DIFFERENTIATION STRATEGIES USED BY CLASSIFIED HOTELS IN MAJOR CITIES IN KENYA

BY

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Declaration

This management research project is my original work and has not been presented for a degree in any other university.

Signed: _____   Date October 22, 2005

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This project has been submitted with my approval as the University Supervisor.

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Dedication

To my parents Jeremiah and Susan Matanda for instilling in me discipline and love for education.

Acknowledgement

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Abbreviations

ABE	-	Association of Business Executives
CEO	-	Chief Executive Officer
F&B	-	Food and Beverage
GM	-	General Manager
GoK	-	Government of Kenya
EABL	-	East Africa Breweries Limited
SWOT	-	Strength weaknesses opportunities and threats

ABSTRACT

Hotel industry forms an important support to the tourism sector which makes a considerable contribution to Kenya's economy. This industry has seen high competition in the last fears years as the tourism sector continues to experience an upturn. Hotels in Kenya offer closely related services hence need for hotels to adopt differentiation. This study was aimed at establishing the extent to which classified hotels in Kenya's major cities, Nairobi and Mombasa were using differentiation strategies. The list of population was drawn from classified hotels listed in the Kenya Gazette Notice of July 2004. The study was guided by the following objectives: First, to determine the extent to which differentiation strategies are used by hotels to develop and sustain competitive advantage. Second, to establish whether there was a relationship between the differentiation strategies used and the Hotels bed occupancy.

Primary data was collected using a semi-structured questionnaire that had been divided into two parts. Part I contained questions on the general background information of the hotel while Part II contained questions on a likert scale aimed at determining the extent to which hotels had adopted differentiation strategies and also the impact of these strategies. Descriptive statistics was used to analyse data.

The study found that local investment in the industry was higher compared to the foreign one. Travel agents were found to be a very important vehicle in booking of customers hence the need for hotels to design good understanding and relationship with these channels. In service provision, the research established that friendliness to customers is practiced to a large extent and than any other aspect of service delivery. The study established the need for hotels to ensure that the staff are informed of the product and services available in the hotel. The study found that the new products and services need to be based on the customer preferences and tastes. It was found that hotels carry out periodic surveys to ensure standards of services and facilities are up to date, and use of the industry benchmark to set and improve quality standards. The study established that communication was the most important aspect of personnel differentiation followed by personnel reliability, staff competence, and promptness in handling problems. The study established that hotels do not largely use media as a dimension of differentiation and that it was the least used aspect of differentiation not only in image differentiation but also the other differentiation options. Hotels should

encourage the employees to pursue further studies both as a motivating factor and as a means for career development. Customer training as a differentiator has been under-utilised despite its viability hence there is need for hotels to re-look at customer training as a differentiation strategy.

The study covered the classified hotels in Nairobi and Mombasa only. This left out classified hotels located outside these two cities. The study did not include unclassified hotels. Getting access to some hotels and senior managers was an uphill task. The researcher was denied access to three hotels. The researcher recommends a similar study for lodges and resorts, and differentiation strategies used by classified hotels in other cities in Kenya. A study could also be carried out on the differentiation strategies used by unclassified hotels.

CHAPTER ONE

INTRODUCTION

1.1   Background

Globalisation describes the ongoing global trend toward the free flow of trade and investment across borders and the resulting integration of the international economy. For less developed countries, globalisation offers access to foreign capital, global export markets, and advanced technology while breaking the monopoly of inefficient and protected domestic producers. Faster growth, in turn promotes poverty reduction, democratisation, and higher labour and environmental standards (Centre form Policy Trade Studies, 2003).

Contemporary business environments are characterised by ever-increasing uncertainty. Businesses face is changing regulatory environment with continued threats to their markets from new entrants, disruptive changes in technology, transformation of relations with stakeholders and most importantly, uncertain demands from customers. Competition has effects both to customers and business firms. While firms are wary of competition because of its implications that may include price wars, need for clear focus and strategy, customers welcome it because of the related benefits such as increased quality, better pricing and variety of products and services.

Organisation now find it imperative to continuously adapt their activities in order to survive in the current turbulent environment that is constantly changing (Mittra, 2001). This provides a challenge to managers to ensure that organisations are strategically placed to compete effectively. The success and indeed, survival of easy organization depend on how well it relates with the challenges and how it positions itself to the external environment.

The informed establishing of the impact of the complex and dynamic existing environmental considerations, through proper analysis, ensures firm's success in the future (Pearson and Robinson, 1997; Hamad et al, 1998). With this realization, firms are now implementing strategies to better cope with competition and demand uncertainty (Anand and Girota, 2004). Porter (1985) has rightly noted that business strategy is all about competition. He defines competitive strategy as the ability of a firm to meet and beat the performance of its competitors. Firms are merging, restructuring or shrinking selectively to consolidate their position in the market while others are using marketing strategies to survive in the market.

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Ansoff (1998) sums it that a firm that does not improve its performance over time sooner or later, it will loose its competitive advantage and eventually drop out of the market.

1.2   The Concept of Differentiation

Kotler (1985) defines differentiation as the process of adding a set of meaningful and valued differences to distinguish the company's offering from competitors' offerings. He argues that a company can differentiate its market offering along five dimensions: product, services, personnel, channel, and image.

Lowe (2004) identifies keys to differentiating a business as creation of a distinctive and superior customer experience, the development of one-to-one relationships with consumers, adding value to the product or service, ability to differentiate according to customer relationships, and provision of a unique experience for each customer. Implications of differentiation strategy are such that the nature of the value chain is different than with cost leadership and different corporate values and behaviours are emphasized than with cost leadership.

Firms that adopt differentiation enjoy benefits that may include: brand loyalty which creates higher switching costs and results in insulation from competitive pressures www.waltoncollege.uark.edu, 25/06/2005, 1128 hours). New entrants have to to spend heavily to overcome customer loyalty (Comanor, 1976). Differentiation also can benefit firms from reducing direct competition. Differentiations can reduce customers' sensitivity for other features offered by competitors, resulting in the brand being embedded in the mind of consumers. This provides higher margins for the firm as can counter supplier and buyer power as they lack alternatives. The firm remains better placed against likely substiutes.

Kombo (1997) found that firms in the motor industry adjust their variables substantially to survive in the changing environment. Muturi (2002) noted that there was an effort by East Africa Breweries Limited (EABL) to differentiate the company's products in view of the threat posed by increased liberalization.

1.3   The Hotel Industry in Kenya

A hotel is an establishment that provides lodging and usually meals and other services for travellers and other paying guests. Mittra (2001) defines hotel as a building where rooms and usually meals are provided for the people in return for payment. Hotels are amongst the most visible and important aspects of a country's infrastructure. Hotel industry is a closely linked to the tourism industry and therefore changes in the latter have a direct impact on the former. The steps taken by the government to market the country have started to bear fruits (Economic Survey, 2005). The positive growth in other sectors of the economy such as building and construction and holding of high profile conferences in the country are set to result in significant growth in the hotel sector. The recent liberalisation of trade and opening up of economy will further lead to revolutionary growth in this sector.

In accordance with Regulation 2 of the Hotels and Restaurants Regulations 1988, the Hotel and Restaurants Authority has established classification of hotels based on set standards. The regulation classifies vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest class; fours stars; three stars; two stars and one star being the lowest. The classification of the hotels and restaurants is carried out in the manner prescribed by the Hotels and Restaurants Authority published in the Legal Notice No.30 of February 16, 2001 of the Hotels and Restaurants Act. The summary of the essential items that are considered while granting the classification is shown in Appendix iii.

Hotels provide important services which include basic accommodation, meals, conference facilities, recreation etc. The main economic impacts of hotels relate to the following: foreign exchange earnings - expenditures in the hotel industry and purchase of related goods and services generate income to the economy. Contributions to government revenues, and generation of employment and business opportunities. Government revenues from the tourism sector can be categorized as direct and indirect contributions. Direct contributions are generated by taxes on incomes from hotel employment and hotel businesses, and by direct levies on guests such as Catering and Levy Fund. Indirect contributions are those originated from taxes and duties levied on goods and services supplied to the hotels. The hotel industry provides a significant employment creation with about 100 000 wage earning employment in Kenya (Economic Survey 2003). Other indirect employment is created in other sectors such as taxis, souvenir sales and supply of goods and services needed by hotel-related businesses.

The hotel industry provides stimulation of infrastructure investment. It induces the government to make infrastructure improvements such as better water and sewage systems, roads, electricity, telephone and public transport networks, all of which can improve the quality of life for residents as well as facilitate development in other sectors of the economy. The industry also provides contribution to local economies. The importance of tourism to local economies can also be illustrated by the impacts when it is disrupted: the 1997 ethnic tension at the Kenyan most heavily impacted on the local economy when several hotels closed down their operations. This resulted in significant losses of business and employment (kenyaweb.com, 25/6/2005, 1257 hours).

Like most other sectors of the Kenyan economy, the hotel industry has gone through turbulent times in the last two decades. The increased competition has resulted in some hotels experiencing liquidity problems resulting in 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 (Anand and Girota, 2004). To address the turbulence in the economy, some hotels are putting in place strategies to make them survive in the market place. These include merging, shrinking selectively and restructuring.

With the recovery being recorded in the tourism industry and the general positive growth in the economy, there is increased demand for hotel services. This has seen the re-opening of some hotels which had been closed due to low business some years ago, and opening of new ones. This has effectively led to high competition for the available market. There is also an increasing change in consumers tastes and preferences.

1.4   Statement of the Problem

Hotel industry plays an important role in the country's economic development. Hotels provide services which are required both by the local and foreign visitors and thus form an important outlet for spending by the visitors. However this industry has continued to face challenges associated with the turbulent environment in which they operate (Mitrra 2001). Kenya boasts of a significant number of world-class level hotels. The main source of market for these hotels is tourism industry. In the face of the current competition in this industry, players need to become innovative and provide distinctive features that will result in repeat business due to increased customer loyalty. According to Abrahamsen and Williams (2005),

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customers choose on the basis of certain criteria that would enable them discriminate one firm from the other. For the hotels to succeed, they need to provide a basis on which to stand out in the market place and draw customers' attention as well as offer them an opportunity to try out their products and services and subsequently create repeat purchase and brand loyalty, (Haarla, 2000). Product and service differentiation is a major way in which firms can improve their competitiveness in a crowded market place as they can draw customers towards their offers (Kotler, 2000).

Studies by Okode (2004), Mwaura (2003) and Mugambi (2003) mainly focussed on differentiation strategy in commercial banks in Kenya, marketing strategies in the hotel industry and strategic responses of tourist hotels in Kenya. None of these studies focussed on differentiation adopted by the hotels. Besides that, the study by Okode (2004) on differentiation strategy in commercial banks in Kenya cannot be generalised to include the hotel industry.

Customers in most cases find it hard to choose between services offered by hotels as they are mostly similar. This coupled with the frequent change in tastes and preferences and globalised market make it necessary to differentiate their services as a way of attracting and retaining their customers. The current study sought to provide answers to the following research questions:

(i)   What differentiation strategies are used by hotels to develop and sustain their competitive advantage?

(ii)   To what extent do the hotels in Kenya use the differentiation strategy to differentiate their services?

(iii)   Do strategies used by the classified hotels in Kenya to differentiate their services have any impact on their sales performance?

1.5   Objectives of the Study

The following were the objectives this study sought to achieve:

(i)   Determine the extent to which differentiation strategies are used by hotels to develop and sustain competitive advantage; and

(ii)   Establish whether there was a relationship between the differentiation strategies used and the Hotels bed occupancy.

1.6   Importance of the Study

The results of the study may be of importance to the following: -

(i)   The hotel industry may put in place differentiation strategies to develop and sustain competitive advantage as a means of survival in the market which is becoming continually competitive. This research will help hotels take advantage of the existing gaps in the current competitive strategy to improve their competitiveness and general performance;

(ii)   Potential investors may gain an insight in the operation and ways of ensuring competitiveness in managing and operating hotel business;

(iii) The government agencies mandated with tourism marketing will find the study useful in understanding of the hotel industry which will enable them take advantage of the competitiveness in the industry in pursuit of their marketing goals. The study will also form an important reference for government in formulation of policies;

(iv)   Academicians and researchers will find this study useful for future research work in the related and other areas.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Strategy

Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities Andrews (1994). Hofer and Schendel (2000) define strategy as a pattern of objectives, purposes or goals defining what type of business you are in, or should be in. According to Porter (1996), competitive strategy is about being different in the eyes of the customers; it means deliberately choosing a different set of activities to deliver a unique mix of value. Porter further argues that strategy is about competitive position, about adding value through a mix of activities different from those used by competitors.

Mintzberg's (1994) focussed attention to pattern, plan, and perspective. Andrews (1994) draws a distinction between corporate strategy, which determines the businesses in which a company will compete, and business strategy, which defines the basis of competition for a given business.

According to Tregoe and Zimmerman (2003), strategy is the framework which guides those choices that determine the nature and direction of an organization. Ultimately, this also determines selecting products or services to offer and the markets in which to offer them. Porter (1985) defines strategy as a positioning a business to maximize the value of the capabilities that distinguishes it from competitors. Mintzberg (1994) points out that people use strategy in several different ways the most common being that strategy is a plan, a how, a means of getting from here to there. Strategy is a pattern in action over time; for example, a company that regularly markets very expensive products is using a high-end strategy. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality.

Porter (1985) introduced several new concepts including; five forces analysis, generic strategies, the value chain, strategic groups, and clusters. In his five forces analysis, he identifies the forces that shape a firm's strategic environment. It is like a SWOT analysis with structure and purpose. It shows how a firm can use these forces to obtain a sustainable competitive adavantage. Porter modifies Chandler's dictum about structure following strategy by introducing a second level of structure: Organizational structure follows strategy, which in turn follows industry structure. Porter's generic structegies detail the interaction between cost minimalization strategies, product differentiation strategies, and market focus strategies. Although he did not introduce these terms, he showed the importance of choosing one of them rather than trying to position a firm between them. Porter also challenged managers to see their industry in terms of a value chain. A firm will be successful only to the extent that it contributes to the industry's value chain.

Treacy and Wiersema (1994) argue that companies achieve leadership positions by narrowing, not broadening their business focus. They identify three value-disciplines that can serve as the basis for strategy. Each of the three value disciplines suggests different requirements. Operational Excellence implies world-class marketing, manufacturing, and distribution processes. Customer Intimacy suggests staying close to the customer and entails long-term relationships. Product Leadership clearly hinges on market-focused Research and design as well as organizational nimbleness and agility. Ansoff and McDonell (1995) observe that strategic diagnosis helps determine the firm's strategic responses that will ensure success. According to Walkersands (2004), a strategy is a description of the manner in which a company or enterprise intends to gain a competitive market. Strategies should allow the enterprise to gain a relative advantage through measures its competitors will find it hard to follow.

2.2   Sustainable Competitive Advantage

A sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy (Weinsley, 1988). According to Hill and Jones (2000), competitive advantage is the ability of a company to outperform competitors within the same industry. Organisations operating in a highly competitive market must be able to develop and operationalise business strategy

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incorporating product and service differentiation or other alternatives of generic competitive strategies to gain a competitive advantage in the market place.

Day and Wensley (1988) focused on two categorical sources involved in creating a competitive advantage: superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to and sustainable competitive advantage. For example, Barney (1991) states that not all firm resources hold the potential of sustainable competitive advantages; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Hunt and Morgan (1995) propose that potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational. Prahalad and Hamel (1990) suggest that firms combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing a sustainable competitive advantage by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies. According to Aosa (1992), companies strive to maintain an edge over their competitors as an indication of the desires of the companies to survive.

Both industry attractiveness and competitive position can be shaped by a firm and this is what makes the choice of competitive strategy both challenging and exciting (Porter 1985). While industry attractiveness is partly a reflection of factors which a firm has little influence, competitive strategy has considerable power to make an industry more or less attractive. Competitive strategy, then, not only responds to the environment but also attempts to shape that environment in a firm's favour. Aosa (1992) found that for the competitive strategy model to be applicable in Kenya, it required the inclusion of additional strategic forces when compared to similar models put forward in developed country's context.

2.3   Generic Strategy Framework

Porter's work in the mid-1980's led to a major debate about how organizations could create and sustain competitive advantage. The early criticism of mutual exclusivity of Porter's generic strategies came from among others Karnani (1984), Miller and Resen (1988), Miller (1988) and Johnson and Scholes (1993).

The pertinent questions that arose from porter's generic strategies included whether low cost strategy meant selling at low prices and whether differentiation strategy required selling at a price premium. Bowman (1996) sought to address these questions when he developed the strategy clock. In this adaptation of the generic strategies framework, Bowman and Faulkner (1996), argued that key variables as far as positioning is concerned are those seen by the customer – price and perceived quality.

2.4   The Nature of Services

Services are generally high in experience and credence qualities and there is more risk in purchase which has some consequences. First the service consumers generally rely on word of mouth rather than advertising. Second, they rely heavily on price, personnel and physical cues to judge quality. Third, they are highly loyal to service providers who satisfy them (Johnson and Scholes, 2002). To manage the complex nature of services marketing, firms need to put in place measures such as integrated marketing, external marketing and internal marketing. Hospitality services are largely intangible hence posing special marketing problems to the establishments.

Kotler (2000) defines a service as any act of performance than one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may be or may not be tied to a physical product. Bitner, Fisk and Brown (1993) suggest that the major output from the services marketing literature up to 1980 was the delineation of four services characteristics: intangibility, inseparability, heterogeneity and perishability. These characteristics underpinned the case for services marketing and made services a field of marketing that was distinct from the marketing of products.

Intangibility as one of the key characteristics of services. Services cannot be seen, touched or tried before purchase and are intangible. Unlike products, services cannot be seen, tasted, felt, heard or smelt before they are bought. Hence customers are more cautious when purchasing services than when purchasing products. They therefore look for evidence of service quality. Regan (1963) introduced the idea of services being activities, benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods. *Heterogeneity* reflects the potential for high variability in service delivery (Zeithaml *et al* 1985). This is a particular problem for services with a high labour content, as the service performance is delivered by different people and the performance of people can vary from

day to day (Rathmell, 1966; Carman and Langeard, 1980; Zeithaml, 1985; Onkvisit and Shaw, 1991). Onkvisit and Shaw (1991) consider heterogeneity to offer the opportunity to provide a degree of flexibility and customisation of the service. Wyckham *et al*(1975) suggest that heterogeneity can be introduced as a benefit and point of differentiation. *Inseparability*: services are used or consumed at the time of purchase and as such, cannot be separated from the provider. This is a challenge to the sellers of services as they have to ensure they are consumed to remain profitable. *Perishability:* services unlike products cannot be stored for use at a later time. Companies also demonstrate their service quality through physical evidence and presentation. For example, Hotels will put in place observable proposition such as cleanliness, through presentation of their rooms and surroundings. *Variability:* they are dependent on the person who is providing the service and will vary from time to time in accordance with when they are being provided and the circumstances surrounding the provision. Service companies face three tasks, increasing differentiation, service quality and productivity. In the airline industry for instance, various airlines have introduced such secondary features as movies, merchandise for sale, air to ground telephone service and frequent flyer award programmes.

2.5 Differentiation Strategy

The first challenge of the twenty-first century to the business firms is to master the changes that come with customers being in control. Companies need to find ways to get to market at lightening speed, to make decisions in real time, and to offer highly specialized products or services. Each company needs to develop an unprecedented degree of flexibility in order to offer customers what they want, when and how they want it. Nykamp (2001) argues that companies that manage this transition effectively will thrive; those that don't will fail. Over the last two decades, innovative companies have moved from supplying markets to serving market segments, then to serving individual customers, one-at-a-time. The traditional marketing mix elements of product, price, promotion and place (the 4Ps) can no longer be relied on to provide long-term competitive advantage. The 4Ps have been replaced by the 4Cs of relationship marketing - Customer needs and wants; Costs; Convenience; and Communication. Customer differentiation has become the key to sustaining long-term competitive advantage (Horovitz, 2001).

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Differentiation is usually costly. A firm must often incur cost to be unique because it requires that the firm performs value activities better than competitors. For example a highly skilled sales force cots more than a less skilled one (Porter 1990). For uniqueness to be useful to the company, it must be made available to the customer. However firms need be careful to avoid cases of too high premiums as it may be abandoned by customers. A firm that can have and sustain differentiation will be an above average performer in its industry if its price premium exceeds the extra costs incurred in being unique (Porter, 2002).

Differentiation can be either tangible or intangible. Intangible differentiation is unobservable and subjective. Its characteristics relate to image, status, exclusively and identity. Tangible differentiation involves observable product characteristics such as size, colour, and materials among others. According to Andrews (1994), the emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to your industry. This uniqueness should also translate to profit margins that are higher than the industry average. In addition, some of the conditions that should exist to support a differentiation strategy include strong marketing abilities, effective product engineering, creative personnel, the ability to perform basic research and a good reputation.

In a world of increased competition, organisations increasingly are turning to support as a way to achieve long-term differentiation for their products and services. Customers often see as much or more value in the support that an organisation offers as a part of its products and services than in the products and services themselves. Best-in-class support organisations confirm that the optimal way to master support is to achieve success initially from within the organisation, and then expand these efforts outward through the distribution channel and ultimately to their customers (Ibrahim, 1986).

Some authors have proposed steps by which firms can differentiate their products and services. According to Porter (1997), companies can differentiate by following the following steps: determining who the real buyer is, identifying the buyers' value chain and the impact on it, determining ranked buyer purchasing criteria, assessing the existing and potential source of uniqueness in a firms value chain, identifying the customer of existing and potential sources of differentiation, choosing the value activities that creates the most valuable differentiation for the buyer retake to cost of differentiation, testing the choosen

differentiation strategy for sustainability and reducing cost in activities that do not affect the choosn form of differentiation. Trout (2001) proposes that firms need to put in place the following steps for differentiation of firms products and services. Trout outlines the following steps as necessary in differentiation: analyzing company and product in relation to the competition and its products, formulation of the point of difference into a coincise, measurable differentiation statement, identifying some logical or factual proof, communicating the firm's differentiation statement at any oppurtunity, and protection of the firms point of difference by insulation and differentiation builders.

The advantages of a differentiation strategy make several benefits available to the firm practicing it. These benefits may include: rivalry is reduced when a business successfully differentiates itself as buyers are less sensitive to prices for effectively differentiated products and brand loyalty is hard for new entrants to overcome. However, differentiation strategy may face a number of pitfalls including: trying to differentiate on a feature buyers do not perceive as lowering their cost or enhancing their well-being, over-differentiating such that product features such that exceed buyers' needs, over-charging a price premium that buyers perceive is too high, ignoring need to signal value, depending only on "real" bases of differentiation and not identifying what buyers will consider as value (www csuchico.edu/mgtmt/strategy/module5/tsld030.htm, 25-June-2005, 1655 hours).

Because customers see the product or services offered as as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy. For example high personnel differentiationn requires recruiting and paying the best personnel and carrying out frequent training. To maintain this strategy the firm should have: strong research and development skills; strong product engineering skills; strong creativity skills; good cooperation with distribution channels; strong marketing skills; incentives based largely on subjective measures; be able to communicate the importance of the differentiating product characteristics; stress continuous improvement and innovation and attract highly skilled, creative people (http://en.wikipedia.org/wiki/, 6-June-2005, 0800 hours).

Leavitt (2004) argues that without product differentiation, a firm's product or service becomes a commodity that is subject to the market, rather than a creator of the market and becomes vulnerable to others with a lower price. Differentiated products, on the other hand, sell not just on price, but also on value. The value measured from the customer's perspective, and not necessarily as the company would like to see it measured. He suggests that differentiation may be built on one or more of the following: product, standards, price, purchase price versus cost in use, service, delivery, special services, quality and partnership.

Service quality has been used as a viable strategy for markets intending to differentiate service offerings, establish customer value and ultimately satisfy consumers needs (Ozmet and Morash 1994). Organizations with a reputation for high quality can sustain an enviable competitive advantage in the service market place, service s "free" – that is to say getting it right first time costs far less than providing remedies when services fail to meet the customers required standards, better quality services can attract premium prices and consumers are ready to pay a higher price for services that fulfill their expected criteria. Anand and Girotra (2004) argue that differentiation is most appropriate when the following conditions apply: a market is demographically, geographically and psychologically similar, the establishment is distinctive and most competing establishments employ a differentiation strategy.

Porter (1985) summarises the application of differentiation strategy by asserting that firms whose differentiation strategies succeed have some internal strengths which include: access to leading scientific research; highly skilled and creative production development team, strong sales team with ability to successfully communicate the perceived strength of the product and corporate reputation for quality and innovation.

Tracy and Wiersma (1994) have proposed three ways in which a firm can differentiate itself from its competition: operational excellence – a firm differentiates itself by providing high-quality, standard products very quickly with the lowest total cost; product leadership – a firm can differentiate itself by rapidly researching, developing, and moving to production of new products, services, and features; and best total solution: a firm can differentiate itself by working closely with its customers to determine and provide them with the optimum product and service for their particular needs. Tracy and Wiersma (1994) argue that a company must

excel in one of these three areas to differentiate itself from its competitors, but it must also maintain at least market parity in the other two areas, as shown in the illustration above.

Tracy and Wiersma (1994) further argue that no company has the resources to excel in more than one area. If they try it, they will not be the best at any one method, and cannot differentiate themselves from their competitors. By knowing the chosen model of strategic differentiation, a firm will enable management to make decisions when different efforts demand the same resources. The conflict is resolved by which effort supports excelling in a firm's chosen area, or in the event that it is not maintaining the minimum necessary for the market, which effort returns it to market parity quickly so that it can re-deploy the resources in its area of differentiation.

Small businesses can differentiate their product or service by such means as improving product design, features, appearance, reliability, durability, quality, faster or free maintenance and repair service and warranty. A study by Cooper, Gary and Woo found that differentiation strategy is as effective as a niche type strategy in small firms. This was confirmed by Sandberg and Hofer who reported that differentiation type strategy could be more effective than focus type strategy.

Zeithaml, Breyl and Parasuraman (1985) identify ten criteria used by consumers in evaluating service quality. These ten dimensions are reliability (dependable, accurate, performance, responsiveness, promptness and helpfulness), competence, courtesy, credibility, security (assurance), easy access, good communication, understanding the customer (empathy), and tangibles (appearance of physical elements).

Service Differentiation
Kotler (2004) found that when products cannot be easily differentiated, the key to competitive success lies in adding value to services to improve their quality. He identifies the following as areas that can be enhanced to add value: ordering ease, delivery, customer training and customer consultancy.

Zeithaml, Beryl and Parasuman (1985) identified ten criteria used by customers in evaluating service quality. These are: reliability, responsiveness, competence, courtesy, credibility, easily accessible, good communication, understanding the customer and tangible.

Product Differentiation

Products are differentiated when the products of different companies are not perfect substitutes, instead, every company has a monopoly of its own products. Companies may compete by changing the characteristics of the product they sell. According to Porter (1998), a company can identify and select appropriate new features by asking recent customers how they like the product. The idea is not necessarily to make a better product than the competitor, just different-to appeal to a different market niche. Businesses that are most likely to succeed in the development and launch of new products are those that implement a company-specific approach, driven by business objectives and strategies, with a well-defined new product strategy at its core.Kotler (2004) identifies the following as the main characteristics that determine the product quality: performance quality, conformance quality, durability, reliability and reparability.

Personnel Differentiation

Kotler (2004) argues that companies can gain a competitive advantage through having better-trained people. Personnel differentiation is secured by a hiring and retention policy that attracts high quality staff. Employees that add real value can justify higher prices and can also create strong competitive advantage. Proper management within an appropriate corporate policy is vital as without this, the high quality personnel will become frustrated and leave. World Class sales organisations are meeting customer expectations and requirements by changing the role of their salespeople. The traditional sales role that included day-to-day transaction management providing specialised technical support and customer service is evolving to that of business consultant. To facilitate this changing role, world-class sales organisations are investing in and building a more sophisticated infrastructure to handle those services previously provided by the salesperson. Order entry, tracking, service delivery, and technical support are now managed directly by electronic processes or by individuals supported by user-friendly electronic processes.

By removing more administrative or transactional activities from the salesperson's daily responsibilities, increased face-to-face time with the customer becomes available to the business. There is opportunity to better understand the customer's business, to elevate the point of contact beyond the customer's purchasing, technical, and administrative personnel, and thus to provide the total solutions that provide value beyond that of the core product or service.

Positioning the sales force as business consultant, however, requires support. The world-class sales organisations provide the sales force with a wide array of experts to assist in improvement of the customer's business results, either through improved revenue streams or reduced costs. The rapid emergence of specialised sales/service roles provides the necessary support personnel who can assist both customers and business consultant with financial, logistical, transactional, quality, and technical issues (Gilbert 2001).

Channel Differentiation

Developing a vision that guides a supply chain improvement effort toward and optimised network position requires joining together all interacting constituents and mutually developing the proper focus. Progress occurs when team members realize that the supply chain offers a powerful means of competitive differentiation if they can transform their network vision into a value chain constellation that dominates their industry (Cooper, 2004).

Porter (2004) writes that companies can achieve competitive advantage through the way they design their distribution channels. Each of these channels may offer different coverage, expertise, and performance. They may also realize economies of scale that channels of distribution often offer. Marketing channel decisions are among the most critical decisions facing an organization. The chosen channels intimately affect all other marketing decisions. The firm's pricing depends on whether it uses mass merchandisers or high-quality boutiques.

In a functional sense, these are some examples of the types of resources that marketing channels offer. Each adds value to the promotion, the transaction, or the services associated with the purchase: accounting services; advertising planning assistance; catalogue services; co-op advertising programs; consumer advertising; data processing programs and systems; dealer shows and events; drop-ship programs; employee training; financing; forms and printing assistance; insurance programs; inventory control systems; management consultation services; merchandising assistance; ordering and processing systems; point-of-sale identification; private-label merchandise; and store planning and layout.

Price Differentiation

MSN Online Dictionary defines price differentiation as the charging of different prices for the same product to different social or geographic sectors of the market. A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers and that customers perceive to be better than or different from the products of the competition (Porter, 2002). The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute product easily.

According to Tracy and Wiersma (1994), firms need to take caution when differentiating on the basis of price. On the one hand, potential customers might expect a lower price from a firm than from that of a larger competitor because they perceive it as having fewer overheads. On the other hand, cheaper prices can evoke perceptions of lower quality and less-stable business. They advise that firms should be creative with this differentiator by competing on something other than straight price.

Sales and Marketing Differentiation

Rothschild (1984), paused the question, does a company have a strong or unique distribution or sales approach that drives its strategy? This may be the barrier to the entry of others and the difference between success and failure.

In differentiated marketing, the company segments its market and offers modified products to different segments. The marketing mix elements will also be modified to suit the requirements of the chosen segments. Using a differentiated strategy will mean higher costs, but ultimately the profit levels could be higher as the offering has been targeted to the segments. This should mean that there will be less wastage of effort unlike undifferentiated marketing where there is a standard, unchanged product and a standard, unchanged marketing effort which encounters wastage in promotional activity and possibly in distribution (ABE, 2003). Marketing Study Manual, RRC Business Training).

Image Differentiation

Kotler (2004) defines image as the way the public perceives the company or its products and services. Image Differentiation can act as a source of competitive advantage. Image differentiation refers to the perceived difference. A company may differentiate itself from its competitors by image; the particular image or personality it acquires is created by its logo and other symbols, its advertising, its atmosphere, its events and personalities. Image is normally encapsulated in a symbol, and is effective symbol immediately conjures up the whole emotional appeal associated with the organisation and/or its products and services. According to Gordon (2005), differentiation plays a key role in branding and is the foundation of a competitive advantage. He argues that it profoundly affects a firm's position in the minds of prospective and existing and customers.

Identity of the company should be conveyed through every available communication vehicle and brand contact. It must be worked into advertisements and media. Kotler (2004) notes that differentiation can be communicated through company annual reports, brochures, catalogues, packaging and business cards. Identity of a company can also be built by strong symbols and slogan. An image must convey a singular message in a distinctive way with emotional power (ABE 2003). A company can further differentiate its image using its special attributes such as company's heritage, its being first to enter the market, or oldest or its being preferred according to the opinion polls (Kotler, 2004).

Media

The chosen image is worked into advertisements and media that convey a story, mood, a charm or something that is distinctive. It should appear in annual; reports, brochures, catalogues, stationery and business cards (Kotler, 2004).

Atmosphere

The surroundings organised by a business provides a strong source of image. A hotel located in a respected neighbourhood will portray an image of a respected hotel and will most likely display this through state-of-the art facilities and service.

Participation in Events

Business organizations that participate in organising and sponsoring social events benefit from positive image in the public eye. Such organizations are viewed by the public to be mindful of the environment and are likely to have goodwill in the market (Kotler 2004). Visa has been identified with sponsoring the Olympics. On the local front, Safaricom has been respected for its sponsorship of the Lewa Marathon; an initiative to promote lives in Samburu area of Kenya. Kotler (2004) argues that events can create an atmosphere in the mind of customers but the quality of the product or service, event itself and its execution will determine the success of initiative. The choice of the event or activity must be done carefully to avoid imitation by competitors.

Differentiation and Sales Performance

Business performance excellence is achieved when an organization is generating the maximum level of profitability possible given the human, financial, capital, and other resources it possesses (Luftig, 1998). The organisation benefits from increased customer loyalty and cushioning from competition. This in turn translates to a superior performance level and returns. According to Johnson and Scholes (1993), a firm that can achieve and sustain differentiation will be an above average performer in its industry if its price premium exceeds the extra costs incurred in being unique.

Summary of Literature Review

Strategy has grown to become inevitable in all aspect of business firms mainly due to the ever-changing environment, cut-throat-competition and information and communication technology. Several strategic options are available to firms with some restructuring, merging, retrenching, changing focus and differentiating among others.

The reasons for differentiation can have a direct impact on profitability, image and customer or user satisfaction. While different steps have been followed to guide the differentiation strategy implication, firms need to concern themselves with the ultimate result, being the service and product quality and the profit attained. An organization following a strategy of differentiation will require different sorts of skills and resources such as strengths in marketing, research and creativity with an emphasis on product development and engineering. While differentiating a firms products and services is costly, firms practicing this strategy may benefit from better results arising from higher customer loyalty. Firms

should mould their differentiation strategy with uniqueness so as to ensure that they are not rendered irrelevant by imitation, over-differentiating, failing to meet buyer's needs or over-charging a price premium that buyers perceive to be too high.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1   Research Design

This was a descriptive survey aimed at establishing the extent to which classified hotels in Kenya's major cities were using differentiation strategies. According to Donald and Pamela (1998), a study concerned with finding out who, what, which and how of a phenomenon is a descriptive design. Kiilu (2004) and Njoroge (2004) have successfully used the descriptive design in related studies.

3.2   The Population

The population of interest in this study were all classified hotels in Nairobi and Mombasa. These two cities were chosen because they formed the main economic centres and had the major tourist attraction. There was also strong competition among the hotels in these two cities. According to the Kenya Gazette of July 2004, there were one hundred and ten (110) classified hotels in Kenya as of July 31, 2005. Out of these; seventeen (17) were located in Mombasa City while twenty-seven (27) were in Nairobi. This formed a total of forty-four (44) hotels which was 40% of the total classified hotels in the country hence acceptable as a representative sample. Due to the size of the population, a census study was used.

The number of hotels based on the classification and location are given in the table below. *(For a full list, see appendix iv).*

Table 1:   The Classification of Hotels by Star

Classification	Nairobi	Mombasa	Total
One-Star	5	2	7
Two-Star	3	7	10
Three-Star	10	4	14
Four-Star	1	0	1
Five-Star	8	4	12
Total	27	17	17

Due to the small number of the population of the hotels, a census study will be conducted.

3.3   The Population

Primary data was collected using a semi-structured questionnaire. The respondents were General Managers or in their absence, Marketing Managers or holders of positions with deep understanding of strategic issues. Drop-and-pick later method was used to administer the questionnaire. Follow up was done via personal visits, telephone calls and e-mail to facilitate responses and also enhance the response rate.

The questionnaire was divided into two parts. Part I contained questions on the general background information of the hotel. Part II contained questions on a likert scale aimed at determining the extent to which hotels had adopted differentiation strategies in respect to product and service differentiation, customer training, personnel differentiation, channel differentiation and image differentiation and the impact of the strategies on the performance of the hotels as measured by the number of bed-nights.

A 5-point likert scale was used to determine the extent to which differentiation strategies were being used and also the impact of those strategies. Ngatia (2000), Maina (2001) and Mwaura (2002) successfully used the likert scale in their studies.

3.4   Operational Dimensions of Differentiation Strategies

In order to operationalise the differentiation strategies used by the hotels, the variables were defined as shown in Appendix vi. The last column indicates the particular question items relevant to each quality dimension/determinant. The variables were measured using a 5-point likert scale. Questions that were not operationalised were measured by using open-ended questions.

3.5   Data Analysis

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

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

In this chapter, the analysed data is presented. The data gathered in the study included a general profile of the respondents and the extent of the use of differentiation strategies by classified hotels. In this section, data obtained from respondents on hotel classification size of the hotels, ownership of the hotel, the number of staff employed have been analysed using percentage, frequencies, mean scores and cross-tabulations. The response rate was 93.18%.

4.2 General Profile of the Hotels

The general profile of the hotels in the study included ownership, size (as measured by the number of rooms), the number of staff employed and method through which the hotels receive customers.

4.2.1 Location of the Hotels

The classification used was that published in the Kenya Gazette, Gazette Notice Number 397 of 13th June, 2003 and Gazette Notice Number 1648 of 23rd July 2004. The hotels studied were located in Kenya's major cities Nairobi and Mombasa (See Table 2 below).

Table 2: Location of the Classified Hotels in Major Cities

City	Frequency	Percentage
Nairobi	27	61.36
Mombasa	14	38.63
Total	**41**	**100**

Source: Research Data

From Table 1 above, hotels located in Nairobi comprise of 61.36% making up the majority of the hotels studied while Mombasa had the least with 38.63%.

4.2.2 Classification of the Hotels By Star

Hotel classification was analysed in order to determine proportion of the hotels from One Star to Five Star. The results are represented in Table 3 below.

Table 3: Classification of the Hotels Studied by Star

Classification by Star	Frequency	Percent
One star	4	9.76
Two star	9	21.95
Three star	13	31.70
Four star	4	9.75
Five star	11	26.82
Total	41	100

Source: Research Data

As shown in Table 2, out of the 41 hotels studied, 31.7% were three-star, 26.8% were five star, 21.9% were two-star. Four star and one star formed 9.7% each. It can therefore be concluded that majority of the hotels interviewed were three-star hotels.

4.2.3 Number of the Rooms of the Hotels under Study

Size of the hotels as measured by the number of rooms may by itself be regarded as a differentiator. The researcher asked to indicate the number of rooms in their hotels. Findings are given in Table 4 below.

Table 4: Size of the Hotel by the Number of Rooms

Number of Rooms	Frequency	Percent
Below 50 rooms	4	9.75
51-100 rooms	6	14.63
101- 150 rooms	15	36.58
151 -200 rooms	5	12.20
Above 201 rooms	11	26.82
Total	**41**	**100**

Source: Research Data

4.2.4   Ownership of the Hotels

The respondents were asked to indicate the ownership of the hotels. The ownership might give an indication of the management and operations which may define the strategy adopted by the hotel. The findings are given below in Table 5.

Table 5: The Hotels Ownership

Type of Ownership	Frequency	Percent
Foreign owned (more than 51%)	4	9.76
Locally owned (more than 51%)	37	90.24
Balance between Foreign & Local Owned (50%-50%)	0	0
Total	**41**	**100.0**

Source: Research Data

From the Table above, the hotels that are locally owned are the majority with 90.24% as compared to the foreign owned hotels at 9.6%.

4.2.5   Number of Staff of the Hotels

The number of staff may itself be used as a differentiator. In the study, the hotels were asked to indicate the number of staff. The results are shown in the Table below 6 below.

Table 6: Number of Staff of the Hotels

Number of Staff	Frequency	Percentage
Less than 50	11	26.83
51 - 100	11	26.83
101 – 150	6	14.63
151 – 200	3	7.32
More than 201	10	24.39
Total	**41**	**100**

Source: Research Data

It is indicated that hotels with less than 50 employees and 51-100 are the majority with 26.83% each. This is followed closely by hotels with more than 201 employees which forms 24%.

4.2.5 Methods of Bookings

The study sought to establish different methods used by the hotels to get the customers. The hotels were asked to indicate the contribution of different methods of bookings. These methods were travel agents and tour operators, hotel offices outside the location, online bookings, and walk ins.

Table 7: Methods of Booking

Methods of Bookings	Percent
Travel Agents & Tour Operators	56
Hotel Offices Outside the location	9
Online bookings	6
Walk-Ins	29
Total	**100**

Source: Research Data

From the results given in Table 7, it can be concluded that majority of the hotels rely on travel agents and tour operators followed by walk-in guests in getting their customers.

4.3   Differentiation Strategies used by Classified Hotels in Kenya

The first objective of this study was to determine the extent to which differentiation strategies are used by hotels to develop and sustain competitive advantage. The second objective was to establish whether there was a relationship between the differentiation strategies used and the hotels bed occupancy. A five point likert scale was used to measure the extent to which the differentiation strategies were being used.

The differentiation strategies that the study dealt with were service, product, customer training, personnel, channel, image and price.

4.3.1   Service Differentiation

The service components measured were ease of reservation, service delivery, customer awareness and quality maintenance. Under the broad dimension of ease of reservation, the study sought to establish how easy it was for customers to make an online or telephone reservation for services, accessibility of the hotel for the walk-in guests and ability of customers to place an order any time of the day or night.

Ease of Reservation

Under ease of reservation, accessibility of the hotels through email, telephone and fax, accessibility to walk in guests, physical accessibility of the hotels and convenience of location of the hotels were measured. The results are presented in Table 8.

From the above results, it can be concluded that physical accessibility is an important component that determines ease of reservation and is practised to a large extent. This is followed by accessibility to walk in guests, accessibility through email, telephone, fax and convenience of the location of the hotels.

Table 8: Ease of Reservation

Ease of Reservation	Mean	Std. Deviation
Accessibility of the Hotels through Email, telephone and fax	4.14	1.17
Accessibility to walk in guests	4.2	1.11
Physical accessibility of the Hotel	4.3	1.12
Convenience of location of the hotel	4.02	1.29
Overall	**4.165**	**1.17**

Source: Research Data

Service Delivery

In studying service delivery as a component under service differentiation, several dimensions were posed to the hotels under study. They were asked to indicate the extent of practice of these dimensions. These dimensions included appropriateness of grooming, promptness in responding to problems and complaints, speed of correcting the billing mistakes, speed of meeting orders, friendliness to customers, and complaints feedback resolution. The results are shown in the Table 9 below.

Table 9: Service Delivery

Service Delivery	Mean	Std. Deviation
Appropriateness of grooming	4.23	1.08
Promptness in responding to problems and complaints	4.12	1.07
Correct Billing mistakes promptly	4.12	1.07
Speed of meeting customers orders	4.24	1.06
Offer of dependable services	4.15	1.02
Friendliness to customers	4.34	0.8
Complaints feedback resolution	4.12	1.05
Monitoring compliance with agreed service levels	4.2	1.09
Overall	**4.19**	**1.03**

Source: Research Data

According to the results above, friendliness to customers is practiced to a large extent than any other aspect of service delivery. It is followed with speed of meeting customers orders and appropriateness of grooming and complaints feedback resolution.

Customer Awareness of the Hotels Services

A firm with excellent products or services cannot succeed if customers are not made aware of the existing range of products or services. Hence hotels are expected to ensure that customers are aware of the existence of these products and services and their attributes. The study sought to establish the extent of customer awareness of range of services and products available, recognition of customers preferences in developing of new products, and customer awareness on measures necessary to ensure their safety and that of their luggage.

The results as indicated in Table 10 below show that hotels to a large extent lay emphasis on customer awareness with a significant variation in the application of these aspects. This is shown by the mean of 4.14 and standard deviation of 1.05.

Table 10: Customer Awareness of the Services

Customer Awareness of the Hotels Services	Mean	Std. Deviation
Customer awareness of range of services available	4.19	1.10
Recognition of customers preferences in developing of new products and services	4.02	1.17
Customer awareness on measures necessary to ensure their safety and that of their luggage	4.19	0.98
Overall	4.14	1.05

Source: Research Data

Service Quality Maintenance

Like in other industries, increased international hotel coupled with information technology and communication has made it possible for hotels customers to be aware of the different offerings available in the market. This places an onus on the hotels to ensure that their products and services meet the required quality standard levels. The following aspects were posed to the respondents who were asked to indicate the extent to which they practice them;

carry out periodic surveys to ensure standards of services and facilities are up to date, and use of industry benchmark to set and improve quality standards. The results are given in Table 11 below.

Table 11: Service Quality Maintenance

Service Quality Maintenance	Mean	Std. Deviation
Carry out periodic surveys to ensure standards of services and facilities are up to date	4.14	1.17
Update customers on new products and services	4.19	1.10
Periodic review of quality aspects to ensure conformation to best standards in industry	4.34	0.85
Use of industry benchmark to set and improve quality standards	4.90	4.58
Overall	4.35	1.94

Source: Research Data

A Comparison of Aspects of Service Differentiation

Different aspects of service differentiation as deducted from the table 12, results show that service quality management had the highest extent of practice as shown by a mean of 4.35 followed by service delivery with a mean of 4.19. This indicates that while hotels practice service quality maintenance to a large extent, the application of this aspect varies to a very significant levels as shown by the standard deviation of 1.9.

The research found out that service quality maintenance was the most widely practiced aspect of service differentiation with a mean of 4.35 followed by service delivery. According to the results, customer awareness was the least practiced aspect by the hotels.

Table 12: Aspects of Service Differentiation Compared

Aspects of Service Differentiation Compared	Mean	Std. Deviation
Ease of Reservation	4.16	1.17
Service Delivery	4.19	1.03
Customer Awareness	4.14	1.05
Service Quality Maintenance	4.35	1.94
Overall	**4.21**	**1.29**

Source: Research Data

4.3.2   Product Differentiation

Performance, features, design and quality maintenance are the dimensions that were studied under the product differentiation strategy.

Product Performance

In the research, the respondents were asked to indicate the extent to which the hotels ensured customer satisfaction with the quality of their facilities, equipment and products. The results are given below in Table 13.

Table 13: Product Performance

Products Performance	Mean	Std. Deviation
Satisfaction with quality of facilities, equipment & products	4.24	1.06
Equipment Efficiency	4.29	0.90
Quality of Linen, Furnishing, rooms and crockery	4.26	1.07
Overall	**4.26**	**1.01**

· *Source: Research Data*

From the results, it can be concluded that hotels work on ensuring customer satisfaction with the performance of the products as a result of the quality of the facilities and equipment.

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Products Features

Table 14 below indicates the extent to which the hotels' suitability of facilities, fittings and furnishings decisions are practiced. Furnishing, finishing and decorations are listed as used to a greater extent.

Table 14: Products Features

Products Features	Mean	Std. Deviation
Suitability of facilities and fittings with the hotels standards and ambiance	4.24	1.06
Compatibility of finishing and decoration and the environment	4.29	0.90
Furnishing, Finishing, and decorations	4.26	1.07
Total	4.26	1.01

Source: Research Data

Products Design

The design of the hotel facilities is not just aimed at ensuring efficiency but also to promote ease of usage. The hotels were asked to show the extent to which this is practiced. The results are given in the Table 15 below. The overall mean of 4.26 shows that design is used to a large extent by the hotels in product differentiation. The standard deviation of 0.98 is an indication that there is no significant difference in the way hotels studied practice this.

Table 15: Products Design

Products Design	Mean	Std. Deviation
Facilities and products ease and appeal of usage	4.24	1.06
Quality of facilities and supplies	4.29	0.90
Overall	**4.26**	**0.98**

Source: Research Data

Quality Maintenance

The maintenance of the hotel facilities and equipment is necessary if peak performance is to be achieved. Customer satisfaction with the above is important hence the decision to measure this in the study. As shown in the Table 16 below, the mean in quality maintenance is 4.26. This indicates the extent that hotels practice this aspect to a large extent. The standard deviation is above 1 hence shows a significant variation in the application of this by the hotels studied.

Table 16: Quality Maintenance

Quality Maintenance	Mean	Std. Deviation
Customers satisfaction with equipment and facility performance	4.24	1.06
Efficiency of Equipment	4.29	0.90
Quality of utilities	4.26	1.07
Overall	4.26	1.01

Source: Research Data

A Comparison of Aspects of Product Differentiation

In product differentiation, the mean of different aspects of differentiation have been established as shown in Table 17 below. It can be concluded that all aspects of product differentiation are practiced to the same extent as they show the same mean of 4.26.

Table 17: Aspects of Product Differentiation Compared

Product Differentiation	Mean	Std. Deviation
Products Performance	4.26	1.01
Products Features	4.26	1.01
Products Design	4.26	0.98
Quality Maintenance	4.26	1.01
Overall	4.26	1.00

Source: Research Data

4.3.3 Customer Training Differentiation

Three aspects of customer training were measured. These were updating of customers on new products and services and recognition of customers preferences in developing of new products. It can be concluded from the results given in Table 18 below that updating of customers on new offers is practised to a large extent by hotels under study followed by the recognition of the customers in developing of new products.

Table 18: Customer Training Differentiation

Updating of Customers on new products and Services	Mean	Std. Deviation
Updating of Customers on new products and Services	4.19	1.10
Recognize customers preferences in developing of new products	4.02	1.17
Overall	**4.10**	**1.13**

Source: Research Data

4.3.4 Personnel Differentiation

The following dimensions of personnel differentiation including communication, courtesy, reliability, competence, training and motivation were measured. The results are given below.

Communication

Under communication, ability of personnel to communicate the attributes of the hotels products and services and the understanding of customers needs was measured with the results given in Table 19 below:

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Table 19: Communication

Communication	Mean	Std. Deviation
Communication of all aspects of products and services with ease	4.85	1.35
Communication and apology for changes in product or service	4.12	1.07
Correct Billing mistakes and apologise	4.12	1.05
Seek to know customer satisfaction	4.90	4.4
Display integrity	4.24	0.91
Monitoring of compliance	4.2	1.09
Staff understanding to customers	4.14	1.17
Review of quality aspects	4.34	0.85
Overall	**4.36**	**1.48**

Source: Research Data

Personnel Responsiveness

The importance of personnel that is willing to help the customers coupled with speed and accuracy of the assistance cannot be overemphasized. Hotels were asked to indicate the extent to which these qualities are practiced. The results are shown in Table 20 below.

Table 20: Personnel Responsiveness

Personnel Responsiveness	Mean	Std. Deviation
Willingness to help	4.12	1.05
Speed an accuracy in solving problems	4.12	1.07
Overall	**4.12**	**1.06**

Source: Research Data

Courtesy

Hospitality industry calls for courteous staff because of the nature of its work. Customers need relaxation hence need for firms to train staff in this aspect. The results of the extent to which hotels have put this in practice are given below in Table 21.

Table 21: Courtesy

Courtesy	Mean	Std. Deviation
Handling customers with respect	4.12	1.05
Display courtesy while serving customers	4.17	1.04
Overall	**4.14**	**1.04**

Source: Research Data

Personnel Reliability

Reliability is an important indicator of professionalism and honesty of the workforce. The hotels were asked to rate the extent to which the same is applied. The mean as shown in Table 22 below indicates that hotels practice personnel reliability to a large extent while the standard deviation show a significant variation in practice of this aspect.

Table 22: Personnel Reliability

Reliability	Mean	Std. Deviation
Staff display trust, dependability, accuracy and help	4.12	1.11
Staff display honesty	4.2	0.91
Staff display integrity	4.19	0.98
Deliver what is promised	4.2	1.09
Monitor compliance with agreed service levels	4.14	1.17
Overall	**4.17**	**1.05**

Source: Research Data

Competence of the Personnel

Competence is a critical aspect of personnel differentiation. Different areas of the hotel such as F&B production and service, and reservations require uncompromising standards in order to ensure success of a hotel. The results of the extent of practice of this are given in Table 23 below.

Table 23: Competence of the Personnel

Competence of Personnel	Mean	Std. Deviation
Promptness in correcting problems	4.12	1.07
Ability to offer dependable service	4.15	1.02
Agree to service level with customers	4.15	1.02
Monitor compliance with agreed service levels	4.125	1.11
Overall	**4.17**	**1.05**

Source: Research Data

These results show that competence forms an important component of personnel differentiation as it has a high mean of 4.17 while the standard deviation of 1.05 indicates a significant variation in the extent to which this is practiced.

Training of Personnel

No industry has been known to ignore training of its workforce. The changing trends in all industries calls for updating of the personnel skills and knowledge in their areas of profession. This calls for regular training to the staff. Hotels under study were asked to show the extent to which they have put in place this aspect of personnel.

Table 24: Training of Personnel

Training of Personnel	Mean	Std. Deviation
Provision of regular relevant training	4.07	1.12
Overall	**4.07**	**1.12**

Source: Research Data

Table 24 above shows that training is practiced to a large extent by the hotels under study. However, there is a significant variation in the way this is practiced as shown by the standard deviation of 1.12.

Motivation of Personnel

Personnel motivation can be achieved through monetary rewards. However other aspects have been found to be of critical importance in achieving the same. This can be through provision of regular relevant training, opportunity for career growth and recognition and rewarding of exceptional employees.

Table 25: Motivation of Personnel

Motivation of Personnel	Mean	Std. Deviation
Provision of regular relevant training	4	1.18
Carry surveys to establish employees' needs	4.25	1.00
Hotel focuses on employee satisfaction	3.97	1.12
Hotel facilitates employees' career development	4.21	0.96
Overall	**4.10**	**1.06**

Source: Research Data

A Comparison of Aspects of Personnel Differentiation

The hotels were asked to indicate the extent to which the above aspects are practiced. Table 26 indicates that communication is ranked first by the hotels as a component of personnel differentiation. Personnel reliability, competence, and promptness in correcting of mistakes and handling of problems are ranked second. Personnel motivation and training of personnel are practiced to a relatively less extent.

Table 26: Aspects of Personnel Differentiation

Aspects of Personnel Differentiation	Mean	Std. Deviation
Communication	4.36	1.48
Personnel Responsiveness	4.12	1.06
Courtesy	4.14	1.045
Personnel Reliability	4.17	1.05
Competence of Personnel	4.17	1.05
Training of Personnel	4.07	1.12
Motivation of Personnel	4.10	1.06
Overall	**4.16**	**1.12**

Source: Research Data

4.3.5 Channel Differentiation

The extent to which hotels use channel differentiation was measured. This included aspects of the channel such as performance, expertise, and sales and marketing.

Channel Performance

The performance of channels in terms of capacity and reach is important in determining their success or otherwise. The mean of 4.04 as shown in Table 27 below is an indication of a large extent to which performance is practiced while the standard deviation of 1.16 shows a significant variation among the hotels in the way this is practiced.

Table 27: Channel Performance

Channel Performance	Mean	Std. Deviation
Channel reach	4.04	1.16
Overall	**4.04**	**1.16**

Source: Research Data

Expertise of the Channels

Channels should have the necessary skills in carrying out their tasks. Hence need for relevant expertise and experience. Hotels were asked to show the extent of practice in this aspect. The results given in Table 28 below indicate that this is practiced to a large extent as reflected by the mean of 4.13 and a significant variation as shown by the standard deviation of 1.06.

Table 28: Expertise of the Channels

Expertise of the Channels	Mean	Std. Deviation
Skills in service provision	4.12	1.11
	4.15	1.02
Overall	**4.13**	**1.06**

Source: Research Data

Sales and Marketing

Sales and marketing importance in organisations is obvious. Firms have to sell what they produce. The necessary sales and marketing plans and skills are vital if channels are to be effective. The extent of this practice is shown in Table 29 below.

Table 29: Sales and Marketing

Sales and Marketing	Mean	Std. Deviation
Skilled in service provision	4.15	1.02
Have offices/marketing agents at areas that generate customers	4.15	1.02
Place special focus on corporate clients	4.04	1.16
Overall	**4.11**	**1.06**

Source: Research Data

A Comparison of Aspects of Channels Differentiation

From the table below, it can be concluded that hotels find the expertise of the channels to be the most important aspect with a mean of 4.13. This is followed by sales and marketing ability of the channels and channel performance as important but least practiced.

Table 30: Aspects of Channels

Aspects of Channels	Mean	Std. Deviation
Channel Performance	4.04	1.16
Expertise of the Channels	4.13	1.06
Sales and Marketing	4.11	1.06
Overall	**4.09**	**1.09**

Source: Research Data

4.3.6 Price Differentiation

Price Premium

Hotels that differentiate their products will in most cases charge a premium price to take care of the extra costs As shown in the table below, most hotels charge a premium price to a large extent and that there is a significant variation among the hotels in the way this is practiced.

Table 31: Price Premium

Price Premium	Mean	Std. Deviation
Charge a premium price for services	4.19	0.98
Agree on service level with customers	4.19	0.98
Monitor compliance with service levels	4.2	1.09
Overall	**4.19**	**1.01**

Source: Research Data

4.3.7 Image Differentiation

Hotels were asked to indicate the extent of application of aspects that were important in shaping the image of their establishments. The aspects included brands, media, events, ethics and the general atmosphere.

Brands

Hotels symbols, can be used to represent identity and in propagating customer value proposition. By making the brand distinct from those of rivals, a hotel may get embedded in the customer's mind and in the process result in brand loyalty. The hotels were asked to indicate the extent to which they practice these aspects.

The results are given Table 32 below. The mean of 4.09 is an indication of practice to a large extent. However there is a significant variation in the extent of this practice as shown by the standard deviation of 1.

Table 32: Brands

Use of Brands	Mean	Std. Deviation
Hotel symbols to represent identity	4.09	1.04
Logo and name displayed in brochures, menus and other publications	4.14	0.96
Customer value proposition	3.95	1.07
Distinctive of the brand	4.09	1.04
Logo and name displayed in brochures, menus and other publications	4.14	0.96
All hotel products and items carry the hotels brands	4.14	0.96
Overall	4.09	1.00

Source: Research Data

Media

Media is a critical component through which customers are made aware of the products and services offered. The study sought to establish the extent to which media is used as an aspect of image differentiation.

The results are given in Table 33 below. It can be observed that hotels use of media as an aspect of image differentiation is only to some extent. This is the least used aspect in image differentiation among the hotels and in all other areas of differentiation that were studied. However, there is a significant variation in the application of this aspect.

Table 33: Media

Media	Mean	Std. Deviation
Use of TV, newspapers, internet, brochures	3.95	1.09
Have a Public relations department	3.82	1.28
Have an advertisement budget	3.85	1.25
Overall	**3.87**	**1.20**

Source: Research Data

Participation in Events

Many organisations now recognise social events and activities as important in building their image in the eyes of the customers and general public. In this case, hotels were asked to show their practice of aspects such as sponsorship or identification with specific social events the results are given in the table below and indicate an overall large extent application of the same. There is however no significant variation in the extent of application of this by the hotels studied.

Table 34: Participation in Events

Participation in Events	Mean	Std. Deviation
Sponsorship or identification with specific social /community events	4.19	0.84
Customers and community recognise and appreciate image-building events	4.19	0.84
Overall	**4.19**	**0.84**

Source: Research Data

Ethical Standards

Most industries follow written and or unwritten ethical standards hence need for players in such sectors to closely observe this. As it can be seen from Table 36 below, hotels observe ethical standards to very large extent. This is an aspect of image differentiation that is most highly practiced among the hotels studied.

Table 35: Hotels Observation of Industry's Ethical Standards

Hotels Observation of Industry's Ethical Standards	Mean	Std. Deviation
Hotels observes ethical standards	4.90	4.58
Overall	**4.90**	**4.58**

Source: Research Data

Atmosphere

The business surroundings and the atmosphere created by a business is important as the customers are able to form an opinion on the type of establishment they are dealing with. In the study, the hotels were asked to indicate the extent of practice of the following aspects of atmosphere; attractiveness of the facilities and the hotels location and image portrayed.

Table 36: Atmosphere

Atmosphere	Mean	Std. Deviation
Attractiveness of the hotel facilities	4.24	1.06
Hotels location project positive image	4.02	1.29
Quality of facilities	4.26	1.11
Convenience of location	3.95	1.13
Accessibility of hotel	4.02	1.29
Physical autonomy of hotel premises	4.26	1.11
Quality of finishing	4.31	1.12
Quality of furnishing and fittings	4.15	1.15
Overall	**4.15**	**1.15**

Source: Research Data

As shown in Table 36 above, it is evident that atmosphere of the hotel is very important to most of the hotels and is practiced to a large extent as shown by the mean of 4.15. The practice of the same however varies significantly among different hotels as shown by the standard deviation of 1.15.

4.3.8 A Comparison of Differentiation Strategies Used

The study found that image and product differentiation were the most practiced with a mean of 4.26 each followed by service and personnel differentiation. Customer training is the least practiced differentiator among the hotels studied.

Table 37: A Comparison of the Differentiation Strategies Used

Differentiation Strategies	Mean	Std. Deviation
Service Differentiation	4.21	1.29
Product Differentiation	4.26	1.00
Customer training	4.10	1.13
Personnel differentiation	4.21	1.28
Channel differentiation	4.11	1.06
Image differentiation	4.26	1.89
Price differentiation	4.19	1.01

Source: Research Data

4.3.9 Impact of Differentiation Strategies

The second objective of the study was to establish whether there was a relationship between the differentiation strategies used and the hotels performance as measured by the bed occupancy. The respondents were asked to indicate whether the respective differentiation strategy had resulted in any increase in the performance as measured by the hotels bed nights. The results are summarised in Table 38 below.

Table 38: Impact of Differentiation Strategies studied on the hotels performance as measured by bed-nights

The Impact of Differentiation Strategies on bed-nights	Mean	Std. Deviation
Service differentiation	4.12	1.14
Product differentiation	4.12	1.14
Customer training	3.97	1.12
Personnel differentiation	4.04	1.09
Channel differentiation;	4.12	0.89
Image differentiation;	4.12	0.89
Price differentiation	4.02	0.89

Source: Research Data

From the results above, it is clear that service, product, channel, image and price differentiation have been used to a large extent with each recording a mean of 4.12. This is followed by personnel at a mean of 4.04, price at 4.02, and customer training at 3.97. There is a significant variation in the way service and product differentiation is practiced with the two having the highest standard deviation of 1.14. Customer training and personnel follow this closely at 1.12 at 1.09 respectively. Channel image, price and price differentiation showed the least variation in the way the hotels practice them. This is given in the chart below.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study aimed at determining the use of differentiation strategies by the classified hotels in Kenya's major cities; Nairobi and Mombasa. This chapter presents the discussion, conclusions and recommendations based on the findings of the study. The findings have been summarized in accordance to the objectives of the study; conclusions have been drawn from the study and recommendations arising from the study given.

5.2 Discussion

The study sought to establish the differentiation strategies used by the classified hotels to develop and sustain their competitive advantage, the extent to which the classified hotels in Kenya use the differentiation strategy to differentiate their services and whether the strategies used by the classified hotels in Kenya to differentiate their services have any impact on their performance a measured by hotel bed nights. All the establishments studied were located Nairobi and Mombasa cities. Sinclair (1990) and Sindiga (1999) have pointed that certain locations, such as the above mentioned, are perceived by tourism investors as having the highest potential for immediate profit returns since they attract most international tourists who visit Kenya.

Most of the hotels studied are locally owned. This means that local investment in the industry is higher compared to the foreign one. This means that the strategies that are put in place can be developed locally and not necessarily imposed by the foreign owners. This provides an ample opportunity to the hotels to come up with strategies that fit the local conditions hence providing a chance to get the best results. The study found that 90.14% of the hotels studied were locally owned while 9.76% were foreign owned.

Tour operators and travel agents were found to be a very important vehicle in booking of customers hence the need for hotels to design good understanding and relationship with these channels. Porter (2004) observed that companies can achieve competitive advantage through the way they design their distribution channels. These arrangements will benefit the hotels in terms increased market coverage, economies of scale and expertise.

Physically accessibility of the hotel and through telephone and online is an important aspect of reservation that helps in service differentiation. This component means that hotels that have in place good accessibility are likely to outperform those that lack this quality as it determines whether customers can easily contact the hotel and make a reservation. The study established that 56.1% of the hotels studied recognise and practise good accessibility to a very large extent. 65.9% of the hotels practised recognised autonomy of the hotel building as important to a very large extent. This could be due to the requirement by the Ministry for Tourism for autonomy of the hotel; building as a feature considered in classification.

In service provision, the research established that friendliness to customers is practiced to a large extent and than any other aspect of service delivery. It was found that small gestures such as a smile from a receptionist or a waiter form go a long way to make the customers feel recognised and appreciated. This confirms a view by Kotler (2004) that services can be value enhanced to improve the their quality and make up for product that cannot be easily differentiated. It was also found to be important for hotels to put in place mechanism for complaints feedback resolution. 53.7% of the hotels studied agreed with the customers on service level delivery with 53.7% monitoring performance level by establishing a customers desk. The management need to train the staff on the need to handle complaints and problems promptly if the hotel is to be seen as efficient in the eyes of the customer.

There is need for hotels to ensure that the staff regardless of the section they work in are informed of the product and services available in the hotel. The staff should be such that they can communicate with customers with ease. This will help in increasing customer awareness of the hotel offers available. With the threat of terror attacks facing all continents, the staff should be adequately prepared and capable of advising the customers on the necessary measures they should take to ensure their safety and what steps to take in case of emergencies. This underlines need for staff training as observed by Kotler (2004) that companies can gain competitive advantage through better-trained people.

The new products and services that are developed by the hotels need be based on the customer preferences and tastes if they have to succeed. The increased world travel has made it necessary for the hotels to ensure that their products and services meet the required quality standard levels. There is need for companies to identify and select new appropriate features by asking recent customers how they like the product or service (Porter, 1998). It was found

that hotels carry out periodic surveys to ensure standards of services and facilities are up to date, and use of the industry benchmark to set and improve quality standards. There is increased need for competent staff, preferably with multi-skills ability and which is willing to help. This can be achieved through regular training in different areas of relevance. However, the staff has to be continually motivated if this is to succeed.

Ozmet and Morash (1994) had indicated that service quality has been used as a viable strategy for markets intending to differentiate service offerings, establish customer value and ultimately satisfy consumers needs. The research seemed to confirm this argument as service quality maintenance was ranked highly among the service differentiation components. This could have been increased by the globalisation and increased world travel meaning that hotels regardless of the location on the world map have to meet the international quality standards. This calls for proper management within the hotels which need to put in place an appropriate corporate policy which is vital as without this, the high quality personnel will become frustrated and leave.

Performance, features, design and quality maintenance as aspects of product differentiation are practiced to the same extent by all the hotels. This could be due to the minimum requirements set by the Ministry for Tourism as prerequisites for the classification. This means that hotels have little option but to meet the requirements or have their classification demoted.

Personnel reliability and competence demonstrated through their trust, dependability, accuracy and ability to meet the expectation and what they promise are the most important aspects of personnel differentiation that are practiced by the hotels that were studied. The study found that the most important aspect of personnel differentiation was communication followed by personnel reliability, staff competence, and promptness in handling problems. The aspect of personnel training was undersutilised. The hotels in practice seemed not keen to follow a view by Kotler (2004) who argued that companies can gain a competitive advantage through having better-trained people. Kotler emphasised that personnel differentiation is secured by a hiring and retention policy that attracts high quality staff. He observed that employees that add real value can justify higher prices and can also create strong competitive advantage.

The study found that the expertise of the channels was an important aspect that the hotels seek in engaging channels. This could be as a result of the hotels seeking to reduce the costs that would have gone to employing experts to carry out the same or related tasks such as those provided by the channels. The sales and marketing skills were listed as the second important aspect after expertise of the channels. The performance of the channels was listed as third.

The study found that the hotels use their symbols to represent identity and recognize need for brand distinctiveness. This appears in line with a view by Andrews (1994), that the emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to industry. Andrews observed that this uniqueness was capable of translating into profit margins that are higher than the industry average. The researcher found that hotels do not largely use media as a dimension of differentiation. This is the least used aspect of differentiation not only in image differentiation but also the other differentiation options. The atmosphere created by the location of the hotel, the finishes, furnishing among other aspects are important in projecting the hotel image positively in the eyes of the customer.

Service, product, channel and image differentiation have had an impact to a large extent on the performance of the hotels as measured by the hotel bed nights. Customer training as a differentiator is used only to some extent. The use of channel, image and price as differentiator is used with insignificant variation. This conforms a view by Horovitz (2001) that customer differentiation is the key to sustaining long-term competitive advantage

The image and product differentiation were the most practiced with a mean of 4.26 each followed by service and personnel differentiation. Customer training is the least practiced differentiator.

The research found that hotels that practice differentiation strategy charge a premium price for the differentiated offers. This is likely to be due to need to pay for the extra costs incurred in coming up with the differentiation. This is in line with an observation that a firm that can have and sustain differentiation will be above average performer in its industry if its price premium exceeds the extra costs incurred in being unique (Porter, 2002). Because customers see the product or services offered as as unrivaled and unequaled, the price elasticity of

demand tends to be reduced and customers tend to be more brand loyal. However hotels need to ensure that support policies are in place to provide an ample atmpsophere for this. They include: strong research and development skills; strong product engineering skills; strong creativity skills; good cooperation with channels; strong marketing skills; incentives based largely on subjective measures and be able to communicate the importance of the differentiating product characteristics.

5.3   Conclusion

The study was important as it can help bring a new insight in the operations of hotels in Kenya and particularly as it regards management of competition. From the findings, it is clear that hotels use differentiation strategies but at significantly varying extent.

It can be concluded that physical accessibility is an important component of that determines ease of reservation. This is followed by accessibility to walk in guests, accessibility through email, telephone, fax and convenience of the location of the hotels.

Most of the hotels placed special focus on corporate clients with most of them practicing this to a great extent and only a handful practicing this to a small extent. Channel differentiation had resulted in increase in performance as measured by bed nights in most of the hotels studied. Better management and relationship with channels is critical and will ensure better performance of the hotels.

Training and personnel motivation was found to be important but under-utilised. This will area has great potential of significantly improving performance of hotels and should be weaved into the hotels' corporate policy if better performance is to be realized.

The hotels use of media as an aspect of image differentiation is only to some extent. Hotels have given little attention to media as a viable option for differentiation. This is a critical component through which customer awareness campaign can be implemented.

Majority of the hotels are locally owned. This provides an ample opportunity for them to come up with strategies that meet the local operating conditions unlike other industries which are foreign owned and have strategies imposed on the local players by their parent owners.

5.4   Recommendations

Based on the findings of the study, the researcher gives the following recommendations.

(i)   It is clear that channels offer a very important vehicle through which hotels receive their bookings. Hence closer working relationship between the travel agents and tour operators on one side and the hotels is needed in development of joint marketing strategies. This will aid in lowering the operation costs and promote the bookings for the hotels;

(ii)   According to the study, most of the hotels to a large extent do not recognize and do not use media as a viable differentiation channel. This is a fertile vehicle that can result in a big performance for the hotels if well chosen and implemented. There is need to communicate the hotel vision through every available avenue including the annual reports, publications, catalogues, electronic and print media and stationery;

(iii)   Hotels should facilitate and encourage the employees to pursue further studies both as a motivating factor and as a means for career development. This will make it easier for them to understand different differentiation dimensions and how they impact on the hotel performance; and

(iv)   There is a deficiency on the side of management within the hotels in matters to do with appropriate corporate policy. This may result in the high quality personnel becoming frustrated and leaving. Customer training as a differentiator has been under-utilised despite its viability. There is need for hotels to re-look at this dimension as a differentiation strategy.

5.5   Limitations of the Study

The study faced various constraints. First, the study covered the classified hotels in Nairobi and Mombasa only. This left out classified hotels located outside these two cities. Secondly, the study did not include unclassified hotels. Thirdly, getting access to the senior managers of the hotels was an uphill task. The researcher was denied access to three hotels. Reasons for this varied from reports that they were private clubs and therefore could not be studied to indifference.

5.6   Suggestions for Further Study

The researcher suggests the need for a similar study to be conducted for lodges and resorts. A study on the differentiation strategies used by classified hotels in other cities in Kenya may also be carried out. A study could also be carried out on the differentiation strategies used by unclassified hotels.

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APPENDICES

Appendix i: Introductory Letter to the Respondents

Collins Mukewa Matanda
Faculty of Commerce
C/O MBA Coordination of Office
Department of Business Administration
University of Nairobi
P.O. Box 30 197
Nairobi

July 05, 2005

Dear Respondent,

RE: COLLECTION OF SURVEY DATA FROM YOUR ORGANIZATION

I am a postgraduate student at the university of Nairobi, the Faculty of Commerce. I have completed my course work and am now required to carry out the mandatory management research project on the application of "Differentiation Strategies used by Classified Hotels in Major Cities in Kenya".

After careful analysis, your esteemed hotel has been selected to participate in the study. In this regard, you are kindly requested to participate in the study by filling out the accompanying questionnaire.

The information you provide will be used exclusively for academic purposes. My supervisor and myself assure you that the information you give will be treated with strictest confidence. At no time will your name or your organization's name appear in my report. A copy of the final paper will be availed to your organization after the completion of the study.

Your co-operation will be highly appreciated.

Thank you in advance.

Yours faithfully,

Collins Mukewa Matanda   **Mrs. Margaret Ombok**
MBA Student   Supervisor and Lecturer

Appendix ii: Hotel Classification System

Star(s)	Description of Facilities
*	- Hotels with basic facilities and services meeting the quality standards. - In harmony and conformity with locality - Separate and independent access for the hotel guests and delivery - Reception staff in uniform and presentable - At least ten lettable rooms 100 per cent private bathrooms - At least one restaurant that is well furnished and lit - One meeting room with on not least than 40 sqms - Glass washing and drying machine shall be available - Enough storage capacity for water to last at least one day in case of a breakdown in supply - Drinking water must be safe and potable and shall meet WHO standards - Lifts shall be provided for buildings of four or more storeys including ground floor
**	Same as one star but - With comfortable facilities, offering some services and amenities - Some claim to style and beauty - Good quality and harmony of colours - Enough storage capacity for water to last at least three days in case of a breakdown in supply - Drinking water must be safe and potable and shall meet WHO standards - Lifts shall be provided for buildings of four or more storeys including ground floor
***	Same as two star but with excellent facilities, offering a wider array of services and amenities - All rooms to be approached through a corridor except for cottages - Good quality uniforms - Restaurant should be same as in One star but with a coffee shop or snack bar in addition - Provision for smoking and non smoking area - At least one percent of suites shall be suites - Safe deposit available though not necessarily in the rooms - Enough storage capacity for water to last at least five days in case of a breakdown in supply - Drinking water must be safe and potable and shall meet WHO standards - Drinking water must be safe and potable and shall meet WHO standards - Lifts shall be provided for buildings of four or more storeys including ground floor

****	• Hotels with superior facilities, offering a wide range of services and amenities • Mosquito nets available • High quality furniture and fittings • Enough storage capacity for water to last at least one week in case of a breakdown in supply • Drinking water must be safe and potable and shall meet WHO standards • Lifts shall be provided for buildings of four or more storeys including ground floor and a service lift provided
*****	• Same as for three star but • Hotels with exceptional facilities, offering a full range of services and amenities • Locality and environment of high international standards • Building wholly detached • Exceptionally high quality of finishing • Enough storage capacity for water to last at least one week in case of a breakdown in supply • Lifts shall be provided for buildings of four or more storeys including ground floor and a service lift provided

Source: *Government of Kenya, Ministry for Tourism, Kenya Gazette Supplement No. 9, (Legislative Supplement 9), February 16, 2005.*

Where:

*	-	One Star
**	-	Two Star
***	-	Three Star
****	-	Four Star
*****	-	Five Star

Appendix iii: Essential Items for Hotel Classification

Vacation Hotels	Town Hotels	Lodges
Menu	Menu	Menu
Service Staff	Service Staff	Service Staff
Bar Staff	Bar Staff	Bar Staff
Wash Hand Basin	Wash Hand Basin	Wash Hand Basin
Fume Extraction	Fume Extraction	Fume Extraction
Waste Disposal	Waste Disposal	Waste Disposal
Drainage	Drainage	Drainage
Kitchen Staff	Kitchen Staff	Kitchen Staff
Numbering of Rooms	Numbering of Rooms	Numbering of Rooms
Change of Linen	Change of Linen	Change of Linen
Safe Deposit	Safe Deposit	Safe Deposit
Front office Staff	Front office Staff	Staff
Refuse Disposal	Refuse Disposal	Refuse Disposal
Sewage	Sewage	Sewage Treatment and Disposal
Vermin Proofing	Vermin Proofing	Vermin Proofing
Water Supply	Water Supply	Water Supply
Electrical Safety	Electrical Safety	Electrical Safety
First Aid	First Aid	First Aid
Safety Of Swimmers	Safety of Swimmers	Safety Of Swimmers
Qualification Of Management Staff	Qualification of Management Staff	Qualification of Management Staff
Departmental Heads	Departmental Heads	Departmental Heads
Qualification Of Operative Staff	Qualification of Operative Staff	Qualification of cooperative Staff
Medical Examination	Medical Examination	Medical Examination
Hotel Insurance	Hotel Insurance	Lodge Insurance

Appendix iv: Classified Hotels in Nairobi and Mombasa

Nairobi Classified Hotels		
No.	**Hotel**	**Classification**
1	Grand Regency	Five-Star
2	Hilton Hotel Nairobi	Five-Star
3	The Norfolk	Five-Star
4	The Stanley	Five-Star
5	Hotel Intercontinental	Five-Star
6	Safari Park	Five-Star
7	Nairobi Serena Hotel	Five-Star
8	Windsor Golf and Country Club	Five-Star
9	Fairview	Four-Star
10	Holiday Inn	Three-Star
11	Jacaranda Hotel	Three-Star
12	Panafric Hotel	Three-Star
13	Nairobi Safari Club	Three-Star
14	Marble Arch Hotel	Three-Star
15	Bounty Hotel	Three-Star
16	Ambassadeur Hotel	Three-Star
17	Six Eighty Hotel	Three-Star
18	Utalii Hotel	Three-Star
19	Kwality Hotel	Three-Star
20	Boulevard Hotel	Two-Star
21	Silver Spring Hotel	Two-Star
22	Sportsview Hotel	Two-Star
23	Milimani Hotel	One-Star
24	Blue Hut Hotel	One-Star
25	Karibu Hotels	One-Star
26	Fig Tree Hotel	One-Star
27	Hotel Southern Blue	One-Star
Nairobi Hotels		**27 Hotels**

No.	Hotel	Classification
	Mombasa Classified Hotels	
29	The Whitesands Hotel	Five-Star
30	Tamarind Village	Five-Star
31	Mombasa Serena Beach Hotel	Five Star
32	Bamburi Beach Hotel	Three-Star
33	Indiana Beach Apt. Hotel	Three-Star
34	Reef Hotel	Three-Star
35	Bahari Beach Hotel	Three-Star
36	Mombasa Beach Hotel	Five-Star
37	Kasar al Bahir Hotel	Two-Star
38	Palm Beach Hotel	Two-Star
39	Dolphine Hotel	Two-Star
40	Paradise Beach Hotel	Two-Star
41	Coral Beach Hotel	Two-Star
42	Malaika Hotel	Two-Star
43	Giriama Beach	Two-Star
44	Royal Court Hotel	One-Star
45	Quale Hotel	One-Star
Mombasa Hotels	**-**	**17**

Source: *The Kenya Gazette, Gazette Notice Number 397 of 13th June, 2003 and Gazette Notice Number 1648 of 23rd July 2004.*

Appendix v: Questionnaire

Questionnaire No.		
Date (dd/mm/yyyy)		July	2005

PART I:

Your Name *(optional)*   : _____

Job Title   : _____

Name of your Hotel   : _____

Classification of your hotel : _____

1. **Using the categories below, please indicate the size of your hotel by the number of rooms (please tick one)**

    Less than 50   [   ]

    51 – 100 rooms   [   ]

    101 – 150 rooms   [   ]

    151 – 200 rooms   [   ]

    201 rooms and above   [   ]

2. **Using the categories below, please indicate the ownership of your hotel (please tick one)**

    Wholly-foreign owned (More than 51%   [   ]

    Wholly-locally owned (More than 51%)   [   ]

    Balance between Foreign & Locally owned   [   ]

3. **Using the categories below, please indicate the number of staff you employ (please tick one)**

Less than 50   [   ]

Between 51 - 100   [   ]

Between 101 - 150   [   ]

Between 151 - 200   [   ]

More than 200   [   ]

6. **Indicate (with a value of 1 – 4) the method through which your hotel receives bookings** (where 4 is the highest source highest and 1 the lowest)

Tour Operators & Travel Agents   [   ]

Hotel Offices Outside the location   [   ]

Online bookings   [   ]

Walk-Ins   [   ]

7. **What is your hotel classification?**

One Star   [   ]

Two Star   [   ]

Three Star   [   ]

Four Star   [   ]

Five Star   [   ]

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

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

A. Product Differentiation	**1**	**2**	**3**	**4**	**5**
1. Convenience of location of the hotel	[ ]	[ ]	[ ]	[ ]	[ ]
2. Physical accessibility of the hotel	[ ]	[ ]	[ ]	[ ]	[ ]
3. Accessibility of the hotel through Email, telephone and fax	[ ]	[ ]	[ ]	[ ]	[ ]
4. Physical autonomy of the hotel building	[ ]	[ ]	[ ]	[ ]	[ ]
5. Quality of facilities and supplies	[ ]	[ ]	[ ]	[ ]	[ ]
6. Efficiency of Equipment	[ ]	[ ]	[ ]	[ ]	[ ]
7. Quality of Rooms, furniture, linen, crockery, etc	[ ]	[ ]	[ ]	[ ]	[ ]

B. Product and Service Differentiation	**1**	**2**	**3**	**4**	**5**
8. Receptionist and service staff offers service with a smile	[ ]	[ ]	[ ]	[ ]	[ ]
9. Front office and service staff recall and call customers by name	[ ]	[ ]	[ ]	[ ]	[ ]
10. Display courtesy while serving customers	[ ]	[ ]	[ ]	[ ]	[ ]

11. Assure customers of their safety   [ ]   [ ]   [ ]   [ ]   [ ]

12. Correct billing mistakes promptly   [ ]   [ ]   [ ]   [ ]   [ ]

13. Seek to know customer satisfaction   [ ]   [ ]   [ ]   [ ]   [ ]

14. Staff are caring and understanding
     by staff when dealing with customers   [ ]   [ ]   [ ]   [ ]   [ ]

15. Ability to offer dependable service   [ ]   [ ]   [ ]   [ ]   [ ]

16. Staff display honesty while carrying
     out their duties   [ ]   [ ]   [ ]   [ ]   [ ]

17. Staff display integrity while carrying out
     their duties   [ ]   [ ]   [ ]   [ ]   [ ]

18. Agree on service level delivery with
     customers   [ ]   [ ]   [ ]   [ ]   [ ]

19. Monitor compliance to service level
     delivery as agreed with customers   [ ]   [ ]   [ ]   [ ]   [ ]

20. Set up customer desk and monitor
     performance   [ ]   [ ]   [ ]   [ ]   [ ]

21. Periodic review of all quality aspects
     to ensure they conform to the best
     standards in the industry   [ ]   [ ]   [ ]   [ ]   [ ]

Impact of Service and Product Differentiation on the Hotel's Bed-Nights

If service 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 some extent   [ ]
     Increased to a small extent   [ ]

     No increase at all   [ ]

C. Underline Customers Training	1	2	3	4	5
22. Update customers on new products and services	[ ]	[ ]	[ ]	[ ]	[ ]
23. Recognise customers preferences in developing of new products	[ ]	[ ]	[ ]	[ ]	[ ]

Impact of Customer Training on the Hotel's Bed-Nights

If service 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 some extent   [ ]

Increased to a small extent   [ ]

No increase at all   [ ]

D. Underline Personnel Differentiation	1	2	3	4	5
24. Staff are appropriately and well groomed	[ ]	[ ]	[ ]	[ ]	[ ]
25. Hotel recruits the best staff in the marketplace	[ ]	[ ]	[ ]	[ ]	[ ]
26. Hotel recognises and rewards exceptional employees	[ ]	[ ]	[ ]	[ ]	[ ]
27. Carry out frequent surveys to find out employees' needs	[ ]	[ ]	[ ]	[ ]	[ ]
28. Hotel focuses on employee satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
29. Hotel facilitates frequent training on areas of relevance	[ ]	[ ]	[ ]	[ ]	[ ]
30. Hotel facilitates employees' career development	[ ]	[ ]	[ ]	[ ]	[ ]

Impact of Personnel Differentiation on the Hotel's 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: *(please tick the appropriate)*

Increased to a very large extent	[ ]
Increased to a large extent	[ ]
Increased to some extent	[ ]
Increased to a small extent	[ ]
No increase at all	[ ]

E. **Channel Differentiation**	1	2	3	4	5
31. Have offices / marketing agents at areas that generate customers	[ ]	[ ]	[ ]	[ ]	[ ]
32. Recognise and place special focus on corporate clients	[ ]	[ ]	[ ]	[ ]	[ ]

Impact of Channel Differentiation on the Hotel's Bed-Nights

If Channel Differentiation of your hotel has resulted in an increase in the number of bed-nights, indicate the extent of that increase: *(Please tick the appropriate)*

Increased to a very large extent	[ ]
Increased to a large extent	[ ]
Increased to some extent	[ ]
Increased to a small extent	[ ]
No increase at all	[ ]

F. Image Differentiation	1	2	3	4	5
33. Attach importance to the distinctness of the company brand or symbol on Hotel facilities, brochures	[ ]	[ ]	[ ]	[ ]	[ ]
34. Hotel facilities, brochures, menus and other publications bear the hotel's name and logo	[ ]	[ ]	[ ]	[ ]	[ ]
35. Attach importance to type of media used by the hotel in advertising	[ ]	[ ]	[ ]	[ ]	[ ]
36. Hotel communicates what it offers	[ ]	[ ]	[ ]	[ ]	[ ]
37. Seek customer perception on value adding Status of brand or symbols	[ ]	[ ]	[ ]	[ ]	[ ]
38. Attach importance to social events' sponsorship	[ ]	[ ]	[ ]	[ ]	[ ]
39. Hotel observes ethical standards	[ ]	[ ]	[ ]	[ ]	[ ]
40. Hotel location project a good image	[ ]	[ ]	[ ]	[ ]	[ ]
41. Have a public relations department	[ ]	[ ]	[ ]	[ ]	[ ]
42. Have an advertisement budget	[ ]	[ ]	[ ]	[ ]	[ ]

Impact of Image Differentiation on the Hotel's Bed-Nights

If Image 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 some extent	[ ]
Increased to a small extent	[ ]
No increase at all	[ ]

G. Price Differentiation   1   2   3   4   5

43. Setting up a premium price for distinctive
    services   [ ]   [ ]   [ ]   [ ]   [ ]

Impact of Price Differentiation on the Hotel's Bed-Nights

If Price 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 some extent   [ ]

    Increased to a small extent   [ ]

    No increase at all   [ ]

End.

**The researcher is very grateful to you and your organization for your co-operation in
answering the questions. You have made this study a success. Once again thank you.**

Appendix vi: Operational Dimensions of Differentiation Strategies

Dimension required un identifying the operationalisation of the strategy. (Relevant for Part II of the questionnaire).

A. Service Differentiation Strategy

Broad Dimension of Strategy	Dimension of Differentiation	Relevant Questions
Ease of Reservation	• How easy is it for customers to make an online or telephone reservation for services?	3
	• Is the hotel easily accessible to walk-in guests?	2, 4
	• Can customers place orders anytime of the day or night?	1, 2, 3, 4
Service Delivery	• Are the front office and service staff well and appropriately groomed?	24
	• Are the front office and service staff prompt to provide services to guests?	12
	• Are the staff prompt in responding to problems and complaints?	12, 14
	• Are the relevant products kept available in stock and available immediately after an order is placed?	5
	• Can the staff offer dependable service?	15
	• Are staff friendly to customers?	8, 9
	• In cases of customer complaints, is there a feedback resolution?	12, 13, 14, 17, 19
Customer Awareness	• Are customers fully aware of the range of services and products available in the hotel?	22, 23
	• Are customers fully informed on measures they should take to ensure safety of themselves and their luggage?	11
	• Are customers aware of the prices of the services and products they use?	18, 19, 43
Quality Maintenance	• Are periodic surveys done co ensures that standards of the facilities and the service are up do date?	20, 21, 23
	• Does the hotel use the best standards in the industry as a yardstick to improve its quality?	21, 39

B. Product Differentiation Strategy

Broad Dimension of Strategy	Dimension of Differentiation	Relevant Issues	Relevant Questions
Performance	Low, average, high, superior performance	• Are customers satisfied with quality of the facilities, equipment and products?	5, 6, 7
Features	Décor and ambiance	• Is the facility and fittings measurable with the hotel standard and ambiance?	5, 6
	Finishing and decoration	• Is the finishing and decoration compatible with the environment	4, 7
Design	Aesthetics	• Do the facilities and products provide ease and appeal of usage?	5, 7
	Cost effectiveness	• Does the customers feel they are getting the value of their money spend?	19, 21
Reliability	Functionality of products	• Do customers find the products reliable?	6
		• Ability to meet expectation	18, 19
		• Dependence	15, 16
Quality Maintenance	Quality of facilities and equipment	Are the customers satisfied with the ultimate performance of the equipment and facilities?	5, 6, 7

C. Customer Differentiation Strategy

Broad Dimension of Strategy	Relevant Issues	Relevant Questions
Communication and awareness creation	• Are customers continually updated on the new products and services?	22
Recognition of customers preferences	• Does the hotel recognise customers preferences when developing of new products	23

D. Personnel Differentiation Strategy

Broad Dimension of Strategy	Dimension of Differentiation	Relevant Questions
Communication	• Are the staff able to communicate all aspects of the products and services with ease?	3, 6, 36
	• When there are any changes in the service or product provision, are customers informed appropriately and apologies given?	12, 13, 14, 17, 19
	• Are the staff understanding to customers?	20, 21
Responsiveness	• Is the staff willing to help?	13
	• Are staff ready and able to accurately and quickly solve problems?	12
		12
Courtesy	• Do the staff show respect when they talk to and handle customers	17
	• Does the staff show respect when they solve problems?	10
	• Does all hotel staff display friendliness when interacting with customers at all times?	10
Reliability	• Are the staff dependable, trustworthy, accurate, and helpful	15, 16, 17
	• Does the staff provide what they promise?	18, 19
Competence	• Do staff respond to customers complaints promptly	12, 15,
	• Do staff show competence while carrying out their duties?	15, 18, 19
Training	• Are staff trained continuously in relevant areas?	29
Motivation	• Are surveys done to establish the level of staff morale?	26, 27, 28, 30

E. Channel Differentiation Strategy

Broad Dimension of Strategy	Dimension of Differentiation	Relevant Questions
Performance	• Does the agent have a wide reach? • Does the hotel have agents/representatives in areas (countries) that produce most of the visitors?	31, 32
Expertise	• Are the hotel staff skilled in provision of service to customers? • Do customers see the hotel as competent?	16 15
Sales and Marketing	• Is the marketing department focussed? • Are the customers' needs well focussed? • Does the hotel have a formal marketing strategy? • Do sales staff and agents sell a wide range of products to customers?	15 31, 32 32

F. Price Differentiation Strategy

Broad Dimension of Strategy	Dimension of Differentiation	Relevant Questions
Price Premium	• Does the hotel charge a premium price for its services?	42
	• Are customers aware of the prices of the services and products they use?	18, 19

G. Image Differentiation Strategy

Dimension required identifying the operationalisation of the strategy.

Broad Dimension of Strategy	Dimension of Differentiation	Relevant Questions
Brands	• Does the hotel have symbols to represent its identify?	33, 34
	• Does the brand have a value proposition in the eyes of the customers?	37
	• Is the brand distinctive?	33, 34
	• Do the all hotel products and items carry the hotel's brand?	34, 35
Media	• Is management keen to use TV, Newspapers, Internet or brochures to advertise the brand?	35
	• Does the hotel have and practice a formal strategy?	41
	• Does the hotel have an advertising budget?	42
Events	• Does the hotel sponsor or identify with specific social/ community events?	38
	• Does the customers and community recognise and appreciate these image-building events?	38
Ethical Standards	• Does the hotel observe ethical standards in the industry?	39
Atmosphere	• Are facilities of the hotel attractive?	2, 4, 5
	• Does the hotel location project positive image to the customers?	1, 2, 40
	Are the entire firms facilities and premises customer friendly and secure?	1, 2, 4,

Appendix vii: Summary of Differentiation Conceptual Framework

Service Differentiation	Product Differentiation	Personnel Differentiation	Channel Differentiation	Image Differentiation
Efficiency	Performance	Performance	Performance	Media
Reservation Ease	Conformance	Competence	Coverage	Brands
Customer awareness Reservation ease	Design	Credibility	Demographic	Atmosphere Attitude
Quality management	Quality assurance	Performance	Expertise	Events
Customer training	Efficiency	Training	Sales and marketing	Symbols
Customer Training	Reliability	Communication	Price premium	Heritage
Service provision		Reliability		
Integrity		Motivation		
Quality audits		Training		
Quality audits		Courtesy		