's competitive edge.

Several studies have been carried out on response strategies to environmental changes and sustainable competitive advantage in different industries, among them: Mwangi (2010), on strategic responses to competition among large fast food restaurants; Mukwa (2005), on differentiation of strategies used by classified hotels industries in major cities in Kenya; Munuve (2010), on response strategies of British American Tobacco Kenya Ltd. to macro environmental changes; Kariuki (2011), on organizational capabilities, human resource management, size and sustainable competitive advantage; Muchira (2005), on differentiation strategies used by the formal private security industry in Kenya; Ndung'u, (2011), on competitive strategies adopted by players in the beer industry in Kenya.

None of scholars focuses on service strategy and competitive advantage of the hospitality industry, thus the studies' findings cannot be generalized to represent hospitality industry. Hospitality industry emerge as a major industry expanding with the growing population and business expansion worldwide exposing the industry to numerous challenges that undermine its ability to compete hence the question: What is the effect of service strategies on the competitive advantage of five-star hotels in Nairobi, Kenya?

1.3   Research Objectives

The objective of this study is to establish the importance of service strategy in development of a competitive advantage in the five star hotels in Nairobi, Kenya.

1.4   Value of the Study

This study is important to help the service providers re-think strategically as the service environment evolve leading to greater customer needs, change in government regulations, advanced technology among other factors. The study aims at helping the service provider to focus their attention on understanding their target customers in terms of consumer behavior, their expectations, and develop philosophies of meeting the customer needs; develop new concepts such as, monitoring and evaluation of customer care, relationship marketing, service positioning and identification of market segments that the organization can serve most effectively.

The findings of the study may also be used for formulation of hotel service management policies and guidelines to enable the industry effectively compete in the domestic and global arena, enhancing economic stabilization, reforms, development of structural policies such as market liberalization, privatization and flexibility in government regulations to encourage economic development. Consequently, the hospitality industry touches on all aspects of the major sectors of the economy in different ways, notably the tourism and trade industry. Past studies have neglected this area of study as compared to other economic sectors such as banking, education, health, and manufacturing industries. This study is expected to form a basis for further studies and act as an eye opener supporting the need to expand knowledge base on management of the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Today the world of business is on the move, firms are operating in a very vigorous environment with emerging markets and a shift of the economy. Thus, this chapter is important in the evaluation of various theories and concepts related to the study.

2.2 Concepts of Strategy

Strategy is the way a firm competes and address the competition within an industry. There is no definite definition of the concept strategy. Scholes, Johnson, and Whittington (2008) defines strategy, "as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholders expectations". Quinn (2002) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into cohesive whole. Strategy helps an organization decided on how to conduct its day-to-day activities, make a choice on how to do things, share responsibilities, how performance can be improved and how each functional activities (production, supplies, marketing, financial and human resource management) can be incorporated to deliver added value.

Mintzberg (2002), defines a strategy as a plan, ploy, pattern, position and a perspective. As a plan strategy is a consciously intended course of action and a guideline that enables a firm deal with situations. As a ploy it is a specific maneuver intended to outwit an opponent or an action intended to preempt the responses of a competitor. As a pattern it is a stream of action producing consistence behavior to address situations whether planned or not and as a position specifically a means of

locating an organization in the environment which is achieved through a plan of action, a ploy and/or a pattern of behavior. Strategy as a perspective consists of not only the chosen position but also an ingrained way of perceiving the world, individual personalities within the organization, organization culture and various attributes that create a difference, such as commitment and ability to integrate activities; strategy is a perspective shared by organization members through their intentions and/or action.

Thompson, Strickland & Gamble (2007) defines a strategy as the management's action plan for running the business and conducting operations. Hofer and Schendel (1978:4) look at strategy as a mediating force or 'match' between the organization and its environment. Strategies are tactical moves and business approaches that managers employ to grow the business, attract and retain customer, conduct business, compete successfully in order to achieve the targeted levels of performance. Strategies enables a firm to fit its own situation in the most distinct way fortifying its position in the market, create a balance between its weaknesses and strengths overcoming threats and taking maximum advantage of the available opportunities.

Petzer, Steyn & Mostert (2008) observe that organizations continually seek new ways to acquire, retain and increase business as the cost of losing customers continue rising and that hotel industry need to put in place competitive marketing strategies to improve their competitiveness and thus retain customers with the hotel being able to manage this demand as well as its capacity to deliver. Good strategies help the firm optimize the use of its resources, defend its position and strengthen its muscles against the opponents and unforeseen outcomes, help explore ways of adding value to customers and in essence establish its long-term survival, yield better returns and flexibility to withstand environmental turbulences.

2.3   Service Strategy

Albrecht (2004, p. 64), defines a service strategy as a distinctive formula for delivering service; keyed to a well-chosen benefit premise that is valuable to the customer establishing an effective competitive position. It is a way, an approach or a technique of delivering distinguishable services to customers over rivals. Service strategies are things that are done to appeal to the eyes of the customer, attract customers and promote service. A service strategy helps position the organization in the marketplace and help make appeal to customers. For instance, use of a shot that has a powerful scene of an event in a hotel, a beautiful hotel lobby or room with a pleasant outlook while putting up an advertisement for a hotel on a newspaper, a magazine or television. Porter (1985) suggests that strategy helps the organization to explore a limited number of possible directions and create a model on how their actions are going to affect that environment. Mintzberg (1994) states that, 'an organization needs a sense of where it is going and what forces in its environment are going to help or hinder it in achieving its goals'. Strategic market positioning help the organization connect with known customer needs stimulating repeat service, attracting new customers and communicating service quality.

Albrecht (2004), an effective service strategy help position the firm's service in the marketplace and make it recognizable to customers. For instance, when putting up an advertisement about the hotel, it should contain most creative unique features appealing to the eye as an effective technique to communicate the quality of the service product. A service strategy help the firm anticipate changes in the market and formulate ways to respond to the market. An effective service strategy should be purposeful and clearly stated providing a unifying direction for the organization, capable defining its key operational priorities.

Albrecht and Zemke (2004), gives three ingredients of an effective service strategy: market research: the business mission; and the driving values of the organization. The three elements complement each other in the development of service strategies that that are meaningful to deliver value to customers. Porter (2008, p. 38) says that, 'a company can outperform rivals only if it can establish a difference that it can preserve'. The three ingredients are key components help in the environmental scanning, development of the organizations objectives and necessary strategies.

Berry (1980) defines a service as a deed, a performance and an effort as compared to a good. Monger (1995, p. 3) refer to services as all economic activity other than mining, manufacturing and agriculture. Service strategies are important tools to a business success, service strategies help in determining who the industry customers are; identifying their needs; defining business values; and the way to get there. Defining the unique ways of enhancing service to customers is a vital contribution of strategy, through innovativeness, differentiated service packages, facilitating speedy ways of solving customers problems, offering convenience, fostering customer relevance, good relations, reliability, assurance, responsiveness, tangibility, empathy, positive attitude as a distinctive trait of the managerial style, and market leadership.

Berry (1975) and Lovelock (2004) observes seven distinctive characteristics of services, that is, intangibility, inseparability, heterogeneity, perishability, simultaneity, customer participation in the service process, different standards and criteria of services. Some services are highly intangible than other, for instance, teaching, consultant, legal services are highly intangible with almost nil tangible components; fast food and restaurants, hotels, hospitals, travel and tours, repairs and maintenance are low intangible in that they are combined with tangible objects, such as food products, medicines, machinery, tools and equipment.

Services are heterogeneous hence tend to vary from one provider to another, one location to another and one employee to another. Services are perishable because they cannot be inventoried nor be stored for future use, they are produced and consumed instantaneously hence quality can only be measured on delivery. Zeithaml, Parasuraman and Berry (1985) observes four factors that define the service nature: A service is inseparable from the person or firm providing it, it is produced and consumed simultaneously hence the service provider becomes part of the service. Services are heterogeneous and considered highly variable as the human element is so much involved in providing services, they depend on the service provider, when and where provided. Services are basically intangible, a service cannot be touched, tasted or felt, seen or dropped on one's foot, smelt nor its performance tested before purchase. Customer relies on the firm's reputation and/or what they hear other customers say about the firm. Services are considered highly perishable, a service value exists only when and at the point it is required. For instance, if a doctor is unable to safe a life when required, then the service looses a meaning to that patient.

Parasuraman, Zeithaml and Berry (1985), the criteria of service standards differ with different personalities, customer presence and participation calls for greater attention and care hence service providers experience greater difficulties in establishing how customers evaluate service quality. For instance, in a restaurant, the patron may not evaluate quality solely on the outcome of service, good food or right drinks but may consider many things such as the process of service delivery (how long did it take to be served, how and by who?); facility design in a five star hotel or an airline, interior decoration, pleasant layout may be equally of great importance. Service is not just what the firm does but also what the customer experience or encounter, hence crafting and selection of the appropriate service strategies to deliver services is important.

2.4 The Concept of Competitive Advantage

Around the world, so much is happening, markets are growing fast with increased globalization, wealth increase, power shift among nations. Porter (2008) emphasize that, 'operational effectiveness is not strategy' but both are essential for superior performance and delivery of greater value, firms must continuously benchmark to attain sources of competitive advantage, achieve best practices, nurturing core competences to gain efficiency, and foster new ways to outperform the firm rivals.

Porter (1980) identifies three generic competitive strategies, that is, cost leadership, differentiation and focus or niche strategy. In his view, a firm gains competitive advantage when it is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Competitive advantage is achieved by offering greater value to customers than the competitors in terms of provision of products with unique features superior than for the competitor, good quality and low prices. In addition, the resource-based view by Wernerfelt (1984), observes that superior resources and capabilities enable a firm to develop a competitive advantage.

Porter (2008, p. 88), observes that, information technology has a powerful effect on competitive advantage in either cost or differentiation strategies affecting value activities to allow a company to gain a competitive advantage by exploiting changes in competitive scope. Further, information technology can alter the relationship between competitive scope and competitive advantage increasing the company's ability to coordinate its activities regionally, nationally, and globally (Porter 2008:90).

Porter (2008) states that, "the core concepts of competitive and corporate strategy provide the foundation for examining any competitive situation". The concept of competitive advantage take a center stage in development and implementation of business strategies giving a company an edge over its rivals and an ability to generate greater value for the customers, the firm and its shareholders. Competition is the strongest force that determine the survival or failure of a firm. Companies are today aggressively competing to create value to customers and to exceed customer needs as well as meet the stakeholders expectations hence it is important to understand the drivers of competition in an industry.

Scholes, Johnson and Whittington (2008), observes sources of sustainable competitive advantage as: an inimitable through embedment to organizational culture and history, causal ambiguity, internal and external complexity; rare and dynamic capabilities; non-substitutable, durable; and valuable to consumers. Competitive advantage means the ability of a firm to achieve market leadership through use of different strategies than its competitors. Various factors contribute to greater competitiveness: innovation/use of modern information technology, sound strategies, leadership style, structural changes, accessibility, resource capability, management of supply and demand conditions; marketing approaches, investment in the physical assets, human resource empowerment and improvement of systems and processes.

2.5   Service Strategy and Competitive Advantage

(Porter 2008, p. 43) indicates that, 'strategy rests on unique activities, it is about being different, it means deliberately choosing a different set of activities to deliver a unique mix of value'. Thompson, Strickland & Gamble (2007, p. 6), states that "the heart and soul of any strategy are the action 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 rivals'.

Porter (2008, p. 115), state that, strategy defines how all elements of what a company does fit together. Albrecht (2004, p. 65), gives three importance of service strategy: first, that an effective service strategy 'position' the firm's service in the marketplace giving it a simplified way to present its message-in a form that makes sense, and that has significance, connecting to the known buying need or motivational factor. Second, service strategy provides a unifying direction for the organization letting managers of all levels know what the business is all about, key operational priorities and what the management is trying to accomplish. Thirdly, service strategy lets the service at the front line know what management expects of them and what is important to the organization.

In today's business world organizations are re-thinking strategy, restructuring their businesses and benchmarking to transform their business operations borrowing from the best practices. Albrecht (2004), observes that, this may be in anticipation of market changes or in response to crisis caused by either loss of touch with the market or threat of emergent markets. Further he says, "A distinct service strategy that has been well explained to all employees establishes the belief that service to the customer is the most important criterion to the firm's success". Firms are competing to gain markets of goods and services, for supplies and financial support, to attract and retain customers, to persuade customers to swift to their products or services over rivals. Organization are seeking to offer the best and attain superior performance over the competitors. Creation of distinctive service strategies is a sure way to achieve competitive advantage and business viability. It is important to figure out which strategies to be employed to deliver sustainable competitive advantage. This calls for synergy, unity of purpose, effective internal communication, human resource empowerment, good leadership, transfer of skills and expertise along value chain.

Thompson, Strickland and Gamble (2007), say that, 'competitive advantage is key to above average profitability and financial performance because strong buyer preferences for the company's product offering translate into higher sales volumes, and/or the ability to command a higher price, thus driving up earnings, returns on investment and other measures of financial performance: a company achieves sustainable competitive advantage when an attractiveness of buyers prefer its products or services over the offerings of competitors and when the basis for the preference is durable'. The achievement of a competitive advantage that yields sustainability is inter-twinned with crafting of strategies that outwits rivals and with the key element of differentiation.

Mintzberg, Quinn, Lampel and Ghoshal (2002) says that, 'to gain fit activities must complement one another in ways that create real value'. Porter (2001) quotes that, 'strategy is about making tough choices'. A strategy must fit the external and internal situation of the business firm and cannot win competition singly, without the management commitment, internal strength and coherence. Management of people and maximum utilization of resources is important to achieve effective coordination of events and influence the success of a strategy. Porter (1985) suggests that, it helps the organization to explore a limited number of possible directions and to create a model of how their actions are going to affect that environment. Strategies must be supported by the organization structure, leadership style, organization culture, resources capabilities and competencies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research methods that were used to conduct this study, the size of population, data collection instruments and data analysis techniques.

3.2 Research Design

The researcher adapted a cross-sectional survey design to carry out the study. The design is important in maximizing realism, enhance accuracy and economy in data collection, through self assessment of the existing literature that certainly provide direction to the research process, helping the researcher establish a clear focus of the situation and define the problem, assessment of the participants in their own setting, establishing the observable and physical conditions that play a role in realization of customer value and in support of the research needs.

3.3 Population of the study

The study covered seventeen (17) five-star hotels located in Nairobi County as indicated in appendix II. The research study covered the entire population helping the researcher to describe most of the features of the population.

3.4 Data Collection

The researcher used questionnaires to collect data. The researcher designed two types of questionnaires, that is, structured with fixed choices, and a few unstructured questions allowing the participants in the hotel industry to respond to the question without limitations. The questionnaire were designed into two categories, one to be administered to the middle managers of different hotels under study and operational managers mainly having direct contact with customers.

The questionnaires were administered personally and through electronic mails (e-mails services) for some hotels who requested the questionnaire to be emailed to their head office abroad. This helped the researcher personally reach out to the respondent, have a personal experience as a guest of the hotel and examine observable physical features and to get a chance to explain the purpose of the study.

3.5   Data Analysis

The data was analyzed by use of descriptive statistics, validated, organized, coded and then summarized by use of tables and percentages to analyze and interpret the data. The data was assigned numerical values with a row for percentages to make the data readily understandable. This helped the researcher to summarize and discuss the data collected in general as compared to description of raw data from the source. Diagrams also allow for a quick assimilation of information and correct interpretation of descriptive data enhancing accuracy.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1   Introduction

This study sought to examine the service strategies used by five star hotels in the Nairobi County, Kenya and how they influence the competitive advantage of these hotels. Service strategies are the approaches and initiatives used by the hotels to fulfill and maintain the market position. This chapter presents the results of the research study in forms of tables and percentages with brief discussion of presentation to help the reader understand and draw conclusions from the findings.

Questionnaires were distributed to the seventeen (17) five star hotels in Nairobi County, where each hotel received five questionnaires in both categories. Out of the seventeen hotels only fourteen (14) hotels returned the questionnaires representing 82% of the population. The researcher personally administered and collected the questionnaires. Although this involved frequent visit and follow-ups through telephone conversations, this method enabled the researcher to collect data within a short time as some participants were very cooperative and supportive. The researcher also found this method less expensive and less time consuming.

4.2   Presentation, Explanation and Interpretation of Findings

The researcher identified the key characteristics of the hotel industry such as the performance driving forces, service strategies, service evaluation, response strategies, service process characteristics, customer satisfaction, and management of resource capabilities. These were measured using Likert-scale and summarized in form of percentage scores presented in table form to determine the existing strategies in the hotels under study and those that carries more weight in the achievement of competitive advantage.

The result findings were obtained from questions administered to hotels top management and the operational level of management. The top management questions covered factors related to strategy, performance measurement and evaluation and business driving forces. The question to the operational level of management covered customer-employee relations, motivation to employees and general information relating to the performance of the hospitality industry.

The aim of collecting data on this study was to accomplish one fundamental goal as stated in Chapter 1, "what is the effect of service strategies on the competitive advantage of the five-star hotels in Nairobi County, Kenya". This objective was accomplished in that, the current perception of majority respondents support development and implementation of service strategy towards achievement of a competitive edge. The findings presented in this chapter demonstrate the importance of strategy in the day to day operations of business and its future.

4.2.1 Response from the Hotels Management

Table 4. 1: Performance Driving Forces

Category	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	TOTAL
	(5)	(4)	(3)	(2)	(1)	(15)
Growth Opportunities	15	3	0	0	0	18
Greater Profitability	9	6	3	0	0	18
Market Leadership	8	8	2	0	0	18
Strong Capabilities	10	6	2	0	0	18
Greater Competition	7	10	1	0	0	18
Sound Strategies	8	6	4	0	0	18
TOTAL	63	48	15	0	0	126
(%)	60%	46%	14%	0	0	120%

Table 4.1above shows that majority of the hotels 60% and 46% observe that various key factors must be into play as a driving force in exploring ways of remaining in business, growth and sustainability. The data presented portray significance influence of external and internal factors towards business performance for instance, investment opportunities, competition and desire to make greater profits. Growth opportunities influence cash flow streams which is key in the performance of any business firm, leverage levels and sustainable development while greater profitability influence business viability and strategic plans as market leadership enhance innovativeness, building of trust and gaining customer loyalty. Growth opportunities and strong capabilities comes out clearly as key driving forces supported by sound strategies and the desire to increase profitability and attain market leadership.

Table 4. 2: Service Evaluation

Category	Exceeded Expectation	Met all Expectation	Met most Expectations	Met some Expectations	Met few Expectations
	(5)	(4)	(3)	(2)	(1)
Service Package	4	8	5	0	0
Customer Satisfaction	7	10	1	0	0
Process Control	2	12	4	0	0
Service Quality	9	8	1	0	0
Safety Measures	7	9	4	0	0
Development of Core Competences	4	10	3	0	0
Productivity	6	12	0	0	0
TOTAL	39	69	18	0	0
PERCENTAGE	31%	55%	14%	0	0

The data in Table 4.2 shows that majority hotels (55%) feel that they have managed to meet most of the customers expectations, 31% felt that they have exceeded customer expectations while 14% felt that they have met most expectations. The intangibility characteristic of service basically means a service cannot be felt, seen, heard, touched or tasted but must be experienced hence the organization must focus 99% on service quality to bridge the gap between perceived and expected quality, as what is presented to the service consumers is the 'face and voice' of the organization to the customers. The role of the customer and the face of the service industry is changing fast calling for more responsiveness to the customer needs and demands. This calls for high quality, speed, consistency, timeliness, relations building, a variety of choices, and new competences to match the rising demands and environmental dynamisms.

Table 4. 3: Strategy and Sustainable Competitive Advantage

Category	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	(5)	(4)	(3)	(2)	(1)
Strategic Positioning	14	4	0	0	0
Service Quality	13	5	1	0	0
Performance Contracting	10	7	1	0	0
Management of Human Resource	10	7	1	0	0
Cost Leadership	8	8	2	0	0
Differentiation	8	8	8	0	0
Research and Development	7	9	2	0	0
Corporate Vision	8	10	0	0	0
Strategic Direction	14	3	1	0	0
Development and leveraging on technology, knowledge and information	14	5	1	0	0
Global brand identity	8	8	2	0	0
Relation Building	10	4	1	0	0
Management of Service Capacity	12	2	3	0	0
Strategic Leadership	8	7	2	0	0
Strategic Entrepreneurship	8	8	1	0	0
Corporate Governance	8	8	2	0	0
TOTAL	160	103	28	0	0
PERCENTAGE	55%	35%	10%	0%	0%

Table 4.3 above shows that the highest number of hotels strongly feel that strategy is important in building a sustainable competitive advantage, and that a combination of different approaches that affects the environment the hotel industry is operating in, is key as a means of the organization achievement of its goals and objectives. Majority respondents (55% and 35%) supports strategy as an important tool for business success through integration of different activities as a way that helps the organization adapt to the changing market conditions. As seen strategy is applicable in the hotel industry and different strategies are used to meet customer expectations enhancing customer satisfaction and also to meet the organization goals.

Table 4. 3: Response Strategies

Category	Extremely Important (5)	Important (4)	Neither important nor not Important (3)	Not at all Important (2)	Don't Know (1)
Performance Measurement Systems	14	2	0	0	0
Feedback	13	2	1	0	0
Customer response to service failure	10	5	1	0	0
Easiness of dissatisfied customers to complain	10	8	1	0	0
Service recovery strategy	10	8	1	0	0
Compensation for loss or service failure	4	11	1	0	0
Repeated service	6	8	1	1	0
TOTAL	67	44	6	1	0
Percentage	57%	37%	5%	1%	0%

Table 4.4 shows that majority participants in the hotel industry felt that customers are an important assets to any business firm hence customer service strategies essential for the management of the hotels whilst continuous improvement is important for sustainable business reflecting the importance of evaluation of the service process. Performance measurement is a management system aimed at assessing conformance to customer requirements. From the research study and according to Love Lock, Witz and Chatterjee (2004), a service process take identifiable stages, that is, pre-purchase stage, the service encounter stage, the post purchase stage. This stages involves knowing what the customers needs, evaluation of alternatives, service delivery, evaluation of service performance and customer experience, feedback, response to service failure and service recovery.

A majority of 55% shows that the hotel industry support situational analysis as a great stride to enhance excellence service delivery to customers. Among the response strategies feedback is viewed as second extremely important strategy that plays a major role in the evaluation of firms performance, service success or failure and the overall service improvement for a better future.

A larger percentage of hotels felt that, it was important to make is easy for customers to give positive or negative feedback about the service encounter, for instance, by raising of complaints through various methods such as complaint desk, suggestion boxes, filling of service questionnaires among others. This would go a long way in improving the hotel image and reputation to the wider world as well as service quality. Keeping customers satisfied is key to running a successful business. Martin (1999, pg. 326) on his article, "The History, evolution and principles of services marketing poised for the new millennium", observe that if customers are not happy they will be more likely to spread negative word about the services than customers who are contented with service provided making it difficult to get back lost business.

4.2.2 .1   The Growing Competition

The majority respondents felt that though their hotels have managed to maintain their market shares and their loyal customers, the competition is high and threatening their operations, calling for total change in the management style, high demand in training and human resource development, and improvement of the total infrastructure to match the new and upcoming modern hotel facilities.

The respondents cited positive and negative criticism which has helped shape the way of doing things viewing competition as healthy, in that it has helped raise their operational standards, improve processes and work procedures and more so has led to the demand for diversification of the hospitality industry internationally.

The respondents also felt that competition in the industry has also led to the general improvement of the major sectors of economy such as security, information and technology, banking sector, health facilities, road development, games and reserves, lighting and beautification of the major towns and suburbs among others.

4.2.2.2   Main challenges faced by Hospitality Industry

The major challenges in the hotel industry as reflected from the results of the study is paused by insecurities as a results of political activities and the acts of terrorism as currently witnessed in Tana Delta, terrorism activities in Nairobi Province where many lives have been lost through Al Shabaab acts of violence, pastoral community mayhems, institutional unrest tainting the country's image. The respondents also cited poor infrastructure in major tourist areas such as Maasai Mara hampering hotels business.

The respondents felt that the large share of revenue comes from foreign guest and very little from domestic tourists thus a great challenge in dull moments or low seasons. Other factors highlighted heighted by respondents as hampering business in hospitality industry includes: increased demand to adopt to new technologies, governments restrictions; the country's world reputation as influenced by its competitive ranking, for instance, in corruption index; rivalry within industry causing intense competition leading to loss of customers to the competitors, price wars, unscrupulous deals and also increased operational costs, for instance, in marketing of services, development of loyalty programmes, staff training. In addition, the effects of the global economy, climatically changes as a result of global warming affecting the natural habitants, causing environmental degrading which greatly influence tourism activities which are key to hospitality services.

On the growing competition the respondents felt that the hotels have a greater challenge in satisfying customer needs, in that the customers has a variety of choices, the hotels are located in different areas, either in the city centre, the city suburbs, along the highway. Similarly there is a great variation in design, size, parking lot, looks and feels, prices, facilities and amenities. Further development of prominent strategies to win over the competitors and cope with fluctuating demands particularly during the low seasons. For instance, the hotel face a problem of resource use and maintenance of quality on peak and slow period in business.

On the other hand, some respondents felt that the industry standards were not clearly understood by the employees in the hotel industry and also that the industry is dominated by staff who are not well trained to meet the general international standards and diverse cultures.

The respondent also felt that motivational factors pause a threat to performance and quality of service, for instance promotional prospects, pay levels, training and development resulting to high staff turn over in some hotels and loss of competent staff to the new and upcoming modern hotels even of lower class.

4.2.2.3 Service Failure

Majority respondents strongly agreed that it is important to make it easy for customers to raise their complaints through various methods. Albrecht defines the first law of service productivity and quality as 'doing it right the first time'. One respondent felt that, 'one sure sign of doing badly' is the absence of complaints from the customers and thus establishment of customer feedback system was important to ensure that the hotel get feedback either in form of complaints, compliments or suggestions that may help correct an error committed or improve service.

94% of the respondents as shown in Table 4.3 felt that it was important to correct any problem reported by carrying out a service recovery through incorporation of customer opinions. Service recovery is an effort to achieve and restore customer satisfaction, facilitating repeat service and positive advocacy. In case of service failure, some customers will take legal redress, complain to a third party, spread negative word of mouth, forward their complaints to the front line staff or managers, take no action at and/ or seek alternative service thus loss of business. When the customers complain they expect something in return either to be compensated or to see some change.

4.2.3   Response to the Hotels Workforce

Table 4. 4: Service Process Characteristics

Category	Exceeded Expectation (5)	Met all Expectation (4)	Met most Expectations (3)	Met some Expectations (2)	Met few Expectations (1)
Service Effectiveness	5	5	2	0	0
Efficient Service	5	4	2	0	0
Timeliness	4	7	1	0	0
Reliability	4	6	2	0	0
Service Quality	4	4	2	1	0
Assurance	2	6	3	0	0
Tangibles	4	4	3	0	0
Empathy	2	5	1	1	0
Overall Responsiveness	3	5	1	1	0
Safety Measures	3	6	1	2	0
Customer Value	7	3	1	1	0
TOTAL	43	55	19	6	0
PERCENTAGE	35%	45%	15%	5%	0%

Table 4.4. show that majority hotels has either exceeded (35%) or met most (45%) of the customer's expectations. The results indicates service process strategies application by all the hotels but in different ways. Customers has different dimensions of measuring their satisfaction, these includes reliability, responsiveness, assurance empathy and some tangible values forming the judgment of service quality. Customer participation in the service process, the uniqueness of the service characteristics, service consumption as it is being provided calls for attention to these important factors. This means that service process strategies are important for business success.

4.2.3.1 Customer Satisfaction

95% of the respondents felt that customer needs has been met. This is evident with the with the increased numbers of travellers and tourists within the country. Kenya is rated as the most popular tourist destination in Africa (Kareithi, 2003), travellers and visitors of the country requires a place to rest and relax, hospitality industry offer such comfort. Customer satisfaction occurs when the customer's expectation has been met or exceeded by the service provider. Respondents felt that there was a likelihood for repeat purchase of same service, maintenance of customer loyalty and customer advocacy for the industry. However, the respondent felt that very little has been done to enhance building of employee-customer relationships. Relationships are an important aspect of doing business and building customer loyalty.

Hospitality industry involves high customer-employee interaction throughout the service process from reservation, pre-arrival, arrival, occupancy and departure. Customer-employee interaction is key to the overall business transaction. Employment of the right personnel with good personal attributes, well-developed interpersonal skills is associated with successful management of hospitality industry.

4.2.3.2 Management of Resource and Capabilities

According to the resource-based view , in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors without which the competitor may simply replicate what the firm is doing and quickly the firm loose any advantage. Majority respondents felt that there was need to look into employees motivation in terms of pay, training and developments. Prahalad and Hamel (1990) states that, 'the potential for capabilities is the roots of competitiveness, source of new products, foundation for strategy'.

Due to the service nature, human resource in hotel industry is an important aspect towards the business success, human resource provide the expertise that determines a service success or failure and more influence customer encounter greatly. It is evident that hotel industry has become modernized and sophisticated hence the need for regular performance reviews, and continuous performance improvement. The respondents feel that there is need to improve the organizational capability in terms of distinctive and core competences in the enhancement of the ultimate customer value.

4.2.3.3 Suggestion of ways to improve Customer Experience

The respondents felt that the hotels should improve the general infrastructure to match current demand, enhance innovativeness and to adapt to new technologies. The hotels should also improve on their brands to enhance the hotels image and reputation; the management should also improve on recruitment and selection of employees, motivational and welfare of the employees; establish feedback systems to allow for customers to forward their grievances, compliments and suggestions; ensure effective communication and availability of information; develop customer recovery strategies; and inducements for regular customers.

4.3 Discussion of Findings

The main objective of this study was to establish the importance of service strategy in development of a competitive advantage in the five star hotels in Nairobi, Kenya. The study results reveals that, as the service industry evolves the hotel industry is exposed to greater challenges to win competition and coupe with the environmental pressures, hence service strategies are important in building a competitive advantage. The study establish that, there is need to create distinctive service strategies to win competition, to remain in touch with the market, gain market leadership, position the service product in the customers mind and build customer loyalty.

The study reveals service consumers as major participants in the production and consumption of the service and more so being increasingly environmental aware. Customers expect easy access to service, flexibility, reliability, convenience, speed and responsiveness. Customers want a conducive business climate suitable for both the service provider and the customer. The service process and procedures should be made flexible enough to allow customers get required services; there should be qualified and dedicated workforce to ensure customer satisfaction all the time; clear communication between the service providers and the customers allowing for feedback and quick response to customer demands.

The study outcomes also reveal that there is need for the hotels to device management tools that facilitate proper control and coordination of the service process in the enhancement of the interaction between the service provider and the customer which defines the service encounter. There is need for the hotels to analyze the environment they operate in, the need to know who their customers are and build a better understanding of their needs to be able to meet their expectations. This supports the need for development and application of different strategies by the five star hotels to ensure customer satisfaction, customer retention, correct market positioning, growth in business as well as to support superior performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the study findings, conclusions and recommendations. The study focus on fourteen five star hotels that supported a successful study. The study findings reflect a significant growth in the service economy, the hotel business is increasingly becoming highly competitive, experiencing enormous growth in business volume and becoming more complex to manage. Thus, the hotel industry must focus on different dimension of service strategy to remain in business, define service quality, ensure continuous customer service improvement to bridge the gap between customer expectation and the perceived service.

5.2 Summary of Findings

The study findings emphasize on the improvement of the service package which is the total sum of services, tangibles and experiences offered to the customers. Albrecht defines a service package as the 'offer' and framework for thinking systematically about the delivery systems and constituting the basic value to be delivered. The offer can not be defined without first defining the business in which the organization is in hence the industry must re-think service strategy to re-configure the entire design to rebuild the interaction between the service provider and the customer.

The results of this study reveals that there is a significant link between service strategies and competitive advantage. Service strategy help in understanding the customer needs providing a framework and guiding principles for decision making, identifying opportunities and a roadmap for quality service delivery.

5.3   Conclusion

Albrecht refers to the customer as the "King" but treated more like a peasant asking the big question in relation to the customer perceptions, "what have you done for me lately?" The service industry is growing tremendously calling for a radical change in view of how service organizations understand customers and the service encounter putting into consideration the various service characteristics that make it more unique than tangible goods. The hospitality industry is not an exceptional, hospitality management must re-think strategy, the 'here and now' and anticipate the future to shape the organizational direction, balance the short and long-range goals.

The study findings brings out customer encounter as key to customer's perception of the quality of service offered by an organizations. As a result of inseparability nature of service, the customers are said to be present in the service factory observing and evaluating the production process and experience service. It is therefore important for the hospitality industry to develop strategies that enhances a positive service experience. The employees should also realize their role in the service success or failure and the need to strengthen interactive approach through relation and network building as the customer becomes an integral part of the production system more than consumption both contributing to quality and productivity.

5.4   Limitation of the Study

The management of the hotels were not willing to give information about their hotels and seemed to have a very low opinion of students carrying out research studies in their organization particularly the old hotels in hospitality industry in fear of misuse of data and sell out to the competitors. This also made it very difficult to access adequate data about the hotels. The researcher being a full time employees and with family responsibilities also experienced greater time pressure throughout the study.

5.5   Recommendations for Further Research

The biggest challenge in the service industry is to maintain consistency. The researcher recommends personalized service where the customer and the service provider owns up the service to help the organization design service delivery systems that ensures consistency by the service providers.

The hospitality industry should also look into the issue of human resource development, motivation and welfare facilities as these influences service quality and the organizational performance. Some hotels as observed during the study have no training department but rather the human resource department handle both personnel and training issues. The researcher recommends a separate training section to be able to address the issue of training needs to enhance development skills and competencies. In addition, the researcher recommends employees empowerment to be self-reliance in carrying out their duties and responsibilities.

The researcher further recommends research on this critical area of study which has been neglected by scholars in the past studies to provoke critical strategic thinking in this major economic sector.

5.6   Implication of the Study on Theory, Policy and Practice

This study reveals the most distinctive characteristics of services as the nature of the service process, this stimulates the need for scholars to develop various models and concepts to enhance service innovations and support the service systems and processes. Such concept may include use of service blue print as a practical tool to identify bottlenecks, identify innovation and improvement opportunities. It is evident that major business firms are suffering downturn due to prevailing economic and political crisis, but hospitality industry has shown strong and sustainable growth thus the need for development of powerful tools to create competitive advantage.

Hospitality industry is not about travel, food, drinks, entertainment, accommodation, there is more in the industry. This study illuminates the need for development and promotion of various government policies to enhance growth in the industry. These may include setting aside programmes to develop the general infrastructure such as the banking systems, airline and road networks, waterways, postal and health services, emails and internet; enforcing flexible government trade regulations, encouraging inward and outward foreign direct investments, financing development projects.

The study finding also injects the need for the management to re-think service strategy in order to improve service quality and the overall image of the hotel industry. The study brings about the notion of developing a better understanding and searching for better ways of serving the customers. There is need for employment of practical quality management as a guiding principle to ensure service quality, customer satisfaction and strong resource capabilities. The hotels should also adopt effective and strategic performance measurement tools in order to improve operational effectiveness.

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APPENDICES

Appendix I: Introduction Letter

Benedictar W. Kariuki

P O Box 9583-00200

NAIROBI

5th **October, 2012**

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Dear Sir/Madam

RESEARCH STUDY

I am a student at the University of Nairobi doing a Master of Business Administration (MBA) degree and specializing in Strategic Management.

As a requirement of the MBA Programme, I am carrying out a census research study entitled: ***"Service Strategies and Competitive Advantage of Five Star Hotels in Nairobi, Kenya"*** basically in relation to 'Customer Experience'.

In this regard I have a prepared two questionnaires as follows:

   a) Management Questionnaires; and
   b) Questions for the workforce.

I kindly request your authorization to administer the questionnaires in your organization.

Enclosed also please, find an introduction letter from the University for further information.

Your kind consideration and support will be highly appreciated. Thank you.

Yours faithfully

BENEDICTAR W. KARIUKI

Encl.

Appendix II: Questionnaire

<u>Section A:</u> **Management Questions**

1. How long have you been in hospitality services?

☐ Less than 1 year ☐ 5 – 10 years ☐ 20 – 50 years

☐ 1 year – 5 years ☐ 10 – 20 years ☐ Over 50 years

2. What motivates you? Please tick (√) appropriately from choices below.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	(5)	(4)	(3)	(2)	(1)
a) Growth opportunity	[ ]	[ ]	[ ]	[ ]	[ ]
b) Greater profitability	[ ]	[ ]	[ ]	[ ]	[ ]
c) Market Leadership	[ ]	[ ]	[ ]	[ ]	[ ]
d) Strong capabilities	[ ]	[ ]	[ ]	[ ]	[ ]
e) Growing competition	[ ]	[ ]	[ ]	[ ]	[ ]
f) Sound strategies	[ ]	[ ]	[ ]	[ ]	[ ]
g) Intrinsic reasons	[ ]	[ ]	[ ]	[ ]	[ ]

6. The current competition in hospitality industry is very healthy to the overall growth of the industry. Do you agree?

☐ Strongly agree ☐ Neutral ☐ Strongly disagree

☐ Agree ☐ Disagree

7. Making it easy for dissatisfied customers to raise their complaints using various methods is important. Do you agree?

☐ Strongly agree ☐ Neutral ☐ Strongly disagree

☐ Agree ☐ Disagree

8. How well have you served your customers? Please select the appropriate answer below:

	Exceeded expectations (5)	Met all expectations (4)	Met most expectations (3)	Met some expectations (2)	Met few expectations (1)
a) Service package	[ ]	[ ]	[ ]	[ ]	[ ]
b) Customer satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
c) Process control	[ ]	[ ]	[ ]	[ ]	[ ]
d) Service Quality	[ ]	[ ]	[ ]	[ ]	[ ]
e) Safety measures	[ ]	[ ]	[ ]	[ ]	[ ]
f) Development of core competences	[ ]	[ ]	[ ]	[ ]	[ ]
g) Productivity	[ ]	[ ]	[ ]	[ ]	[ ]

9. How has the growing competition in hospitality industry impacted on your hotel's general performance and your customer base?

Explain

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10. The following strategies are important to build a sustainable competitive advantage in hospitality industry. Do you agree?

	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
a) Strategic Positioning	[ ]	[ ]	[ ]	[ ]	[ ]
b) Service Quality	[ ]	[ ]	[ ]	[ ]	[ ]
c) Performance Contracting	[ ]	[ ]	[ ]	[ ]	[ ]
d) Management of Human Resource	[ ]	[ ]	[ ]	[ ]	[ ]
e) Cost Leadership	[ ]	[ ]	[ ]	[ ]	[ ]
f) Differentiation	[ ]	[ ]	[ ]	[ ]	[ ]
g) Research and Development	[ ]	[ ]	[ ]	[ ]	[ ]
h) Corporate Vision	[ ]	[ ]	[ ]	[ ]	[ ]
i) Strategic Direction	[ ]	[ ]	[ ]	[ ]	[ ]
j) Development and leveraging on technology, knowledge and information	[ ]	[ ]	[ ]	[ ]	[ ]
k) Global brand identity	[ ]	[ ]	[ ]	[ ]	[ ]
l) Relation Building	[ ]	[ ]	[ ]	[ ]	[ ]
m) Management of Service Capacity	[ ]	[ ]	[ ]	[ ]	[ ]
n) Strategic Leadership	[ ]	[ ]	[ ]	[ ]	[ ]
o) Strategic Entrepreneurship	[ ]	[ ]	[ ]	[ ]	[ ]
p) Corporate Governance	[ ]	[ ]	[ ]	[ ]	[ ]

11. What are the main challenges faced by hospitality industry?

Explain

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12. Customers are an important asset to any business firm, customer care and continuous improvement of the service is important for a sustainable business. Please select an appropriate answer to the items listed below:

	Extremely Important	Important	Neither important nor not important	Not at all important	Don't Know
	5	4	3	2	1
a) Performance Measurement systems	[ ]	[ ]	[ ]	[ ]	[ ]
b) Feedback	[ ]	[ ]	[ ]	[ ]	[ ]
c) Customer response to service failure	[ ]	[ ]	[ ]	[ ]	[ ]
d) Easiness of dissatisfied customers to complain	[ ]	[ ]	[ ]	[ ]	[ ]
e) Service recovery strategy	[ ]	[ ]	[ ]	[ ]	[ ]
f) Compensation for loss or service failure	[ ]	[ ]	[ ]	[ ]	[ ]
g) Repeated service	[ ]	[ ]	[ ]	[ ]	[ ]

SECTION B: **Questions to the Workforce**

1. Have you ever worked in any other five star hotel in Nairobi?

   ☐ Yes   ☐ No

2. If yes, what would you say about the hotel? Explain

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   ....

3. A satisfied customer is likely to repeat the usage of a service, become a loyal customer and an ambassador of the firm. As a service provider, how would you rate your customers?

   ☐ Extremely satisfied   ☐ Satisfied   ☐ Neutral

   ☐ Dissatisfied   ☐ Extremely dissatisfied

4. Employees performance, training and development, reward systems and human relation practices is key to the overall firm's performance of the firm. To what extent does these elements influence the development of the firm's resource and capabilities?

   ☐ Very large extent   ☐ Moderate extent   ☐ None at all

   ☐ Large extent   ☐ To a small extent

5. Little has been done to identify which components of customer-employee relationships have the strongest impact to generate favourable outcomes towards the firm's competitive advantage. Do you agree?

   ☐ Strongly agree   ☐ Neutral   ☐ Strongly disagree

   ☐ Agree   ☐ Disagree

6. Hospitality industry is a key service sector that requires government support and strong legal instruments to streamline the industry operations in the enhancement of sustainable economic development. Do you agree?

   ☐ Strongly agree   ☐ Neutral   ☐ Strongly disagree

   ☐ Agree   ☐ Disagree

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7. How well have you served your customers in the following areas? Please tick (√) the appropriate answer below:

	Exceeded expectations (5)	Met all expectations (4)	Met most expectations (3)	Met some expectations (2)	Met few expectations (1)
a) Service effectiveness	[ ]	[ ]	[ ]	[ ]	[ ]
b) Efficient service	[ ]	[ ]	[ ]	[ ]	[ ]
c) Timeliness	[ ]	[ ]	[ ]	[ ]	[ ]
d) Reliability	[ ]	[ ]	[ ]	[ ]	[ ]
e) Service quality	[ ]	[ ]	[ ]	[ ]	[ ]
f) Assurance	[ ]	[ ]	[ ]	[ ]	[ ]
g) Tangibles	[ ]	[ ]	[ ]	[ ]	[ ]
h) Empathy	[ ]	[ ]	[ ]	[ ]	[ ]
i) Overall responsiveness	[ ]	[ ]	[ ]	[ ]	[ ]
j) Safety Measures	[ ]	[ ]	[ ]	[ ]	[ ]
k) Customer Value	[ ]	[ ]	[ ]	[ ]	[ ]

8. In what ways can the management improve customer experience?

Explain

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Appendix III: Five Star Hotels in Nairobi

1. Safari Park Hotel

2. Windsor Club

3. The Nairobi Safari Club

4. Hotel InterContinental

5. Nairobi Serena

6. The Stanley

7. The Norfolk

8. Nairobi Hilton

9. Laico Regency

10. Southern Sun Mayfair

11. The Giraffe Manor

12. Panari Hotel

13. Sankara Nairobi

14. Crowne Plaza Hotel

15. Tribes Hotel

16. Ole Sereni Hotel

17. Eka Hotel

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