

**COMPETITIVE STRATEGIES APPLIED BY SMALL AND MEDIUM SIZE  
HOTELS IN THE NORTHERN COAST OF KENYA**

**BY**

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## DECLARATION

This Management Research project is my original work and has not been submitted for another degree qualification of this or any other University or Institution of learning.

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This Management Research project has been submitted for examination with my approval as university supervisor

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## **DEDICATION**

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## ABSTRACT

The objective of this study was to establish the competitive strategies used by small and medium hotels to cope with increased competition in the hotel industry. To achieve this objective a census survey was conducted, subsequently the shareholders and the managers of the small and medium scale hotels were used to complete a questionnaire. 30 out of the targeted 43 respondent completed and returned the questionnaire representing 70% response rate.

It was found that 80% of the surveyed small and medium hotels in the Northern coast of Kenya have been in operation for less than five years, 56.7% of them are owned by sole proprietor and 63.3% has bed capacity of less than 40. It was also found that the most four adopted product and service competitive strategies are as follows: convenience of location of hotel, physical accessibility of the hotel, ability to offer customer different facilities and sending messages to customers. The least three challenges are use of technology, offering refreshment to customers as they check in, advertising of the hotel. While for personnel strategies indicates that the three most adopted competitive strategies are as follows: uniformed staff, well groomed staff and ability to handle customer complains. The least three challenges are; carrying out surveys to find out employee needs, hotel facilitate employee development, carrying out training on areas of relevance.

For cost leadership strategies the results indicate that the three most adopted competitive strategies are as follows: commissions given to loyal customer or agent, cash discount to loyal customers, quantity discount to customers who come in bulk. The least challenges

are: using professionals to train their staffs, travelling to get ideas on how to enhance their business, reduction of cost.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

Businesses all over the world are faced with the challenges posed by the ever changing and turbulent competitive environment. The rate, direction and magnitude of this competition must therefore be the concern of every top executive entrusted with the running of any organization. Competition is indeed a very complex phenomenon that is manifested not only in other industry players but also in the form of customers, suppliers, potential entrants and substitute product.

It is therefore necessary for a firm to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategies to respond to competitive forces (Porter, 1979). Competitiveness is at the core of the success or failures of firms. It determines the appropriateness of a firm's activities that can contribute to its performance, such as innovation, a cohesive culture and a good implementation.

#### **1.1.1 Competitive Strategies**

Competitive strategies consist of all those moves and approaches that a firm implements in its operations to attract and retain customers. Ansøff (1988) defined competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in its market. He further states that formulations of competitive strategy include consideration of strength, weakness, opportunity and threats (SWOT analysis). To survive in a dynamic and highly competitive business environment and different organizations have had to

engage various strategies. One of the most effective tools in Hospitality industry marketing is positioning. According to Charko, (1997) positioning evokes image of a hotel in the customer's mind that differentiate it from the competition as far as satisfaction is concerned.

Guiltinan and Paul (1994) argued that, organization are in stiff competition with each other and especially so when they try to sell similar products and services to the same group of customers. Boseman and Phatak (1989) state that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, creditors, suppliers and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitors strength. Competitive strategy is a key success in today's business. Whether big or small, a company cannot survive without an adequate and focused strategic plan to beat the competition. Kim and Oh (2004) are of the opinion that the competitive advantage of an organization is the result of the resources that the organization has developed internally. Competitive advantage can be viewed as the value an organization is able to create to differentiate itself from its competitors (Dubé & Renaghan, 1999). Given the current business landscape, it is necessary for organizations to keep ahead of competitors by utilizing strategies of differentiation. Differentiation is accomplished through gaining and sustaining competitive advantage (Colgate, 1998). Branding seems to be the only sustainable differentiating strategy that hotels might use.

A sustainable differentiating strategy requires the hotel to bond emotionally with customers and focus on building long-term relationships with them. Hotels might

accomplish sustainable differentiation by continually providing consistent brand messages (Cai & Hobson, 2004). The value that is created by an organization is measured by the price customers are willing to pay for its particular service (Passemard & Kleiner, 2000). The hotel industry in Kenya is one of the country's biggest industries and among the most popular tourist destinations in the world, especially the coastal area. Mombasa the main city on the Kenyan coast is known around the world for being the home of Kenya's premier beach properties. According to the Kenyan Integrated Coastal Area Management (ICMA) the Kenyan coast is vital to the overall economic health of the country. Mombasa alone represents 16% of the total wage earning for the country.

### **1.1.2 Hotels Industry in Kenya**

The hotels and restaurant Act cap 494 of the laws of Kenya (1986) defines hotels as a premises on which accommodation is supplied or is available for supply with or without food or services to five or more adults persons at one time in exchange for money or money's worth. Hotels are amongst the most visible industry and important aspects of a country's infrastructure. Tourism industry is a vital sector both globally and in Kenya, as a service industry its product is consumed at the point of production. It has a mixture of small and large customers that draw upon domestic, regional and international. The steps taken by the Kenyan government to market the country have started to bear fruits according to Economic Survey (2010) hotels and restaurant was at improved growth of negative 36.1% in 2008 to positive 42.8% in 2009. The growth continued improving in 2010 to 17.9% according to the Kenya National Bureau of Standards (2011) it was due to promoting in new market example Asia, repositioning the country as a high value destination example brand Kenya initiative, political stability, improved infrastructure.

Hotels provide important services which include basic accommodation, meals, conferences facilities, recreation and many others, in the current competitive market place hotel companies have found it necessary to win the loyalty of the reduced number of customers. As such they have to reorient their thinking away from merely attracting customers to retaining customers (Oduori, 2006) this is due to the cost of acquiring customers. It is between five and ten times as expensive to win a new customer as it is to retain an existing one (Barnes and Cumby, 1993)

According to the Kenya hotels and restaurant Regulation of 1988, hotels are classified and based on set standards. The regulation classifies vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest class; four stars; three stars; two stars; and one star being the lowest. The classification of the hotels and restaurant is carried out in the manner prescribed by the Hotels and Restaurant Authority published in the Legal Notice No.30 of February 16, 2001 of the Hotels and Restaurant Act.

### **1.1.3 Small and Medium Size Hotels in the Northern Coast of Kenya**

According to world development indicators, small, and medium-size enterprises are business that may be defined by the number of employees. There is no international standard definition of firm size; however, Mulhern (1995) defines a micro enterprise as that which employs following size categories: micro enterprises have 0-9 employees; small enterprises have 10-49 employees, and medium-size enterprises have 50-249 employees. The government of Kenya defines a small business as one employing 0-50 employees (GOK, 1988). The same case applies with small and medium sized hotels

which tend to be defined generally by the number of employees in a hotel these may vary according to size.

This general definition does not always apply in the hotel industry as most employees are employed when there is a high season and some lay off when there is low season. If defined by number of beds according to Barjaktarovic & Barjaktarovic (2010) they state there are no officially adopted standards for hotel size, in theory and practice there is a dominant opinion that hotels should have minimum 15 rooms. There are different approaches to hotel size segmentation. Having in mind the mentioned assumptions of hotel size, hotels can be divided as follows: small hotels up to 30 rooms with up to 60 beds, medium hotels from 30 to 120 rooms with up to 250 beds.

Like most other sector of the Kenyan economy, the hotel industry has gone through turbulent time in the last two decades. The increased competition has resulted in some hotels experiencing liquidity problems resulting to some being placed under receivership. The close relationship between the hotel sector and the turbulent tourism sector helps explain the turbulent environment that the hotels operate in. Given the increased dynamism in the business environment, a hotel's response to manage these changes has been identified as a cornerstone for success (Mukewa, 2005). Smaller hotels need to be managed differently as they have a smaller volume of business and relatively smaller market share, which can be seen as a disadvantage as the small hotel cannot influence the market prices. To their advantage though, small and medium sized organizations need to



change in order to grow and so may be more open to new techniques that may enable growth.

The hotel industries employ thousands of people and contribute to the national GDP. The small and medium size hotels have abundantly helped grow the Kenyan economy, many of them being owned by entrepreneurs, they have generated a lot of job opportunities in the Kenyan coast as well as the whole of Kenya. As with all organizations, hotels differ in terms of the resources that they possess or have access to, how they develop and utilize their resources differentiates them with their competitors. The competitive advantage that a hotel possesses depends, thus, on how the hotel changes its game plan to face the stiff competition.

## **1.2 Research Problem**

The emerging business of today is characterized by intense rivalry and competition this is due to a lot of changes in the Kenyan economy mostly to do with liberalization, globalization, technological advancement and more enlightened customers. These changes pose serious strategic threats to existing firms which have to remain competitive to survive. More so, the harsh economic conditions in Kenya have seriously affected the profitability and market share of companies. According to Grant (2000), survival and success of an organization occurs when it creates and maintains a match between its strategies and the external environment. This external environment presents a myriad of challenges to a firm with competition being among the major ones. Market liberalization has witnessed the entry of new companies both large and small in the market increasing competition among the existing players and thus the need for a firm to adopt new and

sustainable competitive strategies to protect or increase its market share and secure survival.

Hotel industry in Kenya play a significant role in the growth of the Kenyan economy, as the economy continues to grow there is an obvious need to expand the industry. Its main source of market is the tourism sector. This industry provides services to both local and foreign visitors thus forming an important outlet for spending, translating to income growth in various sectors of the economy both directly and indirectly. The main positive impacts include; foreign exchange earnings from the purchase of related goods and services, government revenues collected in form of taxes and levies, generation of employment, and creation of business opportunities. However this industry has continued to face challenges associated with the turbulent environment in which they operate (Mittra, 2001). The competitive environment in the hotel industry is widely recognized as being complex, dynamic, and highly segmented. In the face of the current competition in the hotel industry, players need to become innovative and provide distinctive features that will result in repeat business due to increased customer loyalty and grow their customer base (Mukewa, 2005). Balancing the features with the dynamic customers' needs gives a competitive edge to a company to remain relevant in the industry.

Many studies have been done on Small and Medium Enterprises but in a general area. These studies have focused on problems facing SME's, financial services, risk and growth. They include Bowen (1998) Maalu et al (1999), other studies carried out concentrated more on the large and star classified hotels. Kariuki (2006) studied

competitive strategies and performance of the five stars hotels in Kenya. The findings of the study could not be generalized to this study because strategies applied were for five stars hotels and its strategies will be different with the small and medium hotels strategies. Other studies have also been done on hotel marketing strategies vs. terrorism. Mwaura (2003) studied marketing strategies in the hotel industry in the age of terrorism. Mukewa (2005) studied differentiation strategies used by classified hotels in major cities in Kenya. Clearly a knowledge gap exist, researches on competitive strategies applied by small and medium size hotels needs to be studied as few studies exist on this important sub sector of the economy, as most researcher have concentrated on Small and Medium Enterprises in general and also more on large and star classified hotels ignoring the Small and Medium Hotels that have noted to be rising the Kenyan economy. The research question that needs to be determined is; what are the competitive strategies applied by small and medium size hotels? And what factors influence their competitiveness?

### **1.3 Research Objective**

This study has two objectives:

- (i) Establish competitive strategies applied by Small and Medium size hotels;
- (ii) Establish factors influencing the choice of competitive strategies in Small and Medium size hotels.

#### **1.4 Value of the Study**

Those that will be seeking information on small and medium hotels, this study will provide a source of information meeting different strategy requirement. Local entrepreneur in the industry will need information to enable them set up necessary structures in the business, thus this study will provide properly research information that will form as an important resources as they plan their strategies.

This study will be of value to small and medium hotels especially the management as a reference point of strategy being put in place both present and future. It will also help small and medium hotel owners to maximize their resources to its full potential.

This study will stimulate further academic research in the area of small and medium and strategies they apply.

It is the goal of the government to ensure policies are put in place that will facilitate smaller and medium hotels develop. This study will assist the government and policy makers in the development of policies in the light of the challenges faced by the small and medium hotels that make it difficult for them to remain competitive.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Today's companies regardless of the industry, concentrate on ways of formulating well sustainable competitive strategies in order to gain its objective as while as market share. Porter (1985) Acknowledged that firms throughout the world face slower growth because of both domestic and global competition. He argues that competitive advantage is the heart of the firm's performance in the competitive market. The question firms continue to ponder over is how to differentiate themselves from the competitors and how to defend the competitive position.

This research paper deals predominantly with porter's generic strategies and Porter's five forces framework. It also compares the generic strategies in the context of the Porter's five forces. Small and medium scale is a fundamental subsector of the economy; this literature helps to understand the need of having this important subsector to concentrate on its strategies so as it may enhance its level of competition.

#### **2.2 The Concept of Strategy**

Strategy is a framework through which an organization can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. Organizations succeed and fail because of the decision and choices they make. Successful business achieves sustainability, financial performance and growth. Business strategy evolved from the military strategy. More than three thousand years ago, Sun Tsu a

Chinese general wrote a book about strategy called “the art of war”. He stated that strategy without tactics is the start of the road to victory. However tactics without strategy is the noise before defeat. To win every battle by heavy fighting is not a good way to run a war. The best leaders can conquer an enemy without fighting. The greatest form of leadership is to conquer an enemy by strategy.

Hofer and Schendel (1978) define strategy as a pattern of objectives, purpose or goals defining what type of business you are in or should be in. “Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations” (Johnson & Whittington, 2005). According to Porter (1996) competitive strategies are about being different in the eyes of the customer; it means deliberately choosing a different set of activities to deliver a unique mix of value. Porter further argues that a strategy is about competitive position, about adding value through a mix of activities different from those used by the competitors.

“The game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance” Thompson & Strickland (1999). Pearce and Robinson (2000) agree with Thompson and Strickland’s definition of strategy as the management game plan, but they further argue that by strategy managers mean future oriented plans for interacting with the competitive environment. Ansoff (1988) on the other hand defines competitive strategy as the distinctive approach, which a firm uses or intends to use to succeed in the market. He further states that the formulation of competitive strategies include consideration of four

factors: the firm's strength and weakness, opportunities and threats, personal values of key implementation and broader societal expectation.

Strategy is useful in helping managers tackle the daily problems that face organization and thus ensure survival. It is a tool that offers significant help in coping with turbulence confronting many firms (Aosa, 1992). Historically, hundreds of strategies and organization have used many different approaches to strategy formulation to achieve a variety of strategist's objective. As a result, organization, consultants and academicians have, overtime given the concept of strategy literally hundreds of different situation specific definitions. These definitions may be appropriately given the specific situation, but rarely does one definition fit all of them. To overcome the confusion created by this phenomenon, it is important to draw a clear distinction between a strategy, the process by which a strategy is created and its expected results. (Kariuki 2006).

### **2.3 Porters Generic Competitive Strategies**

Porter (1998) calls his strategies generic because they are not firm or industry dependent. They can be applied to a firm in any industry. These generic strategies are basically three and they are cost leadership strategy, differentiation strategy and focus strategy. They are applied at business unit level. The table below summaries their features:

**Table 2.3.1 Porter's Generic Strategies**

<b>TARGET SCOPE</b>	<b>ADVANTAGE</b>	
	<b>LOW COST</b>	<b>PRODUCT UNIQUENESS</b>
<b>BROAD</b> (industry wide)	Cost leadership Strategy	Differentiation strategy
<b>NARROW</b> (market segment)	Focus strategy (low Cost)	Focus strategy (differentiation)

Source: Porter, M. E., (1985) "*Competitive Advantage*" The Free Press. New York.

### **2.3.1 Cost Leadership Strategies**

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time



([Http://www.QuickMBA.com/strategy/porter.shtml](http://www.QuickMBA.com/strategy/porter.shtml)). The cost leadership strategy usually targets a broad market. Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage.

Cost leadership strategy has advantages. Firms that succeed in cost leadership strategy usually have adequate capital, skills experience and efficient distribution channels. The cost advantage protects a firm from new entrants hence reducing competition. However the risk of cost leadership is that the competitors may leapfrog the technology and production capabilities hence eliminating the competitive advantage acquired from cost reduction. (Namanda, 2004).

### **2.3.2 Differentiation Strategy**

In a differentiation strategy a firm seeks to be unique in their industries that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs. It is rewarded for its uniqueness with a premium price. According to Coulter (2002) the key characteristics of differentiation strategy is perceived quality whether real or not. This may be through superior product design, technology, customer's 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 cost 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 cost to its customers who cannot find substitute products easily.

The advantage of differentiation strategy is that the perceived quality insulates a company from threats any of the five forces that determine the state of competition in an industry. Again firms using differential strategy have some internal strength including high research and development capabilities, strong sales team and corporate reputation for quality and innovation (Namanda, 2004). 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 a business and making it more expensive to enter and follow. The risk associated with differentiation strategy includes imitation by competitors and changing customers taste and preference.

### **2.3.3. Focus strategy**

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this encourages loyalty and discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.

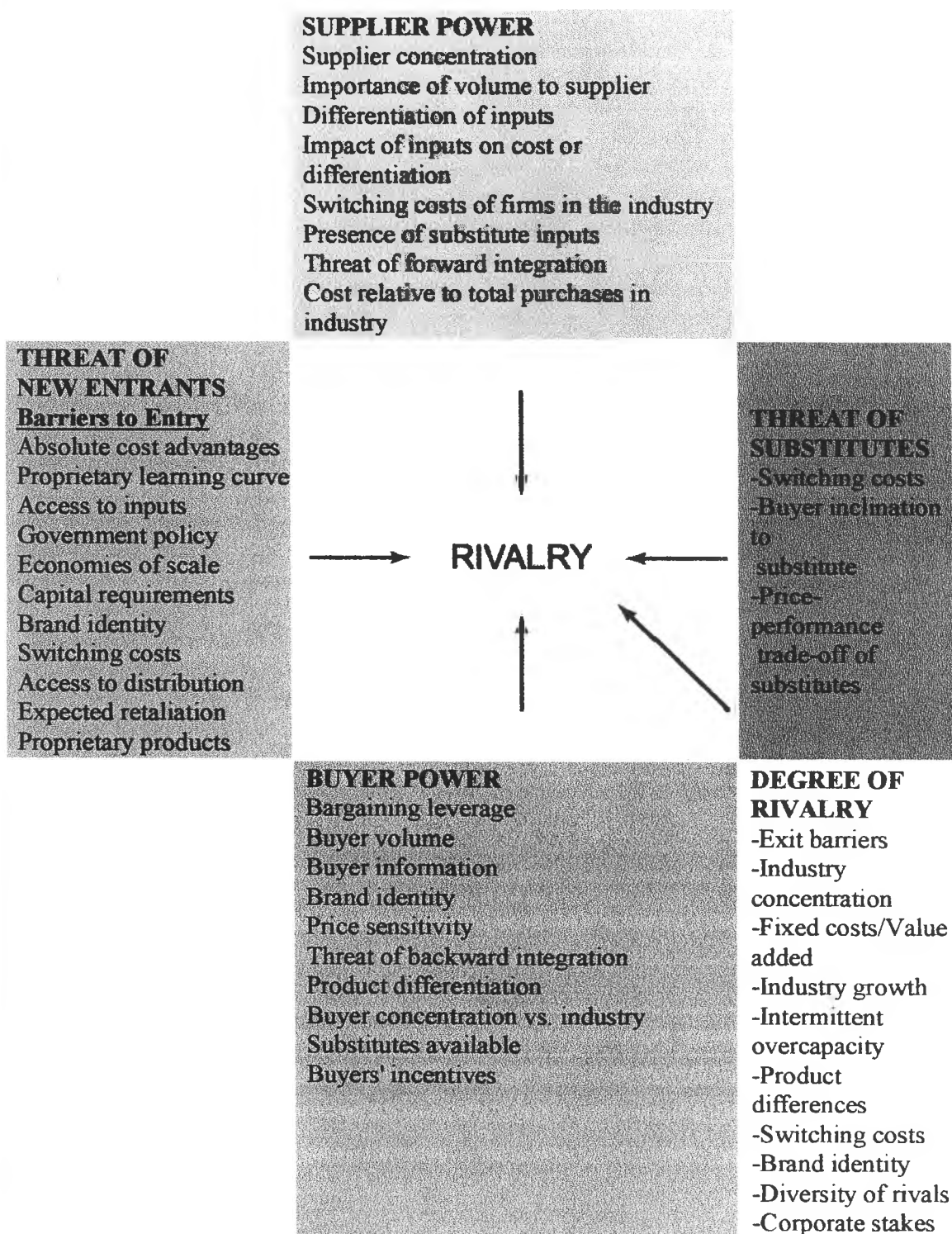
Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly.

Porter (1998) argues that generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, in this attempt it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, according to Michael Porter, to be successful over the long-term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage.

## **2.4 The Five Forces Framework by Porter**

According to Porter (1998), the state of competition in industry depends on five basis competitive forces, they consist of those forces close to a company that affect its ability to serve its customers and make a profit. and these forces are; threats of new entrants, bargaining power of buyers, bargaining power of sellers, rivalry among existing firms and the threats of substitute product and services. The diagram below summaries the Porters five forces:

**Table: 2.4.1 Porter's 5 Forces**



Source: Porter, M.E. (1979), *How Competitive Forces Shape Strategy*, Harvard Business Review.

### **2.4.1 Threats of New Entrants**

Porter (1980) argues that new entrants bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. Competitive forces could also be experienced from the threat of potential entrants (Bain, 1956). The threat of new entrants could come from many directions especially from new firms who believe in the potential profits of the market, expect market growth or observe high profit persistence by the current competitors (Geroski, 1995). Companies who are active on related markets with substitute goods or related competences could also be seen as a threat for the players in the market. For those firms have the knowledge and understanding about the needs of the same buyers.

Porter (1980) identified some major barriers of entry the Economies of scale or decline in unit cost of the product, which force the entrant to enter on a large scale and risk a strong reaction from firms already existing in the industry, or accepting a disadvantage of cost if entering in a small scale. Another barrier to entry is Capital or investment requirements, this is the need to invest large financial resources in order to compete in an industry. Large capital requirement creates a huge barrier to entry especially for risky or unrecoverable advertisement or research and development. Thirdly, Customer switching costs or cost that the buyer has to absorb to switch from one suppliers product to another may minimize entry into a given industry.

### **2.4.2 Bargaining Power of Buyers**

Buyers are the people or organizations who create demand in an industry. The power of buyers is the impact that customers have on a producing industry. The buyer's power is of significance in that they can force the prices down, demand for higher quality of product and services, and worse of all; they can play competitors against one another especially in the pricing aspect, which is at the expense of industry profitability. (Porter, 1979) state in this framework The bargaining power of buyers is greater when; There are few dominant buyers and many sellers in the industry, Products are standardized, Buyers threaten to integrate backward into the industry, Suppliers do not threaten to integrate forward into the buyer's industry, The industry is not a key supplying group for buyers.

### **2.4.3 Bargaining Power of Suppliers**

Suppliers can exercise a great deal of bargaining power in an industry by threatening to raise prices or reducing the quality of the product, The cost of items bought from suppliers (e.g. raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. Microsoft, for instance, has contributed to the erosion of profitability among personal computer makers by raising prices on operating systems. PC makers, competing fiercely for customers who can easily switch among them, have limited freedom to raise their prices accordingly. Companies depend on a wide range of different supplier groups for inputs (Porter, 2008). He also state in his framework, the bargaining power of suppliers will be high when: There are many buyers

and few dominant suppliers, There are undifferentiated, highly valued products, Suppliers threaten to integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets), Buyers do not threaten to integrate backwards into supply, The industry is not a key customer group to the suppliers.

#### **2.4.4 Threats of Substitute Products and Services**

A substitute product is one that can perform the same function as the product the industry already produces. Substitute products normally come as industry competition, and to great extent have an influence on profitability within the industry. Porter (1998) uses the example of security brokers who increasingly face substitute in the form of money market funds and real estate. The threat of substitute products depends on Buyers' willingness to substitute, the relative price and performance of substitutes, the costs of switching to substitutes. According to Porter , substitute that deserve most attention are those that are subject to trends that improve their prices performance compared to the industry's product and those that are produced by industries earning high profit.

#### **2.4.5 Rivalry among Existing Firms**

Rivalries among existing firm in an industry normally develop naturally since they are competing for the same customers or rather in the same market.. Competitors use tactics such as price competition, advertising battles, introducing new and unique product and more attractive customer service and warranties so as to enhance their standing and market share in a specific industry. The internal rivals, already active in the market, could be divided in relatively stable firms, fast growing firms and recent entrants. Within these

groups the fast growing firms will probably have the strongest effect on the intensity of competition, because they will have to realize growth at the expense of other firms when they compete in a slow growing or declining market. In fact, the threat of these firms will be relatively greater for other firms than the threat posed by more stable ones or entrants in the market (Geroski & Baldwin, 1995). However, this effect is, to a certain degree, influenced by the attributes of the new entrants and the competitors already present (Waarts & Wierenga, 2000). Mueller (1991), for example, showed that foreign entrants have a greater impact on the competitive environment than national entrants. The foreign entrants are already active in the product market but just in another area or country.

The intensity of rivalry between competitors in an industry will depend on: The structure of competition, example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader, The structure of industry costs , example, industries with high fixed costs encourage competitors to fill unused capacity by price cutting, Degree of differentiation - industries where products are commodities (e.g. steel, coal) have greater rivalry; industries where competitors can differentiate their products have less rivalry, Switching costs - rivalry is reduced where buyers have high switching costs - i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier. ([tutor2u.net/business/strategy/porter\\_five\\_forces.htm](http://tutor2u.net/business/strategy/porter_five_forces.htm)).

## **2.5 Porter's Generic Strategies and Industry Forces**

Porter's generic strategies each have attributes that can serve to defend against competitive forces.



The table compares some characteristics of the generic strategies in the context of the Porter's five forces.

**Table 2.5.1 Porter's *Generic Strategies and Industry Forces***

<i>Industry Forces</i>	<i>Generic Strategies</i>		
	<b>Cost Leadership</b>	<b>Differentiation</b>	<b>Focus</b>
<b>Entry Barriers</b>	Ability to cut price in retaliation deters potential entrants.	Customer loyalty can discourage potential entrants.	Focusing develops core competencies that can act as an entry barrier.
<b>Buyer Power</b>	Ability to offer lower price to powerful buyers.	Large buyers have less power to negotiate because of few close alternatives.	Large buyers have less power to negotiate because of few alternatives.
<b>Supplier Power</b>	Better insulated from powerful suppliers.	Better able to pass on supplier price increases to customers.	Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.
<b>Threat of Substitutes</b>	Can use low price to defend against substitutes.	Customer's become attached to differentiating attributes, reducing threat of substitutes.	Specialized products & core competency protect against substitutes.
<b>Rivalry</b>	Better able to compete on price.	Brand loyalty to keep customers from rivals.	Rivals cannot meet differentiation-focused customer needs.

Source: Porter, M.E., (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*.

## **2.6 Competitive Strategy and Small and Medium Hotels in Kenya**

A competitive strategy consist of all the action and approaches a firm has taken and is taking to attract buyers, with stand competitive pressures and improve its market position (Strickland et al 1993). The essence of formulating competitive strategy is relating a company to its environment (porter, 1998). Porter (1980) also argues that competitive advantage is the ability of the firm to outperform rivals on the primary performance goal. Notably, the essence of business is to create competitive advantage in a number of ways e.g. low cost production or market differentiation. Customer satisfaction leads to repeat business. Kotler (1999) says that satisfaction is a function of performance and expectation. If the performance falls short of expectation the customer is dissatisfied. While the corporate strategy defines the markets and the business in which the company will operate, competitive or business strategy on the other hand defines the basis on which a business will compete. Competitive strategy hinges on a company's capabilities, strength and weakness in relation to market characteristics and corresponding capabilities, strengths and weakness of the competitors (Jowi, 2006). He further states competitive strategy is concerned with the competitors and the basis of competition.

Studies done indicate that hotel industry in general are increasingly faced with stiff competition and unfriendly environment this include the era of high terrorism attacks that affect the security of the country hence lowers down the rate of tourism which goes hand in hand with the performance of hotel industry. According to Mombasa travel, Small and Medium hotels highly concentrate on local tourism and the previous grenade attacks in Mombasa example the one occurred in April 2012 in Mtwapa just before Esther celebration, lead to bookings being cancelled. The fear installed in Kenya plus the

insecurity has lead to a drop of clienteles in Mombasa's hotel industry. The essence of formulating competitive strategy is relating a company to its environment. The Small and Medium hotels have to come up with different strategies to implement in order to promote their hotels not only in low season times but all the time of the year. Strategy helps a firm withstand pressure and hence cement its market position.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter discusses the research design, target population, data collection method and data analysis which will be used to gathering relevant data from the specified documents and compiling databases in order to analyze the material and arrive at a more complete understanding and historical reconstruction of the competitive strategies applied by small and medium hotels operating in the Northern coast of Kenya.

#### **3.2 Research Design**

This study was intended to determine the competitive strategies applied by small and medium scale hotel in the northern coast and establish factors influencing their choice of competitive strategies. It also seeks to find out the various strategies used by different small and medium sized hotels. To achieve this cross sectional descriptive survey was considered most appropriate. The cross sectional survey is the method of choice if one wants to gather the data at one point in time. A descriptive research is a type of conclusion research that has its major objective as the description of something, usually market characteristics or function (Malhotra, 1996) the study was guided by two variables; competitive strategies applied by small and medium hotels and the factors influencing their competitiveness. This research design was chosen in order to provide abroad and generalized information about small and medium size hotels within Shanzu, Mtwapa and Kikambala area.

### **3.3 Population of Study**

The population of study was on all the small and medium size hotels along Shanzu, Mtwapa and Kikambala area, that has both restaurant and accommodation facilities. As most definitions of Small and medium enterprises has been on the number of employees and the cash turnover, the researcher choose to use the number of beds as the description point. According to Barjaktarovic & Barjaktarovic (2010) hotels can be divided as follows: small hotels up to 30 rooms with up to 60 beds, medium hotels from 30 to 120 rooms with up to 250 beds. A list of all the Small and Medium Size hotels could not be obtained from any document sources. In order to get the total numbers of the small and medium scale hotels, the researcher identified those hotels along the area of the study and found to have 43 hotels. Due to the population number being relatively small the researcher chose a census survey. A census study involves collection of data from all members of the population. Mugada (1999) agree this is an appropriate form of research, especially when the objective of the research is to gain insight in the ideas, which is applicable in this case.

### **3.4 Data Collection**

This study involved the use of Primary data and focused on identifying the competitive strategies employed by and the factors influencing the choice of these strategies. Questionnaires were used to collect the data. The questionnaires was divided into three sections with part A containing general information about the Hotel, part B contains competitive strategies, part C contains competitive strategies adopted, The respondents were owners or managers of the hotels. The questionnaires were administered within two

way; personal interview and drop and pick method. This gave respondent a choice to fill in the presence of the researcher or to fill during their own time.

### **3.5 Data Analysis**

This was a descriptive study, the data was coded and entered into a spreadsheet and analyzed using SPSS (statistical package for social sciences) and excel packages. The data was then presented using frequency tables, bar graphs, pie chart, and factor analysis matrices. This involved descriptive tolls such as percentage and frequency distribution to describe the competitive strategies as perceived by the respondents. Mean scores, percentages standard deviation was used to depict the relative strength of the various competitive strategies applied. The analyzed data was presented in tabular form, pie chart and graphs for ease of interpretation and reporting.

## **CHAPTER FOUR**

### **DATA ANNALYSIS AND FINDINGS**

#### **4.1 Introduction**

The objective of the study is to find out the extent to which small and medium hotel apply their strategies. It is in this chapter that the data was obtained and analyzed and interpreted for better understanding and to make it more applicable to the objective of the study. This was done by the use of frequencies, percentages, mean scores and standard deviation. The data gathered in the study included a general profile of the respondents and the competitive strategies they are applying.

#### **4.2 Profile of the Respondent Organization**

The respondents were asked general information of the hotel; this included the title of the respondent, years hotel has been in operation, ownership of the hotel and the bed capacity. Out of the targeted samples of 43 respondents, 30 answered the question successfully. This resulted to a response of 70%

##### **4.2.1 Years in Operation**

Respondents were asked to indicate how long the hotel has been in operation. This was relevant for the study when it comes to implementation or evaluation of strategy as the findings will inform the trend of companies that have been in existence for long or short period of time,

**Table 4.1: Years in Operation**

Years in Operation	Frequency	Percent
less than 1 year	1	3.3
1-5 years	24	80.0
6-10 years	4	13.3
more than 10 years	1	3.3
Total	30	100.0

*Source: Research data*

Table 4.2 shows that most of the small and medium hotels have been in operation between 1-5 years, while a few have been opened recently or have been operating for more than ten years. This meant most small and medium hotels began rising and operating after five years ago.

#### **4.2.2 Ownership of the Hotel**

The ownership of the firm greatly determines the structure to be adopted by the organization, the leadership style, capital requirement and level of innovation, operating procedure and among others. The respondents were asked to state the ownership of the hotel. The purpose was to identify the ownership of the various small and medium hotels in the study area.



**Table 4.2 Ownership of the Hotel**

Ownership	Frequency	Percent
Sole Proprietor	17	56.7
Family Business	4	13.3
Partnership	5	16.7
Limited Company	3	10.0
Missing item	1	3.3
Total	30	100.0

*Source: Research data*

The findings showed that most of the small and medium size hotels are owned by sole proprietors (56.7%) followed by partnership (16.7%). However few hotels have limited company ownership (10%). This meant that most hotels are owned by sole proprietors, followed by partnership then family business.

#### **4.2.3 Staff Capacity**

The respondents were asked to give the numbers of their staffs. The researcher wanted to establish the number of employees that work in each of the small and medium hotels in the Northern coast of Kenya.

**Table 4.3: Staff Capacity**

Staff Capacity	Frequency	Percent
0-10	10	33.3
10-50	20	66.7
Total	30	100.0

*Source: Research data*

Most small and medium hotels (66.7%) have staff of 10-50. This indicates that they retain their staffs.

#### **4.2.4 Bed Capacity**

The bed capacity determines how large or small the hotel is and how many rooms they have in order to accommodate the number of beds. The researcher wanted to establish the size of the hotel by using the number of beds.

**Table 4.4: Bed Capacity**

Bed capacity	Frequency	Percent
0-40	19	63.3
40-80	9	30.0
80-120	2	6.7
Total	30	100.0

*Source: Research data*

Respondents were asked the number of bed capacity they have in their hotel. Most small and medium hotels had a bed capacity of 0-40 and very few (6.7%) had bed capacity of 80-120.

**4.3 Competitive Strategies Adopted**

The researcher in line with the objective of the study sought to establish the strategies used by the small and medium hotels in the Northern coast of Kenya. The respondents were asked to state to what extent they use the Porters generic strategies. The data was captured by the use of mean and standard deviation.

**4.3.1 Service and Product Differentiation**

Service and product differentiation is one of porter generic strategies, in a differentiation strategy a firm seeks to be unique in their hotels that are widely valued by the customers. The researcher provided more than one attribute that many customers perceived as important. Table 4.5 represents findings on the strategies used by the respondent. To analyze the specific strategies used, the key used in the questionnaire was as follows:

The key used	Weight assigned (x)	Mean score analysis
To a very large extent	5	5
To a large extent	4	4
To a moderate extent	3	3

To a low extent	2	2
To no extent	1	1

The key used above was on a likert scale 5 being strategies used to a very great extent while 1 represent strategies not used at all.

To compute the mean weights ( $x$ ) were assigned to the frequencies ( $f$ ) and the product of these two established ( $fXx=fx$ ). The sum of  $fx$  was divided by the total number of observation ( $N=5$ ). Hence the formula was applied

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

A mean score of 5 indicates that the strategy is used to a very great extent while a mean of 1 indicates that the strategy is not used at all. Once the mean scores were assigned to specific, all the strategies were ranked from those with the lowest to those with the highest mean as shown in on table 4.5. Table 4.5 shows the overall rating of the competitive strategies adopted.

**Table 4.5 Service And Product Differentiation**

	Mean	Std. Deviation
Convenience of Location of Hotel	3.50	0.731
Physical Accessibility of the Hotel	3.40	0.724
Accessibility of the Hotel Through Email	2.97	0.890
Ability to Offer Customer Different Facilities	3.17	1.117
Ability to Market your Services	3.03	0.718
Sending Messages to your Customer	3.07	0.907
Advertising your Hotel	2.70	0.952
Use of Technology	2.30	0.877
Refreshment Offered to Customers While They Check In	2.47	0.900
Different Services to Different Clientele	2.70	1.022

*Sources: Research data*

Table 4.5 Results indicate that the most four adopted competitive strategies are as follows: convenience of location of hotel, physical accessibility of the hotel, ability to offer customer different facilities and sending messages to customers. The least three challenges are use of technology, offering refreshment to customers as they check in, advertising of the hotel.

### 4.3.2 Impact of the Services and Product on the Hotel Beds

Impact of the services and product on the hotel beds is the results that hotel owners have noticed some difference to some extent to the demand of the hotel. The researcher asked this question so the findings can inform if applying strategies have an effect to the demand.

**Table 4.6: Impact of the Services and Product on the Hotel Beds**

	Frequency	Percent
to a low extent	3	10.0
to a moderate extent	17	56.7
to a large extent	9	30.0
to a very large extent	1	3.3
Total	30	100.0

Table 4.6 shows the impact of the strategies to the hotel beds. 10% shows to a low extent, 56.67% shows to a moderate extent, 30% shows to a large extent and 3.33% shows to a very large extent.

### 4.3.3 Personnel Differentiation

The data consisted of strategies that the small and medium hotels have adopted in regards to their personnel attributes. As hotels concentrate more on service, cleanliness as while as appearance of staff and environment, the researcher wanted to analyze the extent to which small and medium hotel owners apply the personnel differentiation. Tables 4.7 represent findings on the strategies used by the respondent.

To analyze the specific strategies used, the key used in the questionnaire was as follows:

The key used	Weight assigned ( $x$ )	Mean score analysis
To a very large extent	5	5
To a large extent	4	4
To a moderate extent	3	3
To a low extent	2	2
To no extent	1	1

The key used above was on a likert scale 5 being strategies used to a very great extent while 1 represent strategies not used at all.

To compute the mean weights ( $x$ ) were assigned to the frequencies ( $f$ ) and the product of these two established ( $fXx=fx$ ). The sum of  $fx$  was divided by the total number of observation ( $N=5$ ). Hence the formula was applied

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

A mean score of 5 indicates that the strategy is used to a very great extent while a mean of 1 indicates that the strategy is not used at all. Once the mean scores were assigned to specific, all the strategies were ranked from those with the lowest to those with the highest mean as shown in on table 4.7. Table 4.7 shows the overall rating of the competitive strategies adopted.

**Table 4.7: Personnel Differentiation**

	Mean	Std. Deviation
Uniformed Staff	3.43	0.858
Well Groomed Staff	3.30	0.651
Well Trained staff	2.83	0.791
Ability for Staff to Speak a Foreign Language	2.70	0.837
Ability to Listen and Call Customer by Name	3.10	0.759
Ability to Handle Customers Complaint	3.23	0.817
Ability to Follow up with the Potential Clients	3.07	0.740
Hotel Recruits the Best Staff in the Market	2.57	0.817
Hotel Recognizes and Rewards Exceptional Employees	2.53	0.819
Carry out Frequent Surveys to Find out Employees Needs	2.20	0.761
Carry out Different Training on Areas of Relevance.	2.50	0.974
Hotel Facilities Employees Career Development	2.37	0.850
Impact on Personnel Differentiations on the Hotel Bed Nights	2.93	0.740

*Source: research data*



The result in table 4.7 indicates that the three most adopted competitive strategies are as follows: uniformed staff, well groomed staff and ability to handle customer complains. The least three challenges are; carrying out surveys to find out employee needs, hotel facilitate employee development, carrying out training on areas of relevance.

**4.3.4 Impact on Personnel Differentiation on the Hotel Bed Nights**

Impact on personnel differentiation on the hotel bed nights is the results that hotel owners have noticed some difference to some extent to the demand of the hotel. The researcher asked this question so the findings can inform if applying strategies have an effect to the demand.

**Table 4.8: Impact on Personnel Differentiation on the Hotel Bed Nights**

	Frequency	Percent
to a low extent	9	30.0
to a moderate extent	14	46.7
to a large extent	7	23.3
Total	30	100.0

*Source: research data*

Table 4.8 shows the impact on personnel differentiation strategies to the hotel beds 30% shows to a low extent, 46.67% shows to a moderate extent and 23.33% shows to a large extent.

**4.3.5 Cost Leadership**

Coast leadership is one of Porters generic model; it calls for being the low cost producer in the industry for a given level of quality. The researcher wanted to analyze if small and medium hotels uses this strategies and how effective has it been to cutting cost while not

affecting quality. Table 4.9 shows the strategies used to attain the balance of cost versus the revenue. A mean score of 5 indicates that the strategy is used to a very great extent while a mean of 1 indicates that the strategy is not used at all

**Table 4.9 cost leadership**

	Mean	Std. Deviation
Searching for low cost Supplier	3.14	0.743
Travelling to Many Places to get Ideas on how to Enhance your Hotel	2.60	0.968
Using Professionals to Come Train your Staff or to Help with your Strategy Implementation	2.30	0.952
Reducing Cost	2.73	0.828
Remuneration is Divided into Salary Portion and then Commissions	2.73	0.980
Cash Discount to Loyal Customers	3.57	0.679
Quantity Discount to Customers who Come in Bulk	3.50	0.820
Commissions Given to Loyal Customer or Agents.	3.60	0.968
Target Bulk Customers	3.28	0.841
Target Price Conscious Customers	3.24	0.739

Table 4.9 summarizes the mean rankings of strategies adopted. The results indicate that the three most adopted competitive strategies are as follows: commissions given to loyal

customer or agent, cash discount to loyal customers, quantity discount to customers who come in bulk. The least challenges are: using professionals to train their staffs, travelling to get ideas on how to enhance their business, reduction of cost.

#### **4.3.6 Other Non- Generic Strategies**

This study was set to achieve the competitive strategies adopted by the small and medium sized hotels in the Northern coast amidst the changing environment. The respondents were asked in section C to give answers to an open question of the strategies they have adopted in the past five years and factors that influenced their choice of strategy. Most respondent discussed of different strategies, the unique and common stated were: expansions, the respondents stated that while the hotel demand grew they took the opportunity to expand in regards to the demand. The different expansions were; build swimming pool, extending roof top bar and restaurant, building of launching areas to provide for different clientele, building play grounds for children.

Another strategy was introduction of fliers for advertisement. As most of the small and medium hotels have little or less capital they have highly invested in making fliers to give to their walk in customers, they have also invested in bill boards to direct and advertise their clients. From the data we have seen that one of the least strategies employed is advertisement to the high network like TV radio or internet, which had a mean of 2.7. Another strategy that was stated is introducing targets to their staffs, as while as having daily meetings to strategies together as a team, as seen from the research data Small and medium hotels least strategies employed are trainings on relevance areas, but some hotels have stated that introducing targets to their staff has help and boost sales up.

#### **4.4 Factors Influencing Their Choice of Strategy**

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. (Johnson & Whittington, 2005). For industries to implement strategies there are several factors that define the choice of strategies they choose, the factors may give them competitive advantage or can influence the non implementation of the strategies.

The researcher gave open question for respondent to state the different factors that influence the choice of strategies. The most common and unique factors that the respondents stated were; Availability of funds, respondents stated availability of funds influence their decision of the strategies they need to implement. Some respondent stated of their initial investment they didn't have enough capital, but now as the demand grows the hotels would like to expand but lack enough funds in order to expand. Some respondents took the opportunity in their initial investment to leave land space for expansion, this can be collaborated when the respondents were asked about their five year strategy implementation in the last five years most had expanded their business. Another factor was management level of education to the major directors or owners, most of the ownership of small and medium scale hotel according to table 4.3 it shows 56.7% are owned by sole proprietor. This can be a major setback if an organization needs to implement good and sustainable strategies. Another factor stated of mission and vision statement. Some respondent explained these being a factor as some small and medium hotel have no vision of where they would like to be in few years to come and if they do, they do not share with their staff so as they may all be working for the same goal.

Another factor stated was availability of recruitment expertise, some of the small and medium hotels have no human resources department, and hence the one recruiting is not trained or is not an expert of recruiting. This factor leads to recruiting less or qualified staff as we can see in table 4.7 where asked if they recruit the best staff in the market and the response had a mean of 2.57.

#### **4.5 Discussion of Findings**

The objective of this study was to establish the competitive strategies factors influencing their competitiveness used by small and medium hotels to cope with increased competition in the hotel industry. The research has relived that there is agreement that small and medium size hotels use strategy in growing their business and some knowingly or unknowingly, and some are aware of the strategies but face challenges to implement the strategies. According to Ansoff (1987), he asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. According to Boseman and Phatak (1989), they argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant group as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operation success is dependent on productivity, customer satisfaction and competitive strength. Effective strategy may enable a business to influence the environment in its favor and even defend itself against competition.

The findings of this study are well aligned with the previous studies, Mukewa (2005) who studied differentiation Strategies used by classified hotels in major cities, states that In the face of the current competition in the hotel industry, players need to become

innovative and provide distinctive features that will result in repeat business due to increased customer loyalty and grow their customer base. Kariuki (2006) studied competitive strategies and performance of the five stars hotels in Kenya. The findings of the study could not be generalized to this study because strategies applied were for five stars hotels and its strategies will be different with the small and medium hotels strategies, but the researcher noted that Companies big or small have to visualize where they want to be and implement strategies of how they want to get there. So it's not too early for the small and medium hotel to learn from the big hotels and use some of the applicable strategies to improve and grow their hotels, as for one day they will be the big five stars hotels as this stars hotel started from somewhere.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMEDATIONS**

#### **5.1 Introduction**

This study aimed at determining the strategies applied by small and medium scale hotels in the Northern coast of Kenya. This chapter presents the discussion, conclusion, recommendation and suggestion for further research and study limitations. The findings have been summarized in according to the objective of the study; conclusions have been drawn from the study and recommendations arising from the study.

#### **5.2 Summary of the Study**

The research findings found that majority of the small and medium enterprises are owned by sole proprietors having 56.67% this means that most investors are entrepreneurs who sort to invest in hotels in the northern coast due to the demand of local and international tourist willing to visit the town Mtwapa, Shanzu and Kikambala. Most hotels got established after 5 years. From the data 80% of the hotels were established between one to five years, these shows as the town grew most investors took opportunity of growing with the town. 3.3% shows hotels that were there before 10 years, hence the question arises why some hotels that were established then are not surviving now. It was also found that the most four adopted product and service competitive strategies are as follows: convenience of location of hotel, physical accessibility of the hotel, ability to offer customer different facilities and sending messages to customers. The least three challenges are use of technology, offering refreshment to customers as they check in,

advertising of the hotel. While for personnel strategies indicates that the three most adopted competitive strategies are as follows: uniformed staff, well groomed staff and ability to handle customer complains. The least three challenges are; carrying out surveys to find out employee needs, hotel facilitate employee development, carrying out training on areas of relevance.

For cost leadership strategies the results indicate that the three most adopted competitive strategies are as follows: commissions given to loyal customer or agent, cash discount to loyal customers, quantity discount to customers who come in bulk. The least challenges are: using professionals to train their staffs, travelling to get ideas on how to enhance their business, reduction of cost.

### **5.3 Conclusions**

A good strategy can contribute to growth, profitability, market penetration and cost reduction, and the strategies there for that a company selects to run their business will highly determine the companies competitive advantage and generally its ability to outdo other players in the industry. The researcher discovered that most small and medium hotels apply strategy but they are unaware they do so. The researcher also discovered that the small and medium hotels have ready market as they strongly depend on the local tourist. The sustainable strategies have to be implemented in order to retain the customers. The study reveals that most of the small and medium hotels in the Northern coast do little or less training to their employees. A hotel being a service area, exceptional service has to be maintained; hence training in the relevance area has to be done.



The intense competition among the hotel industries has resulted in the adoption of competitive strategies determined above. It implies each hotel has to strive to be the best in the application each of the determined strategies to have a competitive edge over the others.

The study gives management of small and medium hotels holders and particularly the new entrants, the various competitive strategies that can be adopted on priority given the increasing intensity of competition in the industry. The study is recommended as useful input in their competitive strategy formulation for superior performance in the increasingly competitive industry.

#### **5.4 Limitation of the Study**

The main limitation of the study was respondent failure to cooperate due to sensitivity of the information required to answer the research objective. The researcher explained to the respondent that the information they were to offer would be held confidential and was for academic purposes only.

The study was also faced with limitation as while as misunderstanding of filling in the questionnaire. The researcher had to keep on following up with respondent to ensure the questionnaires are ready for collection.

The study also faced time and financial resources limiting the researcher from collecting information. The study however minimized this by conducting through survey on the small and medium hotel in the area shanzu, Mtwapa and kikambala, and administering most of the question using the interview method.

## **5.5 Recommendations for Further Research**

Further study should try to link the performance of small and medium hotels with the strategies adopted. This can help researchers to determine how certain strategies impact on the performance of the small and medium hotel.

More detailed studies should be undertaken in other parts of the country to collaborate the findings of this study.

The researcher further recommends further research to be undertaken to determine the relation between challenges faced by small and medium hotel holders and the strategies adopted by them.

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Appendix (I)

- 1. Danpark Hotel And Apartment
- 2. Estate Gate Hotel
- 3. Milbrook Hotel
- 4. Kahama Hotel
- 5. Mangrove Hotel
- 6. Nightingale Apartment
- 7. Hotel Kumbe
- 8. Beamount Hotel
- 9. Hotel Stepin
- 10. Hotel Prime Comforts
- 11. Hibskus Lodge
- 12. Prestige Apartment
- 13. Hotel Kasr Al Bahar
- 14. Global African Investment
- 15. Lambada Hotel
- 16. Ogalis Hotel
- 17. Comfort Inn Hotel
- 18. Sweetheart Hotel
- 19. Sunset Hotel
- 20. Galaxy Hotel
- 21. Baselia Hotel
- 22. Merry Villa Hotel
- 23. Daveliz Inn
- 24. Destiny Inn
- 25. Kendas Arcade Hotel
- 26. Punda Milia Hotel
- 27. Eden Hotel And Apartment
- 28. Vistrol Hotel
- 29. Dolphin Hotel
- 30. Pangoni Hotel
- 31. Millfar And Apartment
- 32. Hotel Georgious
- 33. Bokoboko Porini Guest House
- 34. Msafiri Cottages
- 35. Antigius Residence
- 36. Haveton Hotel And Apartment
- 37. Luck Apartment
- 38. The Beach Africa
- 39. Mwapa Creek Villa

- 40. Monalisa Hotel
- 41. Splendid Times Hotel
- 42. Hotel Costa
- 43. Prime Confort Hotel.

Appendix I: **QUESTIONNAIRE**

**SECTION A: general Background**

1. Name of the organization: .....

2. Title of the respondent: .....

3. For how long has the hotel been in operation?

- Less than 1 year ( )
- 1-5 years ( )
- 6-10 years ( )
- More than 10 years ( )

4. How would u describe the ownership of the hotel

- Sole proprietor ( )
- Joint venture ( )
- Franchise ( )
- Family business ( )
- Partnership ( )
- Limited company ( )

5. What is your staff capacity?

- 0-10 ( )
- 10-50 ( )
- 50-100 ( )
- Over 100 ( )

6. What is the bed capacity of your hotel?

- 0-40 beds ( )
- 40-80 beds ( )
- 80-120 beds ( )
- Above 120 beds ( )

7. Indicate (with a value of 1-4, where 4 is the highest and 1 the lowest) the method through which your hotel receives bookings.

- Tour Operators & Travel Agents ( )
- Referrals ( )
- Online bookings ( )
- Walk-Ins ( )

**SECTION B: COMPETITIVE STRATEGIES**

8. Indicate the extent to which you use the following in order to enhance your business on a scale to 1-5 where:

- 5: To a very large extent
- 4: To a large extent
- 3: To a moderate extent
- 2: To a low extent
- 1: To no extent

**A. Service and Product Differentiation**

		5	4	3	2	1
1	Convenience of location of the hotel					

2	Physical accessibility of the hotel					
3	Accessibility of the hotel through email, telephone & fax					
4	Ability to offer the customer different facilities e.g. conferences, swimming pool, launching area					
5	Ability to market your services and closing the sales					
6	Sending messages to your customers to update them of what is happening					
7	Advertising your hotel on internet, radio, TV magazines					
8	Use of technology e.g. payment method, advertising, marketing, or administration					
9	Refreshment offered to customers while they check in.					
10	Different services offered to different clientele eg, honeymooners, married					

	couples, children, old people					
11	Offering more the hotel has e.g. packaging that is charging for all inclusive for the client to enjoy what is provided for in the package					

**Impact of service and product differentiation on the hotel bed nights**

If services and product differentiation of your hotel has resulted in an increase in the number of bed nights, indicate the extent of that increase: *(Tick the appropriate)*

- Increased to a very large extent ( )
- Increased to a large extent ( )
- Increased to a moderate extent ( )
- Increased to a low extent ( )
- Increased to no extent ( )

**B. Personnel differentiation**

		5	4	3	2	1
1	Uniformed staff					
2	Well groomed staff					
3	Well trained staff					
4	Ability for staff to speak a foreign language e.g. English or French					

5	Ability to listen and call customer by name if repeat customers					
6	Ability to handle customer complains					
7	Welcoming style and greeting					
8	Ability to know customer needs					
9	Ability to follow up with the potential customers					
10	Ability to convey courtesy and satisfy the customer					
11	Hotel recruits the best staff in the market place					
12	Hotel recognizes and rewards exceptional employees					
13	Carry out frequent survey to find out employees' needs					
14	Hotel facilitates frequent training on areas of relevance.					
15	Hotel facilitates employees' career development					



**Impact of personnel differentiation on the hotel bed nights**

If personnel differentiation of your hotel has resulted in an increase in the number of bed nights, indicate the extent of that increase: *(Tick the appropriate)*

- Increased to a very large extent ( )
- Increased to a large extent ( )
- Increased to a moderate extent ( )
- Increased to a low extent ( )
- Increased to no extent ( )

9. Indicate the extent to which you use the following in order to enhance your business on a scale of 1-5 where:
- 5: To a very large extent
- 4: To a large extent
- 3: To a moderate extent
- 2: To a low extent
- 1: To no extent

**Cost leadership**

		5	4	3	2	1
1	Searching for low cost suppliers					
2	Travelling to many places to get ideas on how to enhance your hotel.					
3	Using professionals to come train your staff or to help with					

	your strategy implementation.					
4	Price discrimination during the peak months e.g. December					
5	Reducing of cost e.g. switching off electricity when not required					
6	Remuneration is divided into salary portion and a commission position that is based on a predetermined sales targets					
7	Cash discount to loyal customers in order to feel their loyalty is being appreciated					
8	Quantity discount to customers who come in bulk.					
9	Knowing customers details and calling them by names.					
10	Credit facilities to repeat customers					
11	Commission given to loyal customer or agents who frequently bring you business					

10. Indicate the extent to which you use the following in order to enhance your business on a scale of 1-5 where:
- 5: To a very large extent
  - 4: To a large extent
  - 3: To a moderate extent
  - 2: To a low extent
  - 1: To no extent

**Cost focus**

		5	4	3	2	1
1	Target bulk customers					
2	Target price conscious customers					
3	Offer quantity discount					

**SECTION C: COMPETITIVE STRATEGIES EMPLOYED AND FACTORS INFLUENCING THEIR CHOICE OF STRATEGY**

This section is to identify the competitive strategies that have been adopted by the company over the last five years.

List and briefly explain the competitive strategies that have been adopted by your company in the last 5 yrs.





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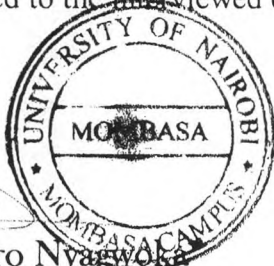
### TO WHOM IT MAY CONCERN

The bearer of this letter, Agnes Wanjia Mwara of Registration Number D61/75990/2009 is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on *Competitive Strategies Applied by Small and Medium Size Hotels in the Northern Coast of Kenya*. We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.



Zephaniah Ogero Nyagwoka

*Administrative Assistant, School of Business-Mombasa Campus*