No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
	empathy					
49.	Physical environment increases employee productivity, motivation and satisfaction.	( )	( )	( )	( )	( )
50.	Physical environment meets the needs and preferences of employees and patients simultaneously.	( )	( )	( )	( )	( )
51.	Physical environment influence customer's choice.	( )	( )	( )	( )	( )
52.	Use of well displayed charts for key processes.	( )	( )	( )	( )	( )
53.	Use of customer surveys to find if processes are customer oriented and customer friendly.	( )	( )	( )	( )	( )
54.	Identification of critical service delivery levels and establishing levels of tolerance for each level.	( )	( )	( )	( )	( )
55.	Continuous improvement of process to suit patients and employees needs and preferences.	( )	( )	( )	( )	( )
56.	Adapted technology optimizes the service delivery process	( )	( )	( )	( )	( )
57.	Adapted technology standardizes the service delivery process	( )	( )	( )	( )	( )

DECLARATION

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

Signed:..... Date:.....13/11/2006

Grace B. Omwenga
D61/P/7880/01

This Management Research Project has been submitted for examination with my approval as the University Supervisor.

Signed:..... Date:.....15-11-2006

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DEDICATION

This work is dedicated to my dearest parents, my loving husband Ken and our two loving children Ashley and Alvin

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My appreciation goes to all the people who have supported and encouraged me in developing and completing this work.

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ABSTRACT

Competition in hospitals both private and public in Kenya has become stiff. Hospitals therefore need to differentiate their services to remain competitive. The study objectives were to determine the extent to which service differentiation strategies have been adopted in private hospitals and determine the challenges of adopting these strategies.

This was a descriptive survey. The population of interest included all the private hospitals in Nairobi. According to the Kenya Medical and Dentist Practitioners directory of 2004 there were 48 private hospitals in Nairobi. A census study was conducted. Data was collected using semi-structured questionnaires which were administered using the drop and pick later method. Marketing managers or any other person entrusted with the hospitals' marketing activities of each hospital were studied.

The response rate was 63%. Data was analyzed using frequencies, percentages, mean scores and standard deviation. The findings indicated that of the three service differentiation strategies, that is, service offering, service delivery and image, the hospitals performed best on service delivery as a strategy, which tended to be practiced to a great extent consistently across the industry. Image and service offering dimensions were adopted to a lesser extent. It is also evident from the findings that most of the service differentiation dimensions in each of the three strategies were positively correlated with hospital size. This implies that hospitals that were considered to be big in terms of having a bed capacity of 70 and above adopted service differentiation strategies to a greater extent than their counterparts with lower bed capacities (less than 70).

The main challenges faced in adopting the differentiation strategies included; marketing activities being crowded by operations, difficulties in controlling customer interface, restrictive regulations for advertising,

problems of growth, difficulties in improving productivity without compromising on quality, among others.

The researcher also recommended that there is need for dedicated departments to deal with marketing activities so as to improve on the marketing orientation of hospitals which would in turn help in crafting of the service differentiation strategies. Service delivery and service offering strategies could be adopted to a larger extent if formal market research is done so as to design services that are suitable to specific target markets.

The limitation of the study was that the survey was based on only private hospitals in Nairobi. A more regional representation would have provided better results. The researcher recommended that a study should be conducted to cover both private and public hospitals in Kenya as well as health management organizations (HMOs).

CHAPTER ONE

INTRODUCTION

1.1 Background

The world economy is being shaped by several forces such as globalization, deregulation, technology advancement and privatization (Kotler, 1985). As a result of these forces the customer is now empowered with information and has a wide range of choices. This has led to new marketing challenges with customers growing more sophisticated, price sensitive, short of time, wanting more convenience and having high service expectations (Kotler, 1985).

Organizations must therefore adapt themselves to the empowered customer (Kotler, 2003). They require strategies that can sustain them in this competitive environment such as diversification, new product development, focus, cost leadership and differentiation among others. Kotler (1985) says that strategies should be robust, that is, they should have strong points of difference from competitors' strategies.

Zeithaml and Bitner (1996), note that service sector has grown tremendously and services now form the dominant sector of most western economies accounting for a sizeable portion of the gross national product and comprising about three-quarters of all employment in the USA, UK, Canada and Australia. Zeithaml and Bitner (1996), define services as 'all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms such as health, convenience, amusement, timeliness and comfort that are essentially intangible concerns of its first purchase'. Services have had a major impact on national economies and many service industries have facilitated improved productivity elsewhere in the manufacturing and agricultural sectors (Palmer, 2001).

The service sector of the economy can best be characterized by its diversity. Service organizations range in size from huge international corporations in such fields as airlines, banking, insurance, telecommunications, hotel chains and freight transportation to a vast array of locally owned and operated small businesses including restaurants, taxis, laundries, and hospitals among others (Lovelock, 1991).

Lovelock (1991) observes that the service sector is going through a period of almost revolutionary proportions in which established ways of doing business continue to be shunted or put aside. Around the world, innovative newcomers offering new standards of service have succeeded in markets where established competitors have failed to please today's demanding customer (Lovelock, 1991). The willingness and ability of managers in service firms to respond to the dramatic changes affecting the service economy will determine whether their own organizations survive and prosper or go down to defeat at the hands of more agile and adaptive competitors. Among the keys to competing effectively in this new and challenging environment are skills in marketing strategy and execution- areas in which many service firms have traditionally been weak.

In this competitive environment a firm succeeds in competing by becoming different from its competitors in a way that is recognized and appreciated by its (potential) clients (Looy et al, 1998). Kotler (2003) says that most companies today suffer from strategy convergence – namely undifferentiated strategies. Trout (2000) says that differentiation is not discretionary, rather it is one of the most important strategic and tactical activity in which companies must constantly engage. Kotelnikov (2004) asserts that with the enormous competition, markets today are driven by choice. Choosing among multiple options is always based on differences, implicit or explicit, so one ought to differentiate in order to give the

customer a reason to choose their product or service. Service, an element not formerly even mentioned in the so-called marketing 4 Ps (Product, Price Place and Promotion) is today the most sustainable source of differentiation and advantage (Horovitz, 2000).

1.1.1 Service Differentiation

Porter (1980) asserts that differentiation is one of the generic strategies that a firm can use to leverage its strengths. The others are cost leadership and focus strategies. A differentiation strategy calls for a product or service that customers perceive to be better than or different from the products of the competition. 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.

Heskett et al (1994), say that from the customers' point of view, service value is a function not only of costs to the customer but also of results achieved for the customer. Value is always relative because it is based on perceptions of the way a service is delivered and on initial customer expectations. Since value varies with individual expectations, efforts to improve value inevitably require service organizations to move all levels of management closer to the customer and give front-line service employees the latitude to customize a standard service to individual needs.

Kotler (2003) says that firms can differentiate their services by using the service offer, service delivery and image. Doyle (1998) asserts that service differentiators are harder to copy because they depend on a deep-rooted culture of the organization. Lowe (2004) says that competitively advantageous differentiation strategies are grounded in a firm's professionally driven and culturally supported processes, protocols and methods; many of these are already unique to each firm. The most used

differentiation approaches are not necessarily the most successful, rather the more operationally "deep" the differentiation strategies are (for example, those requiring the implementation and alignment of human resources, financial, change management, technology or training and development processes), the more successful they are.

Like any other strategy, service differentiation strategy has a number of challenges. These include: lack of patent protection, difficulties in controlling customer interface, problems in motivating customers in new innovations, and difficulties in improving productivity among others (Doyle, 1998).

Regardless of the size, industry, sector or geographical location of an organization, the benefits of excellent service soon becomes evident. Improved staff morale, increased productivity and improvements in overall business strategy are all possible from the implementation of service quality initiatives (Reid, 2000).

1.1.2 The Private Hospital Sector

Mckee and Healy (1999) define a hospital as 'an institution which provides beds, meals, and constant nursing care for its patients while they undergo medical therapy at the hands of professional physicians. In carrying out these services, the hospital is striving to restore its patients to health'. In addition hospitals train health professionals and play an active role in the cultural life of the local community (Hesaje et al, 2000). The working definition of a hospital that was adopted for this study was any healthcare facility that provides inpatient care. Gakombe (2002) and Muhia (2001) in their study of the same sector adopted a similar definition.

Hospitals worldwide are facing a dynamic environment with rising expectations from the public for quality healthcare provision and cost control (Hesaje et al, 2000). With the increased concern for the patient,

consumer, client, attention is being directed outside the organization toward these external relationships. According to Hesaje et al (2000), management strategies should thus focus on the patients' needs and their healthcare expectations.

Mckee and Healy (1999) observe that hospitals throughout Europe are facing growing and rapidly changing pressures. These include the impact of changes in populations, patterns of disease, and opportunities for medical intervention with new knowledge and technology, public and political expectations. In the United States, competition in public and private hospitals is evident, for instance Medicare (elderly) patients and Medicaid (poor) patients can choose almost any public or private hospital, even though government is the health insurer (Goodman and Musgrave). As a result of these pressures there is restructuring of hospitals worldwide (Hesaje et al, 2000).

Goldsmith (1980) has identified new features in America's healthcare market like the increasing power of physicians, new forms of health care delivery, prepaid plans and the changing regulatory environment. This has not only resulted to hospitals competing intensely among one another, but also competing for physicians and patients. Also new forms of delivering health care compete with hospitals for healthcare business, based on both increased convenience to the customer and lower costs. The cost of healthcare in America has been steadily rising due to the high cost of drugs, the prevalence of costly and degenerative diseases like cancer, rising costs of medical technology. In addition customers nowadays pay much less from their pockets and therefore do not feel the pain of paying. In 1962, patients were paying 42% of their health costs as compared to the current percentage of 14%(Daily Nation August 11;pg.9).

The environment for hospital industry has thus changed to be more competitive and most countries worldwide have undertaken certain

measures to cope with these challenges. These challenges have important implications on how hospital care is provided, since new types of care require new configurations of buildings, people with different skills and new ways of working (Mckee and Healy, 1999). Christensen (2000) recommends that what is needed is an entirely new model that is better attuned to current market demand, that is, a focus towards specialized treatments which will minimize overhead costs and increase efficiency, enabling hospitals to deliver high-quality service at costs well below those of general hospitals.

Many hospitals worldwide have sought to reduce their hospital capacity and to shift care to alternative settings. They are increasingly focusing on acute care, only admitting people with conditions requiring intensive care (GoldSmith, 1980). This is the case for developing countries even though, Hensher et al (1999) argue that the absolute number of beds has tended to increase but at a slower rate than population growth, so that the bed to population ratio has fallen.

GoldSmith (1980) observes that in the U.S hospitals have diversified into new services like outpatient care, outpatient surgery and freestanding emergency rooms. In addition hospitals are now competing aggressively for physicians having residency programs within their hospitals and offering them financial, legal and other kinds of assistance in setting up medical practices for their graduates who remain linked to the hospitals. Hesaje et al (2000), observes that other hospitals have developed an effective distribution system like transportation service for patients in terms of buses and air ambulances so as to transport patients from isolated regions and some have also diversified into being Health Maintenance Organization (HMOs).

Porter (2004) asserts that for health care system to achieve stunning gains in quality and efficiency, employers - the major purchasers of health care services can lead the transformation. He says that the locus of competition has to shift from the provider that pays to one that provides the best value.

1.1.3 Kenya's Private Hospital Sector

Kenya has a pluralistic health system whereby health services are produced by the government and a host of non-governmental providers, which includes religious organizations, the for-profit private sector, pharmacies/chemists, traditional healers and community health workers. A further classification of private health providers by type includes: hospitals, health centres and sub- health centres (Berman et al, 1995). Kenya has both public (NHIF) and private health insurance; the latter is a growing industry but is still limited to urban areas and those employed in the formal sector.

According to MOH (Ministry of Health) records of 2004, Kenya has 4214 health facilities out of which 218 are hospitals, 575 are health centres, 3421 health sub centres and dispensaries. Of this total, 2149 are government institutions, 845 are NGO operated, and 1220 are private institutions, (HIS - MOH 2004). Most of the private hospitals are concentrated in urban cities while mission and government ones are found distributed throughout the country (NHSSP 1999-2004). Facilities identified as hospitals in Kenya vary enormously in size, range and quality of services provided. Hospitals are expected to provide both curative inpatient and outpatient care.

In his study on the industry forces of the private hospitals, Gakombe (2002) found out that a high degree of competition exists in the industry. This was due to competitive forces of rivalry among players and the

bargaining power of customers, which had increased. There were new entrants in the industry who included for-profit providers, medical centres, HMOs, home nursing, health clubs and substitutes like herbal therapy and acupuncture among others.

It can be seen that private hospitals all over the world are facing a competitive environment. Coddington et al (1985) observes that hospitals are responding to these competitive forces by consolidation through ventures, strategic alliances, mergers and acquisitions, retrenchment, downsizing, reduction of bed capacity, integration through diversification of hospitals into health insurance. Other responses have include diversification such as setting up consultant wings on hospital grounds, shift of control of hospital from doctors to professional managers, market segmentation and development of distinctive/specialization by some of the providers.

1.2 Statement of the problem

Mckee and Healy (1999) view hospitals as an important component of the health care system and are central to the process of reform, and yet, as institutions, they have received remarkably little attention from policy-makers and researchers. If hospitals are ineffectively organized, however, their potentially positive impact on health will be reduced or even be negative.

Private hospitals especially have a challenge just like any other organization (profit or not-for-profit) of matching consumer preferences, providing quality service, managing productivity, controlling costs and by so doing capturing and maintaining their customers. They depend entirely on the fees they collect from their clients for survival (Muhia, 2001).

Coupled with the above challenge is the issue of advertising. Muhia (2001) says that despite proven long record use of advertising in other industries from time immemorial, hospitals and other professional have been prohibited by the law and professional code of ethics from aggressively advertising their services all over the world in the common media used by other firms. In addition, hospital services cannot be readily displayed or easily communicated to customers and consequently differentiating the service offering is difficult.

One of the strategies a firm can use in a competitive market is differentiating its market offering. Kibiru (2001) quotes Kotler (1999) as saying that a research on different marketing strategies carried out on over 3,000 businesses for twenty years revealed that differentiation is a more superior strategy than other marketing strategies for achieving competitive advantage.

Studies by Gitonga (2003), Mwindi (2003), Goro (2003) and Migunde (2003) were mainly based on the generic strategies in general that companies may adopt to achieve competitive advantage in response to the changing environment. In the hospital industry, Gakombe (2002) and Muhia (2001) focused on strategic choices and advertising practices adopted by private hospitals in Nairobi respectively. The only study that has been conducted on differentiation was by Kibiru (2001). However emphasis was on chemical fertilizers, which are tangible products and not services. According to Kotler (2003), other product differentiators are easy to copy.

To adapt to changes in rising expectations of their consumers, it would be important for hospitals to use service differentiation strategies to achieve competitive advantage. This would go along way in enabling them to achieve their business objectives. It is however not known which service differentiation strategies the private hospitals in Nairobi have adopted.

The study therefore sought responses to the following questions:

(a) To what extent do the private hospitals in Nairobi use the service differentiation strategies?

(b) What challenges do they face in trying to differentiate their services?

1.3 Objectives of the study

The objectives of this study were to:

(a) Determine the extent to which service differentiation strategies have been adopted in private hospitals in Nairobi.

(b) Determine the challenges of adopting service differentiation strategies.

1.3 Importance of the study

The results of this study may be of use to the following:

(a) Hospital management both private and public as they will have knowledge on how differentiation strategy can enhance their competitiveness.

(b) Investors interested in getting into the industry can gain knowledge on how to compete.

(c) Other scholars and researchers as a source of reference.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Meaning and Nature of Services

Services can be defined as 'deeds, processes and performances' (Zeithaml and Bitner 1996). The core offerings of hospitals, hotels, banks and utilities comprise primarily of deeds and actions performed for customers.

Kotler (2003) defines a service as 'any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product'.

Zeithaml and Bitner (1996) say that the broad definition of services implies that intangibility is a key determinant of whether an offering is or is not a service. Services are produced not only by service businesses but are also integral to the offerings of manufactured goods producers, for example car manufacturers offer warranties and repair services for cars. Zeithaml and Bitner (1996) say that very few products are purely intangible or totally tangible. Instead services tend to be more intangible than manufactured products and manufactured products tend to be more tangible than services. The figure overleaf shows that considerable diversity exists within the service sector.

In the same vein, Kotler (2003) recognizes that significant differences occur between different product offerings and proposed four categories of product offers:

Pure tangibles: the offering consists of a purely tangible good such as soap, toothpaste or salt. No services accompany the product.

Tangibles with accompanying services: The offering consists of a tangible good accompanied by one or more services as in the case of installation services.

Hybrid: The offering consists of equal parts of goods and services. For example people patronize restaurants for both food and services.

Major service with accompanying minor goods and services: The offering consists of a major service along with additional services or supporting goods. For example we buy hotel services, which also include tangibles like food and drink.

Pure services: The offering consists primarily of a service for example baby-sitting and massage.

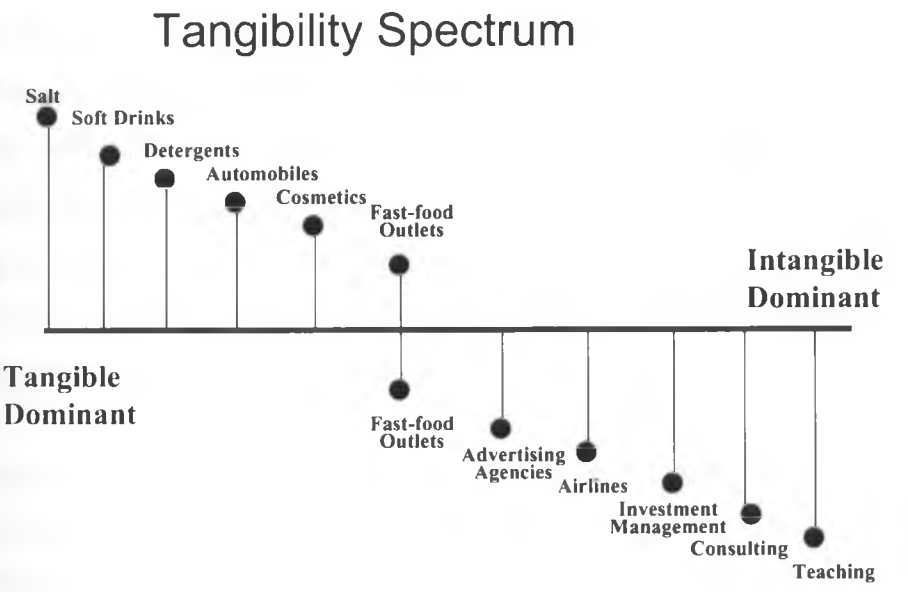


Figure 1: Tangibility Spectrum
Source: Shostack (April 1977), "Breaking free from product marketing: Journal of Marketing 41, PP 73-80

Palmer (2001) says that an understanding of what constitutes a service offer from the buyers' and sellers' point of view is imperative. He quotes Sasser and Wyckoff (1978) who define the 'service concept' in terms of three elements; *physical element, sensual benefits* and *psychological benefits*. Physical elements are the tangible elements,

which are the facilitating or support goods, for example the food or drink served in a restaurant. Sensual benefits can be defined by one or more of the five senses, such as the taste and aroma of a restaurant meal or the ambience of a restaurant. On the other hand, Psychological benefits are those which cannot be clearly defined and are determined by the customer subjectively. This benefit makes the management of the service offer very difficult.

2.1.1 Levels of Service

A number of writers have distinguished between different levels of a service offer. Sasser et al (1978) distinguished between the substantive service and peripheral services. Gronroos (1984) distinguished between the service concept and the internal marketing function. Levitt (1980) summarizes the importance of having more than one level by saying that we live in an age in which our thinking about what a product or a service is must be quite different from what it ever was before. He emphasizes that it is not so much the basic, generic central thing we are selling that counts, but the whole cluster of satisfactions associated with a service.

Palmer (2001) categorized the service offer into two: The Core level and Secondary level of service. *The core service level or the service concept is* the substantive service level, which stands for the essential function of a service or the core of a service offering. In any event, there seems to be little difference between services and materials when considering this fundamental level of a firm's offer. Zeithaml and Bitner (1996) say that the offer should be developed, produced and managed with the customers' benefit in mind in such a way that they perceive it as being successful in satisfying their needs and wants.
The secondary or augmented service level represents both the tangible and intangible elements in order that the customer realizes the core

benefit. At this level, the service providers offer additional benefits to consumers that go beyond the tangible evidence. This is done either to meet additional consumer wants and/ or to *differentiate* the product from the competition. The intangible elements are difficult to articulate and control. Shostack (1977) believes that the more intangible the service the greater the need for tangible evidence and the importance of managing the tangible evidence.

Porter (1980) says that offering a higher level of service than competitors is a way of differentiating ones offering, as indicated in the survey of 138 German companies where managers were asked of their opinion on future opportunities for effective long-term differentiation and 76.9% of those surveyed mentioned services. This is a much higher percentage than for other competitive factors, such as product quality, technology competition and price.

2.1.2 Characteristics of Services and their marketing implications

Palmer (2001), Doyle (1998), Zeithaml and Bitner (1996) all articulate that services have a number of distinctive characteristics that differentiate them from goods and have implications for the manner in which they are marketed. They are:

Intangibility: Palmer (2001), Zeithaml and Bitner (1996) and Doyle (1998) say that unlike physical products, services cannot be seen, tasted, felt, heard or smelled before they are bought because they are performances or actions rather than objects. They are an experience or process. For example, health care services are actions like surgery, diagnosis, examination, and treatment performed by providers and directed towards patients and their families. These services cannot be seen or touched by the patient although the patient may be able to

see and touch certain tangible components of the service like equipment and hospital room.

Due to their intangibility, services are low in search qualities, namely, shape, colour and feature. They are high in experience, for example, quality, efficiency and courtesy and they are also high credence qualities, that is, features that are difficult to evaluate even after purchase. This makes consumers to feel more risk in their purchase (Doyle, 1998). Consequently in making choices buyers will look for evidence of the service quality from the place, people, equipment, and communication materials, symbols and price that they see. Therefore the service provider's task is to "manage the evidence" or to "tangibilize the intangible". Palmer (2001) says that marketers have to reduce service complexity, stress on tangible cues like communication materials, symbols, equipment, place and people.

Intangibility also implies that services cannot be inventoried and therefore fluctuations in demand are difficult to manage. Zeithaml and Bitner (1996) say that services cannot be patented legally and new service concepts can therefore easily be copied by competitors. Doyle (1998) says that services cannot be readily displayed or easily communicated to customers and consequently differentiating the service offering is difficult. In addition the actual costs of a "unit of service" are hard to determine and the price/quality relationship is complex. Due to the intangible multifaceted nature of many services it may be harder to evaluate the quality of a service than a good. Gronroos (1990) says that since customers are often involved in service production particularly in people–processing services, a distinction needs to be drawn between the functions of service delivery (functional quality) and the actual output of the service (technical quality). Gronroos (1990) suggests that the perceived quality of

service will be the result of an evaluation process in which customers compare their perceptions of service delivery and its outcome against what they expected.

Inseparability: Services are typically produced and consumed simultaneously. On the other hand physical goods are manufactured, put into inventory, distributed through multiple sellers and consumed later. Owing to the inseparability of services, customers become co-producers and co-consumers of the service with other consumers and often have to travel to the point of service production. For example, in a medical examination, the doctor cannot produce the service without the patient being involved in production.

Palmer (2001), Zeithaml and Bitner (1996), say that this characteristic provides opportunities to "customize" services. One of the key strategic issues for many marketers is to determine the circumstances under which customization or standardization should apply. Mass production is difficult if not impossible making growth difficult. The quality of service and customer satisfaction is highly dependent on what happens in "real time" including actions of employees and customers. Customers can therefore affect the production process either positively or negatively. Iron (1995) says that in a service business, you live with your customers since they partly shape the service delivery and influence how your business is run and managed. The service provider thus has to attempt to separate production and consumption, manage the interaction of the consumer and the producer and improve service delivery systems.

Variability: Palmer (2001) says that services are highly variable because they depend on who provides them, when and where they are provided. Services are produced in real time and often there is no

chance to correct mistakes before consumption as they rely on fallible human inputs. In the same vein, Zeithaml and Bitner (1996) add that because services are performances, no two services will be precisely alike and no two customers are precisely alike. They each have unique demands or experience the service in a unique way.

Variability results in high levels of perceived risk for buyers and it becomes difficult to present an image of consistent quality. This implies that a company must put emphasis in quality control by recruiting the right people, standardizing the service performance process and monitoring customer satisfaction through suggestion and complaint systems and customer surveys (Palmer, 2001).

Perishability: Zeithaml and Bitner (1996), Palmer (2001), Rust et al (1996) and Doyle (1998), all agree that services cannot be inventoried, resold or returned since they are performed in real time. The perishability of services is not a problem when demand is steady, only when it fluctuates. Unfortunately for most services demand fluctuates creating major peak load problems. Failure to meet peak demands creates great customer dissatisfaction.

To reconcile good service with satisfactory productivity requires 'just-in-time' production of services and management of demand by evening out peaks and troughs in demand and scheduling service production. Hence service providers must adopt strategies to match demand and supply. The fact that they cannot be returned or resold implies a need for strong recovery strategies when things go wrong (Palmer, 2001).

Ownership: According to Doyle (1998) and Palmer (2001), the inability to own a service is related to the characteristics of intangibility and perishability. When a service is performed no ownership is transferred

from the seller to the buyer. A customer has only personal access to service and for a limited time.

This has implications for the design of distribution channels. In service companies, distribution is more direct and if intermediaries are used, they generally act as co-producers with the service provider. The service provider has to stress on the advantages of non-ownership, for example, less risk of capital and create membership association to provide the appearance of ownership. In addition incentives can be provided for frequent use for example free flights as in the case of frequent fliers.

Given the above unique characteristics Kotler (2003) says that service companies face three tasks: Competitive differentiation, productivity and service quality, and that all these interact.

2.2 Service Quality

According to Reid (2000), *service quality* is the single most effective and sustainable means of *differentiation* between competing companies. Palmer (2001) says that the level of quality to which a service is designed is a crucial element in the total service offering. Quality is an important factor used by customers to evaluate the services of one organization in comparison to the offerings of other organizations. He goes further to say that customers may not judge an individual service offer but rather the quality of the service provider. Njoroge (2003) quoted Ozmet and Morash (1994) as saying that service quality has been used as a viable strategy for marketers endeavoring to *differentiate* service offerings, establish customer value and ultimately satisfy consumer needs.

Swan and Combs (1976) and Gronroos (1984) identified technical and functional quality as being two principle components of quality. Technical quality refers to the relatively quantifiable aspects of a service, which consumers receive in their interaction with a service firm while functional quality is concerned with how technical quality is delivered to them.

Zeithaml et al (1990) identified five criteria used by consumers in evaluating service quality: Tangibles (appearance of physical elements e.g. physical facilities, equipment, personnel and communication materials; Reliability (dependable, accurate performance); Responsiveness (promptness and helpfulness): Assurance (competence, courtesy, credibility security) and empathy (easy access, good communication and customer understanding). Quality entails meeting customers' expectations and hence a firm's challenge is to balance customer expectation and perception and to close any gaps between the two.

Zeithaml et al (1998) and Berry et al (1994) say that this can be done by: getting a better understanding of customer expectations through research, complaint analysis and customers' panel, use of a service quality information system, post transaction surveys, and on-going surveys of account holders to determine customers satisfaction in terms of broader relationship issues. Emphasis can be placed on internal marketing, blueprinting of services to identify fail points, ensuring consistent service standards are delivered across multiple locations, offering service guarantees that offer unconditional guarantee of satisfaction, refund or credit in the event of dissatisfaction. To compare a firms' performance relative to is competitors, a competitive market survey can be carried out.

Service inseparability results in the service production process being an important basis in assessing quality (Palmer, 2001). Quality and productivity are twin paths to creating value for both customers and companies. Quality focuses in the benefits side of the equation and productivity on the cost side. The primary goal of productivity improvement is to reduce monetary costs, but one route to achieving the goal is to speed up service processes and squeeze out wasted time, which may also benefit customers. Heskett et al (1994) says that the challenge is to find a balance between increase in customer throughput and perceived service quality. Providing quality service makes customers loyal and makes the firm profitable over time. Service firms, therefore need to develop competitive strategies for achieving service quality.

2.3 Differentiation Strategy

Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations.

Iron (1995) says that in a service firm, service is a strategic issue and that customer expectations are the basis for strategic management while customer experiences the judgment of success or failure. In short the impact of service is to be felt way beyond the confines of 'customer care' or other such tactical considerations. He argues that for good service to be effective at the only point where it matters – with the customer, it must not only have a high degree of operational efficiency but it must also have a strategic context. It is here that satisfaction and profit are generated and to achieve these ends a dialogue or 'relationship' is necessary (Iron, 1995).

One method of identifying and selecting strategies is to identify those activities, which give an organization competitive advantage over its competitors. The manner in which a player chooses to fight in a competitive market is known as its 'competitive strategy'. Achieving competitive advantage is the corner stone of strategic thinking. Looy et al (1998) says that a firm creates competitive advantage if it succeeds in becoming different from its competitors in a way that is recognized and appreciated by its (potential) clients. According to Kotelnikov (2004), competition is all about creating and capturing value.

According to Majumder (1996), in order to achieve sustainable competitive advantage, two distinct conditions should be met. The first one is *differentiation in important attributes*. Customers perceive a consistent difference in important attributes between the firms' offering Vis a Vis that of its competitors, for example, price, quality, aesthetics, availability, consumer awareness and after sales service. To contribute to a sustainable competitive advantage, the differences must command the attention and loyalty of a sustainable customer base.

The second distinct condition is the direct consequence of a *capability gap* between the firm and its competitors. An advantage is durable only if competitors cannot readily imitate the firm's superior product/delivery attributes.

Porter (1985) has reduced competitive advantage based strategies to three generic types: *Overall cost leadership*, *Focus and Differentiation*. An organization that uses cost leadership strategy puts a lot of effort into lowering its production and distribution costs so that it can win a competitive advantage by charging lower prices. The focus strategy entails an organization becoming familiar with the needs of specific

segments and gaining competitive advantage by cost leadership or differentiation within its chosen segment or both. For the purposes of this study, emphasis will be laid on differentiation strategy.

In the *differentiation* strategy, organizations seek to achieve superior performance of a service, adding value to the offering, which is reflected in the highest price, which a customer is prepared to pay. One way in which to gain advantage over competitors is by offering greater quality relative to price than their competitors. Added value can also be provided by offering completely new services, which are not yet available from competitors, either by modifying existing services or by making them more easily available. In this way, a bank could seek superior performance in areas such as the greatest number of branches, the highest rates of interest, the greatest number of cash machines or the most convenient location. Sometimes a firm could differentiate itself through some perceived edge on intangibles like corporate image, its brand name or foreign collaborator's name (Porter, 1985).

According to Kotelnikov (2004), the concept of being unique or different is far more important today than it was ten years ago. It is the key to successful marketing and competing. This is because the balance of power has shifted to the market, that is, to the consumer (Irons, 1995). For customers, satisfaction with service comes from consistent delivery across a wide range of contacts or interactions, which meets or exceeds their expectation; rarely from the core product (Iron, 1995). Therefore the place you can differentiate yourself is in the service you provide (Lovelock, 1991).

Kotler (2003) emphasizes the importance of differentiation by saying that while positioning simplifies what we think about an entity, differentiation goes beyond positioning to spin a complex web of

differences characterizing that entity. He adds that a difference will be stronger to the extent that it is seen to be: *Important* - the difference delivers a highly valued benefit to a sufficient number of buyers; *Distinctive* - the difference is delivered in a distinct way; *Superior* - the difference is superior to other ways of obtaining the benefit; *Preemptive* - the difference cannot be easily copied by competitors; *Affordable* - the buyer can afford to pay for the difference; *Profitable* - the company will find it profitable to introduce the difference.

However, Kotler (2003) cautions that differences can be short-lived and therefore companies need to constantly think up new value adding features and benefits to win the attention and interest of choice-rich, price-prone consumers. Scholes (2002) argues that the customer's concept of value changes over time either because they become more experienced through repeat purchases or because competitive offerings become available which offer better value. He recommends that sustainable differentiation needs to be based on less imitable aspects of competitive advantage like understanding needs of their customers, building relationships with individuals within the customer base and ensuring that their own services are integrated to meet customer's needs. He cites that brand image or reputations are difficult to copy.

Kotler (2003) says differentiation is the alternative to price competition while Byrnes (2003) says that it is the solution to the high cost/poor service spiral. The dilemma of customer service can be resolved by thinking carefully about customers' real product requirements, a firm's customer relationships and its supply chain economics (Byrnes, 2003).

A company can differentiate its market offering along five dimensions: product, services, personnel, channel and image (Kotler, 2003). For

the purposes of this study, concentration will be laid on service differentiation.

2.4. Service Differentiation Strategies

According to Kotler (2003), service firms can differentiate their services by using three distinct service dimensions: Service offerings, Service delivery and Image. Differentiation of services entails adding service value, which Iron (1995) defines as, the whole way in which the business works -its philosophy and its processes related to the customer. Since service is a process, value has to be related to the discontinuities within this process - the interactions and the factors that build to these - the critical experiences. He says that a firm should go beyond providing threshold values (essential in gaining market entry) and provide incremental values (customer sees as providing distinction).

Iron (1995) points that to create a structure in which service can be effective it is necessary to have clear service segmentation around its chosen market so that it can deliver a seamless solution. While different markets require similar core products, they require different delivery methods/systems and personnel, different images, and certainly have different expectations of customer behaviour. This segmentation helps in structuring service elements coherently relative to specific markets. It also reduces role ambiguities since everyone works with a more clearly defined structure, which allows for greater responsiveness. Consequently, reduced level of ambiguity will ensure that costs are more clearly identified in relation to end value.

2.4.1 Service Offering

Service Organizations can differentiate their service offering using *features* of their service offering or organization, *service culture*, *packaging* and *buyer-seller relationships.* Most service offers can be

analyzed in terms of differentiating features, for example, banks offer different types of accounts to appeal to segments of the population with slightly differing needs. Other features may be ease of access for example by telephone, Internet or through local branches; paying in/withdrawal facilities; the use of ATM cards and overdraft facilities.

Palmer (2001) says that using styling as differentiator means giving the product a distinctive look. The style of service is as a result of the combination of features, including tangible décor and the intangible manner in which front-line staff interact with customers. Iron (1995) refers to this as the *service culture* of the organization. He says that all organizations possess a culture, this being, a set of beliefs about purpose of the organization, the values by which it executes that purpose and the structures and style, which have evolved or have been developed to control the organization. Culture gives direction, at least to some extent, towards common goals.

According to Iron (1995), the need to ensure that culture is oriented externally is particularly severe in a service organization because distinctiveness, a competitive edge, is largely and in some cases entirely a reflection of culture. This implies that that external impact of an organization's internal values is critical. Due to the direct link between internal culture (what happens within the organization) and customer perceptions, customers help shape the culture by virtue of the fact that they participate directly in the final processes of forming the service they receive, and their expectations and reactions are a key part of conditioning performance. The result, which is a profound consequence at both strategic and operational level, is that culture is a key part of what the customer buys. The culture of the airline, the bank, the hotel may be precisely what is bought, the reason for choice or satisfaction, even though this may not be explicitly recognized by

the customer (Iron, 1995). Therefore the values of the organization should be well communicated through out the organization so that they can be internalized, owned and the right calibre of employees should be hired.

Packaging can also be used to give a service offering a distinctive look. Palmer (2001) says that the intangible nature of services prevents them from being packaged in the traditional sense of providing physical wrapping, which can both protect the product and help develop a distinctive identity. He say that a service offer can be packaged using tangible and intangible elements bundled together for example, a mortgage offer may be packaged to include buildings' insurance or a restaurant may include a home delivery service in its service package.

Another basis of differentiation which a service offering can be defined and distinguished from its competitors is by using *ongoing buyer-seller relationship.* An on-going relationship between a service provider and its customers is very often a key feature of a firm's service offering. Indeed, many suppliers of manufactured goods have developed service-based relationships to differentiate themselves from their competitors. Iron (1995) says that services are relationships and that successful services are successful relationships.

This on-going relationship is what is termed relationship marketing. Looy et al (1998) and Rust et al (1996) say that relationship marketing places a greater emphasis the creation of value. He quotes Payne and Ballatyne (1994) as saying that the marketers' challenge is to bring service quality, customer service and marketing into close alignment, leading to long-term and mutually beneficial customer relationship. Sellers benefit from these arrangements because they are

guaranteed stable, long-term sales. Buyers benefit because their suppliers can justify long-term quality at lower costs (Payne and Ballatyne, 1994).

According to Berry and Parasuraman (1983), relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than on acquiring new customers. This philosophy assumes that customers prefer to have an ongoing relationship with one organization than to switch continually among providers in search for value. According to Vandermerwe (1999), customers want the firm as their sole or dominant choice on an ongoing basis because they get superior value. He says that the more a company does business with a particular customer, the better the relationship. The more the knowledge and information they share; the more proactive and precise is the offering. And the more the business is done together, the lower the cost, and the fact that the knowledge collected (the key resource in value creating process) can be reused. This creates a reinforcing loop that improves the depth and quality of the information and knowledge shared, lowering the cost and therefore intensifying the loop and so on. This is reinforced by Looy et al (1998) who says that the fundamental importance of relationship marketing in services is directly related to the principle that customer satisfaction, customer loyalty and profitability are closely intertwined.

To achieve this goal of building and maintaining a committed base of profitable customers, the firm will focus on the attraction retention and enhancement of customer relationship (Berry and Parasuraman, 1983). The basics of a good relationship strategy require: Effective market segmentation to identify who the organization wants to have relationships with; Continuous development of services that evolve to

suit the needs of these relationship customers and monitoring of current customers relationships through relationship survey and up to date customer database.

The process of choosing between competing service providers is facilitated by an ongoing relationship, which can reduce perceived risk and can improve quality of the service encounter by configuring the service to meet the recorded preferences of each customer. Service quality is a prerequisite for the development of ongoing buyer-seller relationship, appropriate selection training and monitoring of employees, selection of the customers it chooses to develop relationships with and monitoring the long-term health of the partnership. The timely collection, analysis and dissemination of information is an important part of customer relationship development. Henkoff (1994) says the nature of customer relationships demands a new breed of service worker, folks who are emphatic, flexible, informed, articulate, inventive and able to work with minimal supervision.

Strategies for relationship marketing include providing what is promised and keeping to contacts, building learning relationships with customers and rewarding them. Berry and Parasuraman (1983) recommend the following retention strategies: *Financial bonds* – The customer is tied to the firm primarily through lower prices for greater volume purchase or lower prices for customers who have been with the firm for a long time; *Social bonds* – Customers are viewed as clients and services are customized to fit individual needs; *Customization bonds*- Mass customization and the customer intimacy approaches. Hart (1996) has defined mass customization as the "use of flexible processes and organization structures to produce varied and often individually customized products and services at the price of standardized, mass produced alternative". By having intimate

knowledge of individual customers services can be customized to fit developing needs; *Structural Bonds* – created by providing services to the client that are frequently designed right into the service delivery system for their clients. The customized services are normally technology based and sere to make the customer more productive. Hart (1996), gives a good example of how UPS and Federal Express attempt to tie their clients by providing them with free computers that stores addressed and shipping data, print mailing labels and help track packages. These bonds are the most difficult to imitate and involve structural as well as financial, social and customization bonds between the customer and the firm.

2.4.2. Service Delivery

According to Palmer (2001), just as delivery can be an important differentiator for goods, it can be equally important for a service. The fact that the production of services cannot normally be separated from their consumption results in producer-consumer interaction (service encounters) assuming great importance within the service offer. Most services are evaluated as much by their production process as by their final outcomes. Service design includes the processes and the manner in which personnel interact with customers during this process.

Because services are intangible, customers are searching for evidence of service in every interaction with an organization (Zeithaml and Bitner, 1996). Differentiating of the service delivery entails managing "moments of truth" or interactions, which according to Zeithaml and Bitner (1996) are the building blocks of customer's satisfaction and service quality.

The service delivery system consists of visible elements of the service operating systems and may include services' facilities, equipment, personnel and even other customers. Lovelock (1991) says that the

proportion of the overall service operation that is visible to customers varies according to the nature service. Resources that can be managed to make the delivery of service a reality and create a difference include human resources (especially contact personnel), machines, buildings, physical infrastructure as well as other supplementary services.

Service people in a service organization consist of employees and other customers. Service employees represent the organization in customers' eyes and physically embody the product; they are walking billboards from a promotional standpoint (Zeithaml and Bitner, 1996). Each time the customer meets one of the company's sales people, service staff agents or attendants, there is a "moment of truth" where the customer can be won or lost by the quality of the service and personal contact he or she receives (Doyle, 1998). Berry (1980) quoted Chase (1978) as saying that the quality of the service is inseparable from the quality of the service provider. In high contact businesses especially healthcare, financial services and restaurants, human performance materially shapes the services outcome and hence becomes part of the "product".

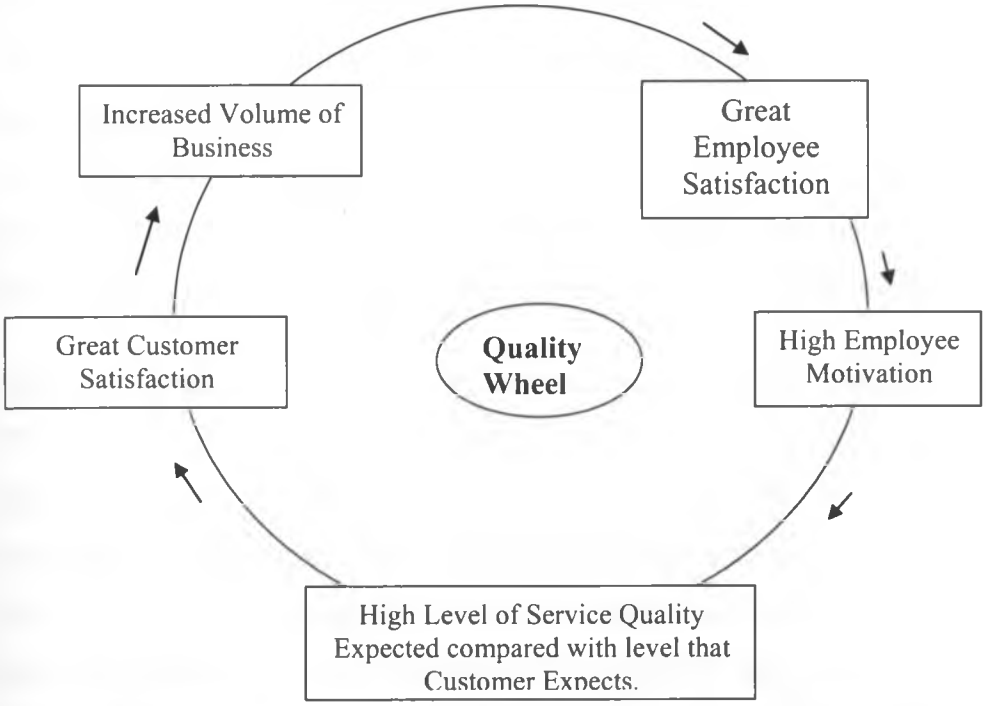
Zeithaml and Bitner (1996) points out that employees are an important element of the service offer as they affect service quality perceptions through their influence on the five dimensions of service quality: Reliability – delivering the service as promised; Responsiveness - through their personal willingness to help and their promptness in serving customers; Assurance – employers ability to communicate their credibility and to inspire trust and confidence; Empathy – employees paying attention, listening, adapting and being flexible when delivering what individual customers need; Employees' appearance and dress are important aspects of the tangibles dimensions of quality.

The failure to deliver services as designed and specified results to a service performance gap. Bitner et al (1994), say that there is need to integrate appropriate human resource strategies into service firms in order to close the service performance gap. These strategies include hiring the right people, developing people to deliver service quality, providing needed support systems and retaining the best people.

Zeithaml and Bitner (1996) have quoted Schnelder and Bowen (1993) who in their research of 28 different Banks branches found that both service climate and human resource management experiences that employees have within their organization are reflected in how customers experience the service. Given the simultaneity of services there is a 'mirror' effect – that is the behavior and feelings of service employees are reflected in customer perception of service quality and hence will affect customers satisfaction. To the customer, the front-line staff are the company. In this sense a company is as good as its weakest employee (Doyle, 1998). Therefore internal marketing is a very important practice as it views employees as internal customers and jobs as internal products, hence endeavors to design these products to better meet the needs of these customers (Berry, 1980).

According to the service profit - chain researchers, Hesket et al (1994) say that satisfied employees make for satisfied customers. However they are careful to point out that employee satisfaction does not cause customer satisfaction rather the two are interrelated and feed off each other. Hesket (1987) refers to the 'quality wheel', where highly motivated employees deliver high quality service, which in turn leads to satisfied customers, more business and on to employees' satisfaction and enhanced motivation as shown in *figure 2* overleaf.

Figure 2: The Service Quality Wheel



Source: Heskett J. L. (1987), Lessons in the Service Sector; Harvard Business Review, March-April PP. 23

By focusing on these goals and developing practices to support employees, an organization can move towards an environment where true service exists and where giving good service to internal as well as ultimate external customers, is considered a natural way of life and one of the most important norms by everyone (Gronroos, 1984).

Another element in service delivery is the service customers who are often present in the "factory" (the place the service is produced and or consumed) interacting with employees and with other customers. Because they are present during service production, customers can contribute to or detract from successful delivery of the service and to their own satisfaction. These roles are unique to services situation. Methods should be employed to control the behaviour of their customers where they are likely to influence the customers' enjoyment or image of the service.

Lovelock (1991) recommends that the behaviors of customers can be managed to ensure they use the service at the right time and know how to do so properly. Other strategies include enhancing customer participation through defining customers' role and jobs; recruiting customers who match the customer profile in terms of desired level of participation; educating them for their contribution and managing the customers mix to enhance the experiences of all segments.

Service delivery can also be differentiated using *Physical evidence*. Physical evidence refers to the environment in which the service is delivered, that is, where the firm and the customer interact and any tangible commodities that facilitate performance or communication of the service (Palmer, 2001). The first part of this definition refers to the physical facility – servicescape. The second part refers to business cards, statutory billing statements, employees' dress, uniforms, brochures & Internet/web pages.

Lovelock (1991), Zeithaml and Bitner (1996) say that the design of the physical facility can differentiate a firm from its competitors and signal the market segment the service is intended for. Looy et al (1998) supports this view by saying that the front office often supports one form or another of a differentiation strategy. It is in the front office that the service can be adapted to the particular customer needs, where front office personnel interact with customers and by so doing can make a difference in satisfaction by influencing their expectations, behavior and perception of quality during and after the actual process.

Lovelock (1991) says that as a powerful differentiator, changes in the physical environment can be used to reposition a firm and or attract new market segments. Signages, colours used in decoration and displays signal the intended market segment. In another context the

design of a physical setting can also differentiate one area of a service organization from another and this is used to achieve price differentiation.

Looy et al (1998) emphasizes that the physical environment is not only part of the service delivery but is actually part of the product, which is the service itself. It is similar to a tangible product's package. According to Lovelock (1991), the servicescape "wraps" the service and conveys an external image of what is "inside" to consumers. Since production and consumption of a service are simultaneous, the design of a suitable service environment should explicitly consider the emotional states and expectations of target customers. Palmer (2001) says that the environment should leave no reminders of poor service.

Therefore it is important to think strategically about management of the tangible evidence of service, by planning it as part of the marketing strategy. Effective physical evidence can play a critically important role in communicating to customers, guiding them in understanding the firms' offerings and setting up accurate expectations during the service experience. Lovelock (1991) summarizes the role of the physical facility as setting customer expectation, creating the service experience, communicating the theme of the service organization and service quality attributes.

The aim result of the physical evidence is to: Influence the choice, expectations, satisfaction and other behaviours of consumers; Increase employee productivity, motivation and satisfaction; Meet the needs and preferences of employees and consumers simultaneously.

The *process* of service delivery can also be a basis of differentiation. Palmer (2001) says that services are about processes and that they are evaluated as much by their production process as by their final

outcomes. Service design should therefore pay attention to processes and the manner in which service personnel interact with customers during this process. He proposes that service organizations should identify their critical incidents (specific interaction between customers and service employees that are especially satisfying or dissatisfying from the customer's point of view) since it is at each critical incident that customers have an opportunity to evaluate the service provider and form an opinion of service quality. Shostack (1984) proposes the use of a service blueprint, which gives a holistic view of how the service elements relate to each other. It defines all the steps in a service process, identifies points of potential failure and it also indicates the level of tolerance for each event in the service process and action to be taken in the event of failure.

Technological developments during the last 25 years have had a remarkable impact on the way in which services are produced and delivered. Developments in telecommunications and computer technology in particular continue to result in many innovations in service delivery (Lovelock, 1996). According to Looy et al (1998), technology can add to firm's competitiveness by lowering the service firms costs or improving its competitive performance. The introduction and application of technology in service delivery allows a company to: Optimize the service delivery process; Standardize the service delivery process and as a result guarantee the reliability of the services offered; Guarantee the deliverability of the service, independent of space and time.

Technology helps anchor the service offer within the firm. Iron (1995) points out that it is vital that technology be seen as part of the service, as a method of 'delivery' rather than a method of administration, if it is not to be seen as a barrier between the business and the customer.

"The challenge is to create a service environment in which technology is servant not master" (Iron, 1995).

Organizations focusing on delivering quality service must *manage demand and capacity* of their service delivery, that is, they must strive to balance capacity utilization and demand at an optimum level in order to meet customer expectations (Palmer, 2001).

According to Palmer (2001), service organizations lack the ability to inventory their products due to the variability of services and their simultaneous production and consumption. The lack of inventory capability combined with fluctuating demands leads to a variety of potential outcomes: excess demand exceeds optimum capacity: demand and supply are balanced at the level of optimum capacity and excess capacity (Palmer, 2001). The nature of service constraints includes time, labour and equipment facilities.

Basic strategies for managing demand and supply include: Demand strategies which seek to flatten peaks and valleys of demand to match the flat capacity constraint (reservation and queuing system, increasing price at peak time, modifying time and place of delivery), whereas supply strategies seek to align, flex or stretch the fixed capacity to match the peaks and valleys of demand (using facilities for longer periods, reducing time spent in processes by customer). These strategies can be employed simultaneously. However, Lovelock (1991) says that where it is not possible to align supply and demand, the inevitable result is customer waiting strategies for effectively managing waiting lines which include: employing operational logic, establishing customers and process, differentiate waiting customers and make waiting fun or at least tolerable. Lovelock (1996) recommends using yield management techniques to develop

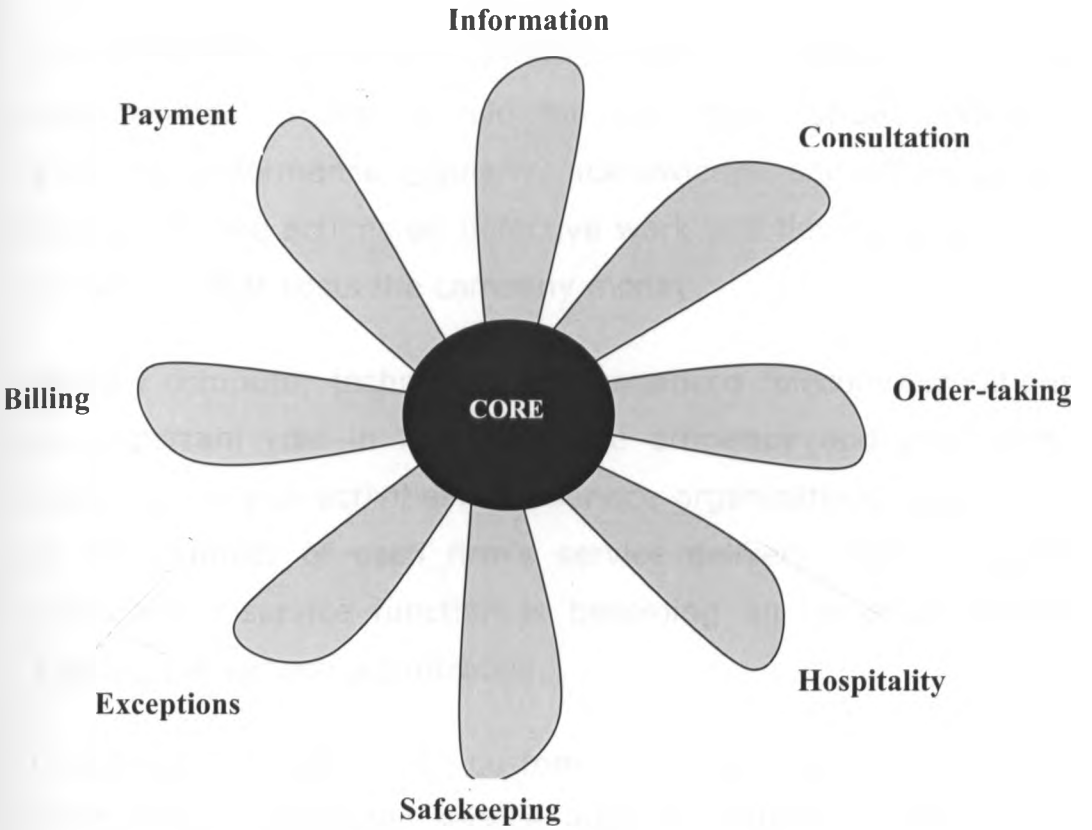
sophisticated pricing strategies designed to improve profitability by selling to different segments at different prices.

As business in general and the service sector in particular become more competitive, the need for meaningful differentiation includes a search for superior performance not only on the core product but also on each of the supplementary service elements (Lovelock, 1991). These supplementary service elements are what Lovelock refers to as *customer service*. He says that customer service takes different forms according to the degree of contact, but is important wherever it occurs. Lovelock (1991) defines customer service as "task-oriented activities, other than proactive selling that involve interactions with customers in person, by telecommunications, or by mail. This function should be designed performed, and communicated with two goals in mind, customer satisfaction and operational efficiency."

Lovelock (1991) developed the concept of the flower service (see *figure 3* overleaf) to illustrate how service firms can add value to the core offering. A key insight from the flower of service concept is that use of similar supplementary services like information consultation, billing and payments may make comparisons across industries hence Managers should be aware of the importance of selecting the right mix of supplementary service element and creating synergy by ensuring that they are all internally consistent. It is not how many petals the flowers has but that each petal is fresh, perfectly formed and adds luster to the core product in the eyes of target customers.

Figure 3: Service Flower

The flower of a service core product surrounded with clusters of supplementary services



Source: Lovelock (1996), Service marketing, Prentice Hall, PP 342

According to Lovelock (1991), achieving such differentiation using supplementary service elements requires formalizing and integrating customer service activities into a professionally managed function by: Conducting on going research to determine customer needs, wants and satisfactory levels for each of their service encounters; Identifying the key resources of customer satisfaction (or dissatisfaction) and relating them to current service elements; Setting service level standards for each element with reference to how they relate to each other; Designing jobs and technological systems to meet these standards and periodically revising standards and delivery systems in

the light of changing customer preferences, technological innovation and competitive activities.

In addition a service organization should undertake recruiting the right employees, training employees properly, educating customers, standardizing response systems, being proactive – look for opportunities to play a role for customers (social responsibility), evaluate performance regularly, acknowledge and affirm good work, take corrective actions on defective work and develop a pricing policy for service that costs the company money.

Modern computer technology and enhanced telecommunications play an important role in improving the efficiency and effectiveness of customer service activities. As service organizations grow larger and as the number of each firm's service delivery sites increases, the customer – service function is becoming an important element in knitting the service organization.

Designing an effective customer service organization requires conducting a customer service audit to determine the nature and scope of its customer service function. The findings of the audit are used to establish the current situation and provide a basis for planning the future scope and quality of the customer service function. Since customer service is potentially an important tool in competitive differentiation, an appraisal should be made of competitors' customer service functions.

According to Zeithaml and Bitner (1996), *service recovery* which is a service differentiator for service delivery, is the action taken by an organization in response to service failure. A major challenge in service delivery is maintaining consistent standards of service. Zeithaml and Bitner (1996), Bitner et al (1994) and Parasuraman et al

(1985) say that customers judge four of the service quality dimensions (responsiveness, assurance, empathy and tangibles) primarily during the service delivery process. It is during delivery, when customers directly experience provider's service skills and firms are best able to augment the service core of reliability in a way that differentiates. Further research reported by Bitner et al (1994), Berry et al (1994) shows that reliability is the single most important dimension used by customers to judge service quality during delivery. This implies a need for a service process and system analysis to determine the root causes of system failures.

Lovelock (1991) recommends services blueprinting which focuses on the customer as one tool that addresses these challenges of designing and specifying intangible service processes. It matches services specifications to customer expectations by describing critical service process characteristics objectively and depicts them so that employees, customer and managers alike, know what the service is and see their role in delivery. They can also understand all the steps and flows involved in the service process. This would speed up processes and weed out unnecessary steps to avoid wasted time and effort, which are important ways of improving the perceived value of a service. Hence service quality and productivity can be improved.

Zeithaml and Bitner (1996), say that effective recovery strategies will help retain customers and increase positive word of mouth. They are also useful for service improvement. A happy customer will go away and tell two or three people about the good service, but a dissatisfied customer will tell probably a dozen about the failure (Palmer, 2001).

Service recovery strategies include offering service guarantees that offer unconditional guarantee of satisfaction, refund or credit in the event of dissatisfaction, training on complaint handling and

management, empowerment of front-line personnel to take remedial action and strategies of learning from customers' complaints.

2.4.3. Image

Lovelock (1991) says that a service firm's corporate image plays a role in defining customers' perception of quality since it is based on both technical and functional quality. Doyle (1998) says that customers prefer those suppliers who have an image for quality service. Customers build up this image through the quality of their personal contacts with the company's products and staff. According to Palmer (2001) and Lovelock (1991), service companies can differentiate their image through *branding* and *positioning*.

Dibb et al (1997) have defined a brand as a unique set of tangible and intangible added values that are perceived and valued by the customer. In addition a brand is said to have a personality, an emotional bond to the customer that grows out of perceived characteristics. Palmer (2001) says that branding creates a distinctive identity for a service or service organization.

Brand identity provides a shorthand reference to the position adopted by a service offer or service provider. Brands are important in guiding buyers when choosing between otherwise seemingly similar competing services. The use of brands in the service sector is becoming increasingly important as a means of limiting the search activities of potential buyers (Palmer, 2001).

The purpose of branding is to identify products as belonging to a particular organization and to enable differentiation of its products from those of its competitors. Most service offerings are branded using the provider's corporate image (Palmer, 1998). However there are cases where the service itself is branded or there is a hierarchy of

brands and sub-brands representing both corporate identity and service specific identity (for example, a 'Big Mac' offered by McDonald). It can also be on intangibles for instance The Kenya Commercial Bank has branded one of its accounts as, 'the Golden account', while The Co-operative bank of Kenya has 'Jumbo Junior account.'

Brands have been applied to organizational image too. The notion of an emotional relationship to a product has been extended to develop an emotional relationship between an organization and its customers. Tesco and Marks and Spencer have become strong brands, which command the respect of the buyers to their strong functional attributes of their brand through consistent product quality, which has been supplemented with their portrayal as caring service organizations. Branding can also be done on tangible clues like the physical facilities such as service delivery sites, fashion/uniform colour of employees, premises, vehicles and communication materials (Palmer, 2001).

Legg and Baker (1987), Berry (1980), state that competitive advantage can be gained by making the service more touchable and or easily understood mentally. Strategies have been proposed in the marketing literature to aid consumer understanding of service by use of relevant tangible objects and concrete specific language. Some of the strategies include use of strong visual symbols. For example, The Barclays Bank of Kenya uses a picture of an eagle as its logo to signify strength, boldness and confidence and is an imposing figure, giving an impression of a market leader. Concrete, specific language can also be used to compensate for service intangibility. The following examples from insurance industry illustrate the use of relevant tangible cues in advertising; "You are in good hands with Allstate"; "Under the

travellers umbrella"; Hands and umbrellas signify protection. Shostack (1987) states that phrases like "sound analysis", "careful portfolios monitoring" describe the intangible service of investment management. The Housing Finance Company of Kenya, (HFCK) re-branded to use the slogan 'turning dreams into homes'. Kenya Airways uses 'The Pride of Africa' giving a sense of belonging and confidence.

Service organizations can also differentiate their image by distinct *positioning.* Wind (1982) says that a position can be defined by reference to a number of scales - product features, benefits or needs satisfied, usage occasions, user categories, product class and positioning by another product. Lovelock (1991) asserts that service quality and price are the two very basic dimensions of positioning strategy relevant to service industries. Services can be positioned either on a stand–alone basis or as part of a service organization's total service range. In effect, the service organization adopts a position rather than the individual service (Palmer, 2001). It is particularly important that there be some consistency between the positions held by different services offered at the same location since the image of one may spill over to others.

As competition intensifies in the service sector its becoming progressively more important for service organizations to "differentiate their products in meaningful ways". Specifically firms should be selective in targeting customers and distinctive in the way they present themselves. A market consists of people with distinctive characteristics and needs, hence a service firm should select a target segment not only on the basis of their sales and profit potential but also with the firms ability to match or exceed competing offering directed at the same segment (Lovelock, 1991).

He defines positioning as the process of establishing and maintaining a distinctive place in the market for an organization and or its individual product offerings. Heskett (1984) emphasizes that

> *"the most successful service firms separate themselves from "the pack" to achieve a distinctive position in relation to their competition. They differentiate themselves..... by altering typical characteristics of their respective industries to their competitive advantage" (Heskett J.L, 1984, Managing in the Service Economy Boston: Harvard Business school press; P.45)*

Positioning plays a pivotal role in marketing strategy because it links market analysis and competitive analysis to internal corporate analysis. Positioning analysis provides input to decisions relating to product development, service delivery, pricing and communication strategy (Lovelock, 1991).

Due to the intangible, experiential nature of many services an explicit positioning strategy is valuable in helping prospective customer to get a mental 'fix' on a product that would otherwise be rather amorphous. Steps in developing a positioning strategy include: Marketing analysis to determine the size, location and trends of demand; refining or defining of market segment and how this segment views competition; internal corporate analysis to identify its resources, any limitations or constraints and the values and goals of its management. These insights can be used to select a limited number of target market segments, which a firm is willing and able to serve with new or existing services. They can also be used for competitive analysis, to identify and analyze competitors in order to identify a marketing strategy, which may suggest opportunities for differentiation. The outcome of the forms of analysis is a position statement that articulates the planned position of the organization in the market place (Lovelock, 1991).

Shostack (1987) views positioning as involving two dimensions, complexity and diversity. Complexity refers to analyzing the number and intimacy of the steps required to perform a service while the degree of freedom allowed or inherent in a process steps or sequence can be thought of as its divergence. Lovelock (1991) says that a change in overall complexity or divergence indicates one of four overall strategic directions.

Reduced divergence leads to uniformity and indicates a volume oriented positioning strategy. There is also perceived increases in reliability, more uniform service quality and greater service availability. However, reducing divergence dictates conformity and customers may perceive the shift as one that lowers customization (Lovelock, 1991).

Increased divergence is characterized by greater customization flexibility and tends to command high prices. This indicates a niche positioning strategy. It will be positive if it taps a desire for prestige, customization or personalization. However a divergent service is difficult to manage, control and distribute and maybe customers may not be willing to pay a high price (Lovelock, 1991).

Reduced complexity usually indicates specialization strategy. Such a service can be perceived positively by the market if the provider stands out as an expert. However reduced complexity can be perceived as "stripped down" and is competitively risky if other providers continue to offer a broader more extensive full-service.

Increased complexion indicates a strategy to gain greater penetration in a market by adding more services or enhancing current ones. This can increase efficiency by maximizing the revenue generated from each customer.

2.5 CHALLENGES OF ADOPTING SERVICE DIFFERENTIATION STRATEGIES

According to Doyle (1998), there are various challenges that are faced by service firms that adopt service differentiation strategies. One of them is the *integrated marketing and operations approach* found in most service firms. In manufacturing firms, marketing and production decisions are usually taken by separate functional managers while in service firms, unit managers like bank managers and hospital administrators, are normally responsible for both marketing and operational activities. Marketing activities can often be crowded out by the operational problems of keeping the bank or the hospital functioning efficiently.

Doyle (1998) says that the fact that there is no tangible *product differentiation* also poses a challenge in service firms. Unlike in physical goods marketing, services cannot be displayed. For example, a prospective buyer of a management consultancy service cannot see which of the alternative suppliers looks most attractive.

Another challenge is the *lack of patent protection* which makes it easy for service advantages generated by innovation systems or layouts to be easily copied. As a result, it is often easy for new competitors to enter or erode the differential. In addition Doyle (1998) says that innovation poses another challenge in that service innovations normally have the added problem of requiring customers to change their behavior, for example when automated teller machines were introduced, customers had to be motivated to use cash dispensers and learn how to use them.

It is also *difficult to control customer interface* hence consistent performance in quality is hard to obtain because it depends upon the

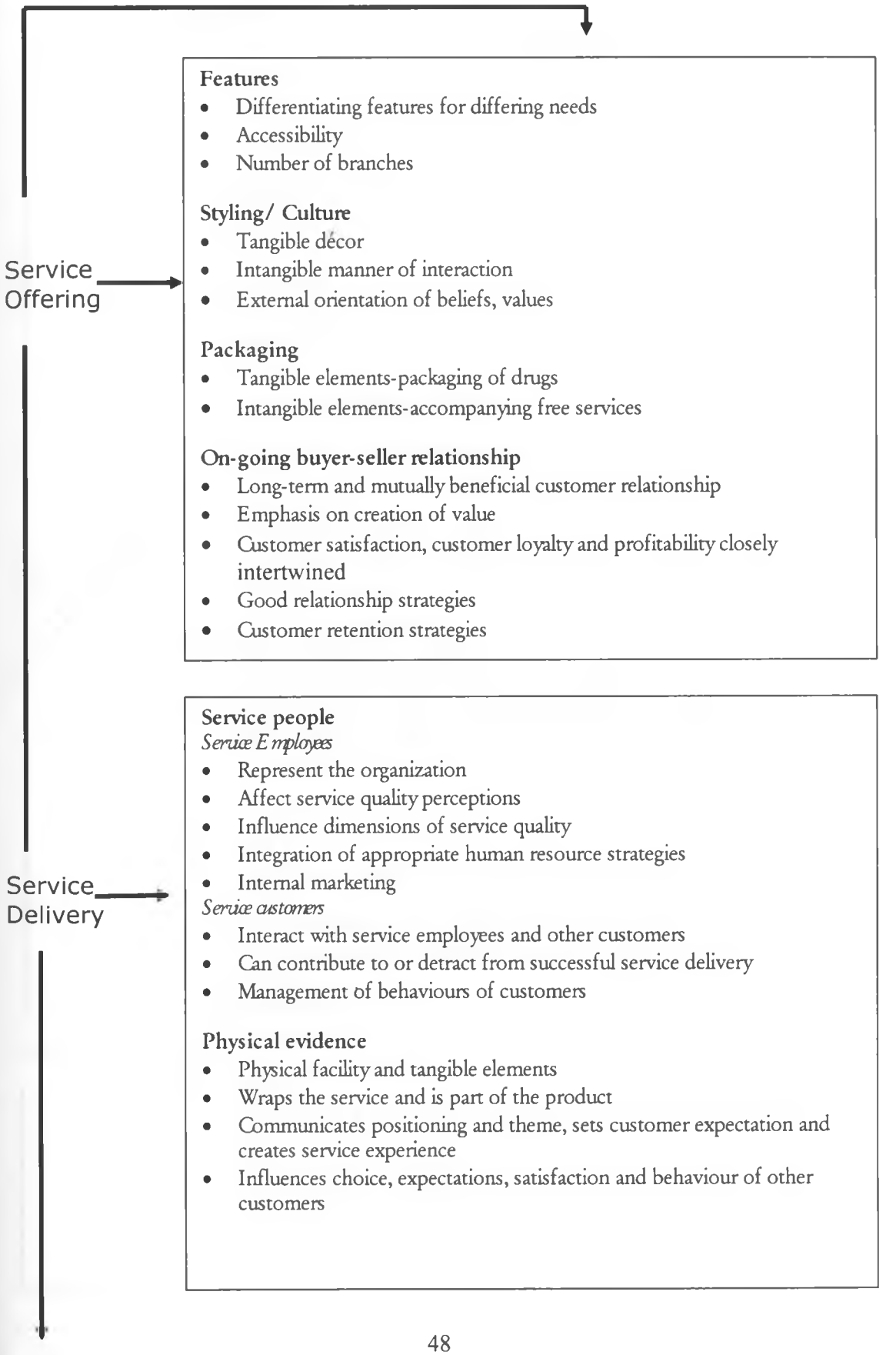
unpredictable, behaviour of individual consumers and employees. A consistent brand image is not easily built.

Palmer (2001) says that mass production of services is impossible hence making *growth difficult*. Scale economies in producing services can rarely be achieved. Growth normally requires setting up of small, autonomous factories and attracts more 'general' managers. Related to the challenge of growth is that of *improving productivity.* Services are hard to automate without bringing down service quality. When services are automated, control is lost on service delivery and quality, like in the case of ATM machines, which are impersonal and have limited interaction with the customer. Hesket et al (1994) says that the challenge is to find a balance between increase in customer throughput and perceived service quality.

Generally, service firms have more *restrictive regulations* than manufacturers in what they can do or say about their business. This is especially so for professional services like legal and hospital services where their professional code of ethics limits the extent to which they can advertise their services.

Most of the above challenges are due to the characteristics of services and the marketing implications, which were discussed in section 2.1.2. The figure overleaf gives a summary of the conceptual framework of the literature review.

Figure 4: Summary of the Literature Review



Summary of the Literature Review (Cont.)

Service Delivery

Process

- Service as a process; evaluation of production process as important as final outcome
- Identification of critical incidents
- Use of service blueprint

Use of technology to:

- Optimize the service delivery process
- Standardize the process-guarantee reliability
- Guarantee deliverability of service irrespective of time and space

Customer Service

- Task oriented activities/supplementary services
- Service flower concept-right mix and internal consistence of the service
- Formalize and integrate activities
- Customer service audit
- Appraisal of competitors customer service functions

Service Recovery

- Action taken in response to service failure
- Identification of critical incidents
- Service blueprinting
- Service recovery strategies

Managing demand and capacity

- Balance capacity utilization and demand at an optimum level
- Demand strategies to flatten peaks and valleys of demand
- Supply strategies to align, flex and stretch fixed capacity
- Yield management to improve productivity

Image

Branding

- Tangible and intangible added values perceived and valued by customer
- Shorthand reference to position of service offer or service provider
- Creates an emotional relationship between organization and its customers
- Physical facility
- Use of strong visual symbols, use of concrete, specific language
- Consistency of branding

Positioning

- Service quality and price-basic dimensions for positioning in service firms
- Position service offer or as part of total service range
- Consistency of positioning
- Complexity and divergence dimensions

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research design

The study was a descriptive survey, which aimed at establishing the service differentiators used in private hospitals. According to Cooper and Schindler (2003), such a study that is concerned with finding out what, where and how of a phenomenon is a descriptive study, which is the concern of this study. This design has been used successfully by Njoroge (2003) and Mwaura (2001) in their study.

3.2 Population of study

The population of interest included all the private hospitals in Nairobi. According to the Kenya Medical and Dentist Practitioners directory of 2004 there were 48 private hospitals in Nairobi, (*See Appendix 2*) and therefore, a census study was carried out due to the relatively small size of the population.

3.3 Data collection

Primary data was collected using a structured questionnaire (*see Appendix 3*). The questionnaire was pre-tested to find out its appropriateness and workability. This was dropped at the respective hospitals and collected at a later period. The target respondents were marketing managers or any other person entrusted with the hospitals' marketing activities, which in some hospitals were the Chief Executive Officers.

The questionnaire was divided into three parts. Part A consisted of general information while Part B consisted of questions on the extent of usage of service differentiators while Part C was on the challenges of adopting service differentiators.

3.4 Data analysis

The data collected was analyzed using descriptive statistics. Part A was analyzed using frequency tables, while Part B and C was analyzed using frequencies, mean scores, tabulations and standard deviations.

3.5 Operationalizing Service Differentiation dimensions

In order to operationalize the service differentiation dimensions, the determinants were defined as shown in the table below. The questionnaire uses the 5-point Likert scale to measure the extent to which the dimensions are used by the hospitals. Mazrui (2003) and Mwaura (2001) have used the Likert scale successfully in related studies.

Dimensions of Service differentiation	Expanded Dimension	Relevant Issues	Relevant Questions
Service offering	**Features**	- Different types of services to appeal to different types of customers - Easy accessibility for customers in terms of time, transport, telephone, internet etc	**1,2,3,4,5,6,7,8, 9,10,11,12**
	Styling/Culture	- Tangible elements e.g. decor - Internal values of organization - Communication of values - Intangible manner in which front-line staff interact with customers. - Service culture	**13,14,15,16,17 ,18,19,2021,38 ,**
	Packaging	- Tangible elements eg distinct packaging of drugs. - Intangible elements eg supporting and enhancing services	**3, 4, 5, 6,8,**
	On-going buyer relationships	- Right/flexible employees -Right customers/Fit organization profile -Collection, analysis and dissemination of information -Retention strategies	**41,62,82,83,84 ,85,86,87,**

Service Delivery	**Service people**	- Hiring the right people - Appropriate and continuous training. - Performance based remuneration and rewards - Support systems - Empowerment - Service standards - Job to skills fit - Job description and delegation - Other customers- right customer, education, information, role description, customer segmentation.	**15,21,22,23,24,25,26,27,28,29,30,31,32,33,34,35,36,37,38,39,40,42,43,44,49,59,63,71,79,80**
	Physical evidence	- Communication of position, theme, service quality, creating service experience and setting of customer expectation - Positioning of service organization	**10,24,43,44,45,46,47,48,49,50,51,89**
	Process	- Customer oriented - Customer friendly - Identifying of critical encounters - Mapping of service process/service blueprint	**52,53,54,55,56,57,58,61**
	Technology	-Optimize service delivery process -Standardize process -Guarantee reliability	**9,59,60**

	Customer service	- Right mix of Customer service activities -Internally consistent and create synergy -Use of technology for networking -Customer service audit -Appraisal of competitors' customer service activities	**40,60,61,62,63, 64**
	Managing capacity	**-Managing customer demand strategies** eg managing queues, using reservation method, stimulating demand during off peak periods, bundling of other services during off peak periods. -Managing service capacity eg Alternative uses for personnel and equipment during off-peak periods, multi-skilling of personnel, buying-in capacity on a short time basis, carrying back up work during off –peak.. - Flexible employees- core and peripheral employees -Customer waiting strategies	**65,66,67,68,69,70,71,72,73**

	Service Recovery	- Complaint handling and management - Service guarantee for cases of dissatisfaction, financial compensation - Strategies of learning from customers complaints - Empathy of frontline personnel with customers - Empowering frontline personnel to take remedial action - Blueprinting of services	**53,54,74,75,76,77,78,79,80,81**
Image	**Branding**	- Service organization - Service offer - Hierarchy of brands - Tangible cues - Visual symbols and specific concrete language - Consistency	**13,88,89,90,91,**
	Positioning	- Service organization - Service offer - Consistency - Complexity of service processes - Divergence of service processes	**3,93,94,95,96,97**

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1 Introduction

The objectives of the study was to determine the extent to which service differentiation strategies have been adopted in private hospitals in Nairobi and the challenges that the hospitals face while adopting these strategies. In this chapter data pertaining to the study is hereby analyzed and interpreted. Data analysis has been done using frequencies, percentages, mean scores and standard deviations.

Out of the 48 respondents, 30 successfully completed the questionnaire. This results to a response rate of 63%. Other researchers in the past registered a response rate of between 30% and 91% (Matseshe, 1999) and (Mazrui 2003) in similar studies.

4.2 General Information On Hospitals

This section presents general information about the hospitals that participated in this study. This includes services offered and the general profiles of the hospital.

4.2.1 Services Offered by the Hospitals

According to Table 1, laboratory services were offered in all the hospitals. Other services in most of the hospitals include: pharmacy, obstetrics, pediatrics, and consultant clinics. Other services offered in a few of the hospitals include intensive care, VCT, nutritional unit, training patient attendants and mother to child transmission among others. Renal unit services were the least offered as shown in Table 1 overleaf.

Table 1: Main services offered

Service	Frequency	%
Laboratory	30	100%
Pharmacy	29	96%
Obstetrics	26	88%
Pediatrics	24	79%
Consultants clinics	23	75%
Home nursing	19	63%
Radiology	17	58%
Day surgery	14	46%
Physiotherapy	13	42%
VCT	8	27%
Maternity	8	27%
Counseling	5	18%
Nutritional unit	5	18%
Ambulance	5	18%
Training patient attendants	5	18%
Prevention of mother to child transmission	5	18%
Obstetrician	3	9%
Genecology	3	9%
Child welfare antenatal	3	9%
Child welfare postnatal	3	9%
Occupational Therapy	3	9%
Community outreach	3	9%
Surgical	3	9%
Medical	3	9%
Operating theatre	3	9%
Skin	3	9%
Dental	3	9%
X ray	3	9%
Family planning	3	9%
Intensive care	3	9%
Renal Unit	1	3%

Source: Research data

4.2.2 Hospital Profiles

The hospital profiles were categorized by age, ownership, competitiveness and mode of transport used. Table 2 shows that most of the participating hospitals were less than 10 years in operation (58%), some had been operations between 10 to 20 years (38%) while a few were in operations for 31 to 40 years (3%). Most of the hospitals were either privately owned (63%) or run by religious organizations (21%). Individual and public company ownership was

minimal at 3% while NGO was 7%. Most hospitals owned their premises (67%) compared to those who rented (33%). Most were in business for profit (70%) compared to those not for profit (30%). Majority considered the competitiveness in the industry to be high (52%), while others perceived the level of competition to be moderate (26%), Low (17%) or very high (3%). All the hospitals could be accessed by public transport among other means of transport. Hospitals do not seem to have invested in having courtesy buses for their patients as shown by the low percentage of 12 while others have made an effort to partner with taxi companies (22%).

Table 2: Organizations profile by age, ownership, type of premises, objective, competition and mode of transport

Base=30	**Frequency**	%
Number of years in which the hospital has been operational		
Less than 10 years	18	58%
10 - 20 years	11	38%
31 to 40	1	3%
Ownership		
Private Company	19	63%
Religious organization	6	21%
NGO	2	7%
Public company	1	3%
Individual	1	3%
Type of premises		
Owned	20	67%
Rented	10	33%
Objective		
For Profit	21	70%
Not for profit	9	30%
Level of Competition		
Low	5	17%
Moderate	8	26%
High	16	52%
Very high	1	3%

Base=30	Frequency	%
Means of transport available to patients		
Public Vehicles	30	100%
Private vehicles	12	39%
Partnership with taxi companies	7	22%
Hospitals courtesy bus	1	12%

Source: Research data

4.2.3 Source Of Information About The Hospital

This section sought to find out where customers can access information about the hospital. As shown on Table 3 below, the main sources of information about the hospital are; telephone (23), notice board (19) and newsletter (16). This means that the modern communication methods including mobile phones, e-mail and web site are yet to catch up with the sector.

Table 3: Source of information about the hospital

Source of Information	Frequency
Telephone	23
Notice board	19
Newsletter	16
Website	14
E mail	8
Fax	5
Mobile phone	5

Source: Research data

4.3 Findings By Service Differentiation strategies and dimensions

This section presents the core findings of the study, that is, the extent of usage of service differentiation strategies and dimensions. This section is divided into three sub sections. The first sub-section presents the findings along each service differentiation dimensions as specified in chapter three. These dimensions, which comprise of expanded service differentiation dimensions include, **service offering, service delivery and image.** The findings are presented using mean scores to show the extent of usage and standard deviation to show the

degree of consensus among the respondents. A mean score of 4.5 was interpreted as indicating that the particular strategy was applied to a very large extent. A mean score that is 3.5 or more but less than 4.5 indicates that the strategy was applied to a great extent. A mean score that is 2.5 or more but less than 3.5 would indicate the strategy was applied to some extent. A mean score that is 1.5 or more but less than 2.5 would indicate that the strategy was applied to a small extent. A mean score that is less than 1.5 would indicate that the strategy was applied to no extent at all. Standard deviations were interpreted to be high if they are greater than 1 and to be low if less than one. High standard deviation figures were interpreted to mean that respondents varied significantly in their responses while low deviations mean there was agreement among respondents.

The second sub-subsection shows the findings of correlation between adoption of service differentiation strategies and hospital size while the final section presents the challenges faced by private hospitals in adopting the service differentiation strategies.

4.3.1 Extent to which Service Offering is used as a Service Differentiator

The expanded dimensions under service offering as a strategy include: features, styling/culture, packaging and on-going buyer relationships.

4.3.1(i) Features

Features were mostly used to some extent with the average score being 2.86 with significant variations across the industry. As shown in Table 3, the features that were used to a great extent in differentiation included offering a wide range of services (3.87), packaging of service offerings to include subsidized or free services (3.26), partnering with provider organizations (3.19) and use of distinct packaging for drugs

(3.09). The least used feature is the specialized program with a mean of 1.52. It has the lowest standard deviation (0.85), which means very few hospitals used it and therefore there is very little variation in the industry.

Table 4: The extent to which Features are used in Service Differentiation

Features Dimension	Mean Score	Standard Deviation
Offer a wide range of hospital services	3.87	0.55
Offer specialized services like intensive care, specialized x-ray, home nursing etc	2.83	0.94
Offer satellite /outreach services	2.17	1.34
Packaging of service offering to include subsidized/free services e.g. free medical check ups	3.26	1.18
Existence of specific programs for specialized needs e.g. heart programs, operation smile etc	1.52	0.85
Use of distinct packaging material for drugs	3.09	1.35
Partner with Preferred Provider organizations e.g. provider for insurance AAR etc	3.19	1.63
Easy accessibility in terms of courtesy bus for patients	2.26	1.51
Computerization of processes	3.22	1.20
Existence of cafeterias, drink and snacks dispensers	2.09	1.12
Usage of entertainment facilities (TV, music/radio, children's' playing area)	3.26	1.14
Designated parking for patients	3.52	0.95
Features Overall	**2.86**	**1.15**

Source: Research data

4.3.1(ii) Styling/culture

Styling /culture was used to a great extent with an average score of 3.95 with varying degrees across the industry as indicated by the overall standard deviation (1.1). The service dimension that was used to the greatest extent was that of employees having a unique way of interacting with their patients (4.30) and was also the most consistently used with a standard deviation of 0.63. This shows that employees had unique ways of doing things, that is, a deep entrenched culture that differentiates them between organizations. The least used dimension was employing employees to fit that fit the hospitals culture. Though this had a mean of 3.33, its usage had the highest variation as shown by a standard deviation of 1.46. This means that some hospitals actually considered this dimension while

others did not consider it at recruitment stage possibly because they think the employees would learn the prevailing culture with time. Table 5 below shows the usage of styling/culture dimension.

Table 5: The Extent to which Styling/ Culture is used in service differentiation

Styling/Culture Dimensions	Mean Score	SD
Use of distinct fashion/uniform for employees to differentiate with other hospitals	3.52	1.16
Interior décor reflect style of your hospital	3.96	1.02
Employees have a unique way of interacting with patients that reflect style of your hospital	4.30	0.63
Reference is made to the vision and mission statement of your hospital on day to day activities	4.22	1.04
Use of clearly defined organizational values that support mission of your hospital	4.17	1.03
Strong sense of the hospital's culture among all employees	4.09	0.95
The hospital's values are consistent in all levels of management and throughout the organization	4.00	1.09
The hospital's values are well communicated throughout the organization	4.17	0.94
Recruit people who fit your culture/do things your way	3.33	1.46
Managers regularly make presentations on the hospital's commitment to excellent service	3.77	1.23
Overall styling/culture	**3.95**	**1.1**

Source: Research data

4.3.1(iii) Packaging

Packaging was used to some extent with an overall score of 3.12 and a high standard deviation of 1.57 meaning that there were major variations across the industry as illustrated in Table 6 below. Very few hospitals packaged services in terms of carrying out specific programs for specialized needs as shown by a low mean of 1.52 and there was consensus about adoption of this service dimension. This could be because such programs are normally done by a conglomerate of hospitals as opposed to one hospital.

Table 6: The extent to which packaging is used in service differentiation

Packaging Dimensions	Mean Score	SD
Offer satellite /outreach services	2.17	1.34

Packaging Dimensions	Mean Score	SD
Packaging of service offering to include subsidized/free services e.g. free medical check ups	3.26	1.18
Existence of specific programs for specialized needs e.g. heart programs, operation smile etc	1.52	0.85
Use of distinct packaging material for drugs	3.09	1.35
Partner with Preferred Provider organizations e.g. provider for insurance AAR etc	3.19	1.63
Easy accessibility in terms of courtesy bus for patients	2.26	1.51
Packaging overall	**3.12**	**1.57**

Source: Research data

4.3.1(iv) Ongoing Buyer Relationships

Ongoing buyer relationships were used to a great extent with a mean of 3.6 and a standard deviation of 0.97, which means there was consensus across the industry as the standard deviation was less than 1. The continuous development of services to suit ongoing buyer relationships was the most used service dimension and it was consistently used with a standard deviation of 0.93. Notably low was the use of relationship surveys with a mean of 2.9. Nevertheless, this had the highest standard deviation, 1.17 meaning that its usage was varied across the industry. This is shown in Table 7.

Table 7: The extent to which Ongoing Buyer Relationships are used in service differentiation

Buyer Relationships Dimensions	Mean Score	SD
Conducting of research to determine patients needs, wants and satisfaction levels	3.30	1.14
Conducting of research to determine patients needs, wants and satisfaction levels	3.30	1.14
Everybody knows the potential value of a customer who stays loyal to the company	3.95	.82
Effective market segmentation to identify which organizations/ patients you want to have long term relationship	3.86	0.8
Continuous development of services that suit the needs of these relationships	4	0.93
Carry out relationship surveys and up to date customer database	2.9	1.17
Existence of continuous relationship with patients	3.83	0.70
Existence of associations for members, support groups/referral network for support services	3.58	1.1
Ongoing Buyer relationships	**3.6**	**0.97**

Source: Research data

Summary of Service offering Strategy

The most used differentiators were styling/culture and ongoing buyer relationships with a mean of 3.95 and 3.6 respectively while packaging and features were used to a lesser extent with a mean of 3.12 and 2.86 respectively. Packaging had the greatest variability in use with a standard deviation of 1.57 while ongoing buyer relationship had the least variability in use with a standard deviation of 0.97. This is illustrated in Table 8 below.

Table 8: Summary of Service offering as a Service differentiator

Service Offering Differentiators	Mean	SD
Ongoing Buyer relationships	3.6	0.97
Packaging	3.12	1.57
Styling/culture	3.95	1.1
Features	2.86	1.15
Service offering	**3.38**	**1.20**

Source: Research data

4.3.2 Extent to which Service Delivery is used as a Service Differentiator

The expanded service dimensions under service delivery strategy include; service people, physical evidence, process, technology, customer service, managing capacity and service recovery. The following sub-sections outline the extent to which these dimensions were used to differentiate services.

4.3.2(i) Service people

Service people dimension was used to a large extent tending to a very large extent as a differentiation strategy with an overall mean of 3.88 and a standard deviation of 0.91, meaning that this was consistent across the industry. See Table 9.

Table 9: The extent to which Service people are used in service differentiation

Service People Dimensions	Mean Score	SD
Employees have a unique way of interacting with patients that reflect style of your hospital	4.30	0.63
Recruit people who fit your culture/do things your way	3.33	1.46
Recruitment viewed as a quality process, that focuses on skills and qualities required	4.57	0.50
Use of a competency profile (the skills, qualities and attitudes required) at each level and area of the hospital.	4.65	0.57
Use of employees' fashion/uniform to differentiate between staff and patient and between different levels of staff.	4.21	1.20
Use of clearly defined roles for every employee in each department (delegation of authority, job description).	4.21	0.90
Use of clearly defined and documented hospital policies, processes and procedures.	4.17	0.83
Employees are empowered to respond quickly and effectively to unforeseen needs of their colleagues/work mates	4.13	0.81
Employees are empowered to respond quickly and effectively to unforeseen needs of the patients	4.30	0.76
Employees are flexible when circumstances require deviance from policy to meet needs of their work mates	4.13	0.81
Employees are flexible when circumstances require deviance from policy to meet needs of the patients.	4.14	0.72
Employees are held accountable to their service commitments to colleagues/ work mates.	4.04	0.70
Employees are held accountable to their service commitments to the patients.	4.52	0.51
Performance standards exist throughout the hospital defining required levels of performance.	4.08	0.99
Remuneration and rewards are based on performance.	3.47	1.20
Frequent use of internal and external training programs for employees.	3.18	1.29
Use of staff newsletters, team talks, internal communication through mail/intranets, notice boards, staff welfare committees	3.39	0.83
Management seek front liners' opinions in strategy, policy and training	3.54	0.91
Managers regularly make presentations on the hospital's commitment to excellent service	3.77	1.23
Managers play a key role in the delivery of excellent service by involving their teams in a program of continuous improvement	3.78	1.13
Periodically revising service standards and delivery systems in the light of changing customer preferences, technological innovation and competitive activities.	3.57	0.97
Clear profile of the customers that your hospital needs to attract.	4.13	0.88
Patients are made aware, educated, trained in their roles in the service delivery process.	3.34	0.94

Service People Dimensions	Mean Score	SD
Use of designated areas for patients with different ailments.	3.56	1.02
Use of designated areas for different patients eg children and adults.	3.69	0.78
Physical environment increases employee productivity, motivation and satisfaction.	3.73	0.86
Designing jobs and technological systems to meet service level standards	3.91	0.73
Carrying out of periodic customer service audit	3.21	1.16
Multi-skilling of employees- back office and frontline	3.78	0.79
Empowerment of front-line employees to take remedial action	3.73	0.86
Empowerment of front-line employees to take remedial action	3.73	0.86
Guarantee customers standards of service excellence, measure performance and customer satisfaction against these standards	3.65	1.07
Service People	**3.88**	**0.91**

Source: Research data

The most popular service dimension was the use of a competency profile with a mean score of 4.65 and a low standard deviation of 0.57, which shows general consensus across the industry. This dimension could be popular given that this is a highly professional industry hence the required quality skills and attitudes are very important.

4.3.2(ii) Physical Evidence

Physical evidence dimension was characterized by a mean of 3.84 and a standard deviation of 1.05. The use of employees' fashion/uniform to differentiate between staff and patient and between different levels of staff was used to a large extent with a mean score 4.21, followed closely by physical environment that communicates the theme of the hospital with a mean score of 4.08. The highest deviation occurred in the use of consistent colours for physical environment, vehicles, and employees' fashion/uniform at a standard deviation of 1.34. See Table 10. This is expected as most of the hospitals did not have a marketing department hence they lacked a marketing orientation.

Table 10: The extent to which Physical Evidence is used in service differentiation

Physical Evidence Dimensions	Mean Score	SD
Existence of cafeterias, drink and snacks dispensers	2.09	1.12
Use of employees' fashion/uniform to differentiate between staff and patient and between different levels of staff.	4.21	1.20
Use of designated areas for patients with different ailments.	3.56	0.94
Use of designated areas for different patients e.g. children and adults.	3.69	1.019
Physical environment (buildings, layout, uniform, communication materials) communicates/positions hospital clearly so that customers form accurate expectations.	3.6	0.98
Physical environment communicates the theme of your hospital.	4.08	0.84
Customer's perspective sought when designing the physical environment/layout	2.73	1.25
Physical environment communicates the service quality attributes like reliability, responsiveness, empathy	3.60	0.78
Physical environment increases employee productivity, motivation and satisfaction.	3.73	0.86
Physical environment meets the employees and patients needs & preferences simultaneously.	3.6	0.75
Physical environment influence customer's choice.	3.95	0.56
Consistent colors used for physical environment, vehicles, employees fashion/uniform	3.41	1.34
Physical Evidence	**3.84**	**1.05**

Source: Research data

4.3.2(iii) Process

Use of process a service dimension was used to a great extent as shown by a mean score of 3.70 and a standard deviation of 0.79 meaning that there was consensus in the usage of this dimension across the industry. Majority of the hospitals worked towards the continuous improvement of processes to suit patients and employees' needs and preferences as shown by a mean score of 4.21. The least practiced is the use of customer surveys to find if processes are customer oriented and customer friendly at a mean of 3.30 and with the greatest variability with a standard deviation of 1.36. See Table 11 for details.

Table 11: The extent to which Processes are used in service differentiation

Processes Dimensions	Mean Score	SD
Use of well displayed charts for key processes.	3.78	0.73
Use of customer surveys to find if processes are customer oriented and customer friendly.	3.30	1.36
Identification of critical service delivery levels and establishing levels of tolerance for each level.	3.78	0.73
Continuous improvement of process to suit patients and employees needs and preferences.	4.21	0.59
Adapted technology optimizes the service delivery process	3.69	0.82
Adapted technology standardizes the service delivery process	3.69	0.70
Adapted technology guarantees the deliverability of service independent of space and time	3.47	0.59
Process	**3.70**	**0.79**

Source: Research data

4.3.2(iv) Technology

An overall mean score of 3.62 and a standard deviation of 0.97 for technology as a service dimension shows that it was applied to a great extent. Designing jobs and technological systems to meet service level standards is practiced to a great extent with a mean of 3.91 and was similar in most hospitals as indicated by the low standard deviation of 0.73. See Table 12.

Table 12: The extent to which technology is used in service differentiation

Technology Dimensions	Mean	SD
Computerization of processes	3.22	1.20
Designing jobs and technological systems to meet service level standards	3.91	0.73
Integration of customer service activities for the hospital/one-stop desks	3.73	1.00
Technology	**3.62**	**0.97**

Source: Research data

4.3.2(v) Customer service

Customer service was used to some extent as illustrated with a mean score of 3.48 and it was highly varied with a standard deviation of 1.01. Consistency of customer service activities throughout the organization is the most relevant issue as illustrated in Table 13 with a mean score of 4, followed by integration of customer service with a

mean of 3.57. The highest differences occurred in the way in which periodic customer service audits are carried out (standard deviation 1.16). Most hospitals did not benchmark or compare their customer service activities across the industry as illustrated by a low mean score of 3.08 though there were differences in the usage of this dimension.

Table 13: The extent to which Customer service is used in service differentiation

Customer Service Dimensions	Mean Score	SD
Periodically revising service standards and delivery systems in the light of changing customer preferences, technological innovation and competitive activities.	3.57	0.97
Integration of customer service activities for the hospital/one-stop desks	3.73	1.00
Consistency of customer service activities throughout the organization	4.00	0.67
Conducting of research to determine patients needs, wants and satisfaction levels	3.30	1.14
Carrying out of periodic customer service audit	3.21	1.16
Appraisal of other hospitals' customer service activities	3.08	1.12
Customer Service	**3.48**	**1.01**

Source: Research data

4.3.2(vi) Managing capacity

From Table 14 below, it can be deduced that hospitals strived to manage capacity to a great extent in order portray efficiency as illustrated with a mean score of 3.66 and a standard deviation of 0.93 which shows that this dimension was generally applied across the industry. The existence of residence doctors available on demand was rated highly across the board with a mean score of 4.21 followed by offering of other services such as vaccination during off peak hours with a mean score of 4. The highest deviation occurred in the use of off peak hours for back office operations (1.21).

Table 14: The extent to which Managing Capacity is used in service differentiation

Managing Capacity Dimensions	Mean Score	SD
Use of reservation/advanced booking to manage demand	3.04	1.14
Separation of emergency cases	4	.95
Existence of residence doctors who are available on demand	4.21	0.95

Managing Capacity Dimensions	Mean Score	SD
Pre-examination processes before actual check up	4.04	0.92
Sequencing of numbers system in the management of queues/use of operational logic	3.52	0.89
Offering other services during off peak hours eg giving vaccines	4	0.60
Multi-skilling of employees- back office and frontline	3.78	0.79
Hiring of staff on a short time basis, especially during high peak seasons	3.52	0.94
Back office operations handled during off peak hours	2.86	1.21
Managing Capacity	**3.66**	**0.93**

Source: Research data

4.3.2(vii) Service Recovery

This dimension was also applied to a great extent with a mean score of 3.61 and there was consensus across the industry as illustrated by a standard deviation of 0.88. The most important relevant issues were that complaints were recorded, solved and learnt from and that there were effective recovery systems so that complaints were dealt with quickly and effectively. Both were practiced to a large extent with a mean score of 3.91. However, there was a variation in their differentiation as one had a standard deviation of 0.84 and 0.73 respectively. Use of service guarantees was the least popular with a mean score of 3.04 while the highest deviation was found in the use of customer surveys to find if processes were customer oriented and customer friendly (standard deviation of 1.36) See Table 15.

Table 15: The extent to which Service Recovery is used in service differentiation

Service Recovery Dimensions	Mean Score	SD
Use of customer surveys to find if processes are customer oriented and customer friendly.	3.30	1.36
Identification of critical service delivery levels and establishing levels of tolerance for each level.	3.78	0.73
Make it easy for patients to complain by use of questionnaires for patients, suggestion boxes ,display of name and telephone number of manager on duty, customers service desk	3.73	0.92
Complaints are recorded, solved and learnt from	3.91	0.84
Effective recovery systems so that complaints are dealt with quickly and effectively	3.91	0.73
Front-line employees trained on complaint handling and	3.73	0.68

Service Recovery Dimensions	Mean Score	SD
management		
Service guarantee, financial compensation for cases of dissatisfaction	3.04	0.92
Empowerment of front-line employees to take remedial action	3.73	0.86
Guarantee customers standards of service excellence, measure performance and customer satisfaction against these standards	3.65	1.07
Use of data from customers in training of front-liners	3.30	0.76
Service Recovery	**3.61**	**0.88**

Source: Research data

Table16: Summary of Service delivery as a Service Differentiator

Service Delivery Differentiators	Mean	SD
Technology	3.62	0.97
Process	3.70	0.79
Physical Evidence	3.84	1.05
Service People	3.88	0.91
Customer Service	3.48	1.01
Managing Capacity	3.66	0.93
Service Recovery	3.61	0.88
Service delivery overall	**3.68**	**0.93**

Source: Research data

Generally, as can be seen from the Table 16 above, service people is the most relevant factor with a mean score of 3.88 and a low standard deviation of 0.91. Physical evidence though practiced widely (mean score 3.84) was highly varied in the various hospitals (standard deviation 1.01). Overall, service delivery dimension was used to a great extent with a mean score of 3.68 and there was consensus on the usage of this dimension (standard deviation of 0.93).

4.3.3 Extent to which Image is used as a Service Differentiator

The two service dimensions under image as a service differentiator are branding and positioning.

4.3.3(i) Branding

Branding was practiced to a great extent (mean score of 3.52) with the use of strong visual symbols having a mean score of 3.58, preceded in importance by the hospital having a reputation for service

quality provision (mean score of 4.33) and this had the least variation in use with a standard deviation of 0.76. The variation of the branding dimension was significant (1.04). See Table 17.

Table 17: The extent to which Branding is used in service differentiation

Branding Dimensions	Mean Score	SD
Use of distinct fashion/uniform for employees to differentiate with other hospitals	3.52	1.16
Hospital has a reputation for service quality provision	4.33	0.76
Use of consistent colours for physical environment, vehicles, employees fashion/uniform	3.41	1.34
Names used for wards create an impression of service experience	3.33	1.09
Use of strong visual symbols to describe virtues of your service offering or service organization	3.58	0.88
Branding	**3.52**	**1.04**

Source: Research data

4.3.3(ii) Positioning

Positioning dimension was used to some extent as shown by a mean score of 3.32 and there was deviations were low (standard deviation of 0.83). The degree to which service output was variable was the most practiced with a 3.83 mean score. Offering satellite/outreach services was the least practiced indicated by the mean of 2.17 and the high standard deviation of 1.34. See Table 18. As will be found later in section 4.5, problems to do with growth in this industry are challenging hence low practice of outreach services.

Table 18: The extent to which Positioning is used in service differentiation

Position Dimensions	Mean Score	SD
Offer satellite /outreach services	2.17	1.34
Use of concrete specific language to describe the benefits of your service offering (ie use of a tag line to describe your hospital)	3.79	0.72
Use of perceived image of quality to position hospital in marketplace	3.75	0.89
Use of price to position hospital in market place	3.33	1.23
Positioning by user categories e.g. children, women, long-term diseases	3.33	1.16
Degree of complexity of services e.g. offering limited range of treatment or adding other services.	3.08	0.97

Position Dimensions	Mean Score	SD
Degree to which service output is variable e.g. adding general counseling services or adding diagnostic work	3.83	0.91
Positioning	**3.32**	**0.83**

Source: Research data

Summary of Image as a Service Differentiator

Generally, branding was characterized by having a higher mean score of 3.52 than for positioning (3.32). This shows that branding is practiced to a great extent by most hospitals. However, the branding that they undertake is highly varied, with a standard deviation of 1.04. Positioning as a service dimension was practiced to some extent with less variation across the hospitals (standard deviation 0.83). See Table 19. It can be concluded that use of image for differentiation is applied to some extent and there is need to enhance the expanded service dimensions in branding and positioning.

Table 19: Summary of Image Differentiators

Image Differentiators	Mean	SD
Branding	3.52	1.04
Positioning	3.32	0.83
Image	**3.42**	**0.94**

Source: Research data

Overall Summary of Service Differentiators

The following Table represents the overall summary of dimensions. The findings indicate that the hospitals performed best on service delivery, which tended to be practiced to a great extent (mean score of 3.68) consistently across the industry (standard deviation of 0.93). Image and service offering dimensions were adopted to some extent with mean scores of 3.42 and 3.38 respectively.

Overall, it can be concluded that service differentiation as a strategy was used by private hospitals to some extent tending to a great extent as illustrated with a mean score of 3.49. A standard deviation of 1.02

means that the extent of usage of the differentiators was not significantly varied.

Table 20: Summary of Service Differentiators

Service Differentiators	Mean	SD
Service offering	3.38	1.20
Service delivery	3.68	0.93
Image	3.42	0.94
Overall	**3.49**	**1.02**

Source: Research data

4.5: Correlation between Adoption of Service Differentiation Strategies and Hospital Size

The variables under study were fitted into a correlation matrix against bed capacity (see appendix 4). Out of the 97 differentiation variables under study, 67 were positively correlated to bed capacity while 30 were negatively correlated. The variables which were significantly correlated to bed capacity at 95% confidence level were further identified. Seventeen variables that were positively correlated at 95% confidence level compared to four, which were negatively correlated. This means that generally the hospitals which were big in terms of having a bed capacity of 70 and more, adopted differentiation strategies to a greater extent than their counterparts with lower bed capacities, that is, less than 70.

The variables with significant positive correlation were: Use of a competency profile at each level and area of the hospital; Employees have a unique way of interacting with patients that reflect style of hospital; Reference is made to the vision and mission statement in every day activities; Existence of residence doctors who are available on demand; Use of clearly defined organizational values that support mission of your hospital; The hospital's values are well communicated throughout the organization; The hospital's values are consistent in all levels of management and throughout the organization; Multi-skilling

of employees; Managers regularly make presentations on the hospital's commitment to excellent service; Use of perceived image of quality to position hospital in marketplace; Physical environment communicates the service quality attributes; Use of strong visual symbols to describe virtues of the service offering or service organization ; Designated parking for patients; Hiring of staff on a short time basis, especially during high peak seasons; Recruit people who fit the hospital culture; Service guarantees; and Offering specialized services like intensive care, specialized x-ray, home nursing. This gives an indication that the hospitals with a bed capacity of 70 and above adopted these service differentiation dimensions at a greater extent than the ones with a lower bed capacity.

The variables with significant negative correlation were: Physical environment influence customer's choice; Use of designated areas for different patients' types; Use of consistent colours for physical environment, vehicles, employees fashion/uniform; and existence of cafeterias, drink and snacks dispensers. Negative correlations means that the hospitals with lower bed capacities were highly unlikely to adopt the strategies in question. This could be attributed to financial inability, since most of the small hospitals cater for a different target market that may not be able to pay for this kind of differentiation.

4.6: Challenges faced by hospitals in service differentiation

The main challenges faced included marketing activities being crowded by operations (57%), difficult to control customer interface (53%), restrictive regulations for advertising (50%), problems of growth (40%), difficult to improve productivity (37%), lack of innovation (30%), lack of product differentiation (20%) and inability to copy competitors moves (17%). See Table 24 overleaf.

Table 21: Challenges faced by hospitals in service differentiation

BASE: 30	Frequency	%
Marketing activities crowded by operations	17	57%
Difficult to control customer interface	16	53%
Restrictive regulations for advertising	15	50%
Problems of growth	12	40%
Difficult to improve productivity	11	37%
Problems in innovation	9	30%
No product differentiation	6	20%
Ability to copy new innovations	5	17%

Source: Research data

As illustrated by the findings, marketing activities were crowded by hospital operations since in most hospitals there was no distinction between the Chief Executive Officer and marketing department. It was also very challenging to maintain consistency in terms of customer interface due to the nature of service offered by hospitals, that is, its intangible and inseparable in nature. The least of the challenges is the ability to copy new innovations and hence eroding differentiation.

Other challenges faced that had not been anticipated by this research were: Financial inability of some customers, expensive cost of hospital products e.g. laboratory equipments, lack of government subsidies other than NHIF rebate means that the hospital has to 'survive' to give standard care, some private hospitals offer services to the average citizen who cannot afford medical insurance and hence they only depend on out of pocket funds which are limited. Generally, these other challenges were associated with high costs and low margins.

CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter addresses the research questions and objectives outlined in Chapter one. The section also covers summary discussions, recommendations, and suggestions for further research and study limitations. The objectives of the study were to determine the extent to which service differentiation strategies have been adopted in private hospitals and determine the challenges of adopting these differentiation strategies. This study attempted to answer the questions: To what extent do private hospitals in Nairobi use service differentiation strategies? What challenges do they face in trying to differentiate their services?

5.2 Discussion

Trout (2000) emphasizes that service differentiation is the most important strategic and tactical activities in which companies must constantly engage in. It is also the most sustainable source of differentiation and advantage, (Horovitz, 2000). The findings of this research indicate that generally hospitals use service differentiation strategies to some extent tending to a great extent with minimal deviation across the industry. Use of Service offering as a strategy for differentiation was used to some extent and the deviation of its usage was high. These deviations were evident when considering the hospital size as discussed in section 4.6. The service dimensions that were used to a great extent were styling/culture and ongoing buyer relationships while packaging and features were used to some extent.

There was consensus on the usage of ongoing buyer relationships, which had the lowest standard deviation, compared to packaging which had higher deviations indicating wide differences across the industry. The extent of usage of styling and ongoing is in agreement

with what is suggested in the literature in chapter two. In this chapter, Iron (1995) says that all organizations possess a culture, a set of beliefs about the purpose of the organization, the values by which it executes that purpose, structures and style, which have evolved or have bee developed to control the organization. Styling/culture gives the hospitals a distinctive look.

Most of the hospitals differentiated themselves using the unique way in which employees interact with their customers as this had the highest mean score as service differentiator in the styling/culture dimension. It also had the lowest standard deviation, meaning that there was consensus on the use of this differentiator. In ongoing buyer relationship dimension, the most used differentiator was the continuous development of services that suit the needs of customer relationship while carrying out of relationship surveys and up to date customer database was the least used differentiator. Yet, Berry and Parasuaraman (1983) say that this is one of the basics of a good relationship strategy. This shows that hospitals do not put a lot of emphasis on sustaining relationship marketing. Vanderemerwe (1999) underscores that the more the knowledge and information that is shared, the more proactive and precise the service offering will be.

Features and packaging as service differentiators were used to some extent. Palmer (2001) says that differentiating features appeal to different segments and hence can be used for service differentiation. The least used feature was use of specific programs for specialized needs like heart programs as a feature of the service offering of hospitals. This particular differentiator had the lowest mean score in the Packaging dimension. As discussed in chapter two, specific hospital programs can be used to package services. Palmer (2001) says that the intangible nature of services prevents them from being packaged

in the traditional sense of providing physical wrapping, which can both protect the product and help develop a distinctive identity. He says that a service offer can be packaged using tangible and intangible elements, for example hospital can use programs like 'Operations Smile', using of branded paper bags for packaging among others.

The service delivery differentiator was used to a great extent and also almost in all expanded dimensions. The extent of usage was as follows ranging in order of decreasing usage; service people, physical evidence, process, managing capacity, technology, service recovery and customer service. It is rather surprising to note that customer service was the least used differentiator in service delivery. The current practice slightly varies from what is recommended in the literature.

According to Lovelock (1991), the need for meaningful differentiation includes a search for superior performance not only on the core product but also on each of the supplementary elements, which involve good service in billing, payments, consultation, order-taking and information among others. He adds that it is these supplementary services that make comparisons across industries and hence managers should select the right mix of supplementary service elements and create synergy by ensuring that they are all internally consistent. The researcher noted that most hospitals had these elements but synergy and consistency of the services were lacking.

Use of image as a differentiation strategy was found to be adopted some extent tending to a great extent. Branding is practiced to a great extent by most hospitals while positioning was practiced to some extent. However, the branding that they undertake varies significantly with a notable standard deviation. Positioning was used to a lesser extent as a differentiator among the hospitals, which was consistent

across the industry as depicted by much lower standard deviation. In positioning, hospitals used variability of service output to differentiate themselves from the pack and the least used was offering of outreach services. Doyle (1998) points to the challenge of growth when it comes to services as scale of economies can are rarely be achieved hence this may be the reason why outreach services as service differentiators have not been adopted to a large extent. Positioning as a service differentiator can be limited to the fact that advertising is restricted as opposed to other industries where the positioning of an organization is communicated through advertising.

In the branding dimension, the most used expanded dimension and one which had the least variability in terms of usage was the branding of a hospital as a service quality provider, followed by use of strong visual symbols to describe virtues of the service offering or the hospital as an organization. The naming of wards to describe service experience was used least for branding, yet this could help tangiblize the service as pointed out by Shostack (1987).

The service differentiation strategies/ dimensions had expanded dimensions, which were ranked according to their level of adoption. The most adopted service dimension and one that was used to a very large extent was the use of a competency profile (the skills, qualities and attitudes required) at each level and area of the hospital. The extensive usage of this dimension could be due to the nature of the service given by hospitals that requires very high competency levels. The least used expanded dimension was use of specialized programs for specialized needs. This can be explained by the fact that caring for specialized needs requires expensive machinery and specialized personnel who are also expensive. Also running of specialized programs like heart programs, operation smile are seen to be social

responsibilities of the hospital and not as a way of differentiating services.

5.3 Conclusion

The research concluded that private hospitals use service differentiation strategies to some extent tending to a great extent with minimal deviation about their application across the industry. Of the three differentiation strategies, service delivery ranked top on the list as it was applied to a great extent followed by use of image and service offering strategies that were applied to some extent.

The main challenges of adopting service differentiation strategies were; marketing activities being crowded by operations, difficulties in controlling customer interface, restrictive regulations for advertising, problems of growth, difficulties of improving productivity without compromising on quality, lack of innovation, lack of product differentiation and ability to copy competitors moves as services cannot be patented as products are.

5.4 Recommendation

The researcher recommends that private hospitals in Kenya should improve on the aspects of differentiation strategies that they are using to a small extent. One of these strategies is image differentiation. The hospitals need to increase the usage of branding and positioning as key strategies of service differentiation. As by failing to use positioning to a greater extent most of the private hospitals are therefore losing an opportunity to 'stand out from the pack' as is suggested in the literature. One way of positioning is reducing complexity, that is, by specializing in specific market segments, for

example having a womens,' mens', childrens' or for specific terminal illnesses.

There is need for branding and positioning training among the marketing and public relation managers in the hospitals to improve on the use of these core-marketing aspects. Training is also needed on customer service and package design. The hospitals could also outsource marketing services to advertising and public relation agencies to maximize on the image dimension of differentiation. Another way of advertising is having a calendar of events where they offer free or subsidized check-up clinics.

To address the challenge of operations of marketing activities being crowded by operations there is need for dedicated departments to deal with marketing and to enhance the hospitals marketing orientation. The hospitals also need to take advantage of modern technology to improve communication to customers especially in the use of Internet. They also need to lobby with the government to relax some of the restrictive regulations for advertising. The hospitals need to keep in constant touch with customers in order to get ideas on how to continuously improve and be ahead of competitors. Formal market research is specifically recommended. Continual improvement can also entail benchmarking with the worlds' best to be in touch with the best practice.

LIMITATIONS OF THE STUDY

This study faced several limitations. One limitation was that the target respondents were very busy individuals who were hard to access. This made the research to take quite a long time; in some cases the respondents had to be given a questionnaire more than once. Secondly, the study covered only one area, Nairobi. A wider regional

representation would have been more comprehensive. The research is also based on self-reported information and hence there was a risk of bias.

SUGGESTION FOR FURTHER RESEARCH

Future research could cover other parts of health sector including Health management organizations and government hospitals. Research is also needed to find out the how patients/customers perceive the differentiation strategies used by the hospitals. This is important as the differentiation strategies can then be designed based on what the patient/customer perceives as important. Similar research could be carried out in future to track progress made by the hospitals in the use of differentiation strategies.

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APPENDICES

APPENDIX 1: Introduction Letter

GRACE OMWENGA,
C/O MBA OFFICE,
FACULTY OF COMMERCE,
UNIVERSITY OF NAIROBI,
P.O.BOX 30197,
NAIROBI

October, 2004

Dear respondent,

I am a postgraduate student in the Faculty of Commerce, University of Nairobi, pursuing a Masters degree in Business Administration. I am undertaking a management research project in the hospital sector, titled: ***'Service differentiation strategies used by private hospitals'.***

The purpose of this letter is to request you to respond to the attached questionnaire. The information will be treated with utmost confidentiality and will be used only for academic purposes. At no time will your name or organization be referred to.

A copy of the final paper will be availed to you upon your request.

For any clarification on this matter, I can be reached on 0722 791 855. Your assistance will be greatly appreciated.
Thank you.

Regards,

GRACE OMWENGA
MBA STUDENT - UON

APPENDIX 2

LIST OF RESPONDENT HOSPITALS

1. The Aga Khan Hospital, Nairobi
2. Avenue hospital
3. Coptic Church Nursing Home
4. Chiromo Lane Medical center
5. City Nursing Home
6. Dorkcare Nursing Home
7. Eastleigh Community Clinic & Maternity
8. Emmaus Nursing Home Inner core
9. Edianna Hospital
10. Gertrude's Garden Children's Hospital
11. Guru Nanak Ramgarhia Sikh Hospital
12. Huduma Medical Complex
13. Huruma Nursing Home
14. Jamaa Home & Maternity Hospital
15. Kasarani Maternity & Nursing Home
16. Kayole Hospital
17. Komarock Nursing home
18. Lions Sight first Hospital
19. Maria Maternity &Nursing Home
20. Madina Muslim Nursing Home
21. Masaba Hospital
22. Maria Immaculata Hospital and Maternity
23. Mariakani Cottage Hospital
24. Marura Nursing Home
25. The Mater Hospital
26. Metropolitan hospital, Nairobi
27. Melchizedek Hospital
28. MidHill Nursing Home
29. Mother & Child Hospital
30. Marie Stopes Clinic & Maternity
31. M P shah Hospital
32. Nairobi Equator Hospital
33. Nairobi West Hospital
34. Nairobi Women's Hospital
35. The Nairobi Hospital
36. Park Road Nursing Home
37. Prime Care Hospital
38. Lily Women Hospital
39. St. Anne's Maternity & Nursing Home
40. St. James Hospital
41. St. Jude's Nursing Home
42. St. John's Health clinic

43. St. Mary's Nursing Home
44. St. Mary's Nursing Home - Kibera
45. St. Mary's Mission Hospital
46. South 'B' Hospital
47. The Olive TREE hospital
48. Umoja Nursing Home

Source: The Kenya Medical and Dentists Practitioners Board Directory (2004)

APPENDIX 3

QUESTIONNAIRE

PART A

General Information

1. Hospital Name _____

2. Which hospital services do you offer

Laboratory ( ) Pharmacy ( ) Radiology ( )
Obsterics ( ) Day surgery ( ) Intensive car ( )
Renal unit ( ) Home nursing ( ) Pediatric ( )
Consultant clinics ( ) Physiotherapy ( )
Please specify other services

_____

_____

3. What is your bed capacity

_____

4. Using the categories below, please indicate the number of years in which your hospital has been operational. (Please tick one)

Less than 10 years ( ) 10-20 years ( )
21-30 years ( ) 31-40 years ( )
More than 40 years ( )

5. Using the categories below, please indicate the ownership of the hospital. (Please tick one)

Religious organization ( ) Private company ( )

Association of members ( ) Public company ( )

Trust ( )

Nongovernmental organization ( )

Individual ( )

Co-operative society ( )

Others (Please specify)

_____

6. Are the Hospital Premises,

Owned ( ) Rented ( )

(Please tick as appropriate)

7. How would you classify your Hospital's objective?

For Profit ( ) Not for Profit ( )

8. How would you rate the competition your hospital faces? Tick one

Very high ( ) High ( )

Moderate ( ) Low ( )

Very low ( )

9. Which of the following modes of transport can access your hospital?

Public vehicles ( ) Hospital's courtesy bus ( )

Private vehicles ( ) Partnership with taxi companies( )

10. Which of the following is a source of information/mode of communication about your hospital?

Telephone	( )	E-mail	( )	Mobile phone	( )
Website	( )	Fax	( )	Newsletter	( )
Noticeboard	( )				

PART B

Please indicate the extent to which your organization uses the following, on a scale of 1-5 where,

5 is – to a very large extent

4 is – to a great extent

3 is – some extent

2 is – small extent

1 is – No extent at all

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
1.	Offer a wide range of hospital services	( )	( )	( )	( )	( )
2.	Offer specialized services like intensive care, specialized x-ray, home nursing etc	( )	( )	( )	( )	( )
3.	Offer satellite /outreach services	( )	( )	( )	( )	( )
4.	Packaging of service offering to include subsidized/free services eg free medical check ups	( )	( )	( )	( )	( )
5.	Existence of specific programs for specialized needs eg heart programs, operation smile etc	( )	( )	( )	( )	( )
6.	Use of distinct packaging material for drugs	( )	( )	( )	( )	( )
7.	Partner with Preferred Provider organizations eg provider for insurance AAR etc	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
8.	Easy accessibility in terms of courtesy bus for patients	( )	( )	( )	( )	( )
9.	Computerization of processes	( )	( )	( )	( )	( )
10.	Existence of cafeterias, drink and snacks dispensers	( )	( )	( )	( )	( )
11.	Usage of entertainment facilities (TV, music/radio, childrens' playing area)	( )	( )	( )	( )	( )
12.	Designated parking for patients	( )	( )	( )	( )	( )
13	Use of distinct fashion/uniform for employees to differentiate with other hospitals	( )	( )	( )	( )	( )
14.	Interior décor reflect style of your hospital	( )	( )	( )	( )	( )
15.	Employees have a unique way of interacting with patients that reflect style of your hospital	( )	( )	( )	( )	( )
16.	Reference is made to the vision and mission statement of your hospital on day to day activities	( )	( )	( )	( )	( )
17.	Use of clearly defined organizational values that support mission of your hospital	( )	( )	( )	( )	( )
18.	Strong sense of the hospital's	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
	culture among all employees					
19.	The hospital's values are consistent in all levels of management and throughout the organization	( )	( )	( )	( )	( )
20.	The hospital's values are well communicated throughout the organization	( )	( )	( )	( )	( )
21.	Recruit people who fit your culture/do things your way	( )	( )	( )	( )	( )
22.	Recruitment viewed as a quality process, that focuses on skills and qualities required	( )	( )	( )	( )	( )
23.	Use of a competency profile (the skills, qualities and attitudes required) at each level and area of the hospital.	( )	( )	( )	( )	( )
24.	Use of employees' fashion/uniform to differentiate between staff and patient and between different levels of staff.	( )	( )	( )	( )	( )
25.	Use of clearly defined roles for every employee in each department (delegation of authority, job description).	( )	( )	( )	( )	( )
26.	Use of clearly defined and documented hospital policies, processes and procedures.	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
27.	Employees are empowered to respond quickly and effectively to unforeseen needs of their colleagues/work mates	( )	( )	( )	( )	( )
28.	Employees are empowered to respond quickly and effectively to unforeseen needs of the patients	( )	( )	( )	( )	( )
29.	Employees are flexible when circumstances require deviance from policy to meet needs of their work mates	( )	( )	( )	( )	( )
30.	Employees are flexible when circumstances require deviance from policy to meet needs of the patients.	( )	( )	( )	( )	( )
31.	Employees are held accounTable to their service commitments to colleagues/ work mates.	( )	( )	( )	( )	( )
32.	Employees are held accounTable to their service commitments to the patients.	( )	( )	( )	( )	( )
33.	Performance standards exist throughout the hospital defining required levels of performance.	( )	( )	( )	( )	( )
34.	Remuneration and rewards are based on performance.	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
35.	Frequent use of internal and external training programs for employees.	( )	( )	( )	( )	( )
36.	Use of staff newsletters, team talks, internal communication through mail/intranets, noticeboards, staff welfare committees	( )	( )	( )	( )	( )
37.	Management seek front liners' opinions in strategy, policy and training	( )	( )	( )	( )	( )
38.	Managers regularly make presentations on the hospital's commitment to excellent service	( )	( )	( )	( )	( )
39.	Managers play a key role in the delivery of excellent service by involving their teams in a program of continuous improvement	( )	( )	( )	( )	( )
40.	Periodically revising service standards and delivery systems in the light of changing customer preferences, technological innovation and competitive activities.	( )	( )	( )	( )	( )
41.	Clear profile of the customers that your hospital needs to attract.	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
42.	Patients are made aware, educated, trained in their roles in the service delivery process.	( )	( )	( )	( )	( )
43.	Use of designated areas for patients with different ailments.	( )	( )	( )	( )	( )
44.	Use of designated areas for different patients eg children and adults.	( )	( )	( )	( )	( )
45.	Physical environment (buildings, layout, employees' uniform, communication material) communicates and positions hospital clearly so that customers form accurate expectations.	( )	( )	( )	( )	( )
46.	Physical environment communicates the theme of your hospital.	( )	( )	( )	( )	( )
47.	Customer's/ Patients. perspective sought when designing the physical environment/layout	( )	( )	( )	( )	( )
48.	Physical environment communicates the service quality attributes like reliability, responsiveness,	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
	empathy					
49.	Physical environment increases employee productivity, motivation and satisfaction.	( )	( )	( )	( )	( )
50.	Physical environment meets the needs and preferences of employees and patients simultaneously.	( )	( )	( )	( )	( )
51.	Physical environment influence customer's choice.	( )	( )	( )	( )	( )
52.	Use of well displayed charts for key processes.	( )	( )	( )	( )	( )
53.	Use of customer surveys to find if processes are customer oriented and customer friendly.	( )	( )	( )	( )	( )
54.	Identification of critical service delivery levels and establishing levels of tolerance for each level.	( )	( )	( )	( )	( )
55.	Continuous improvement of process to suit patients and employees needs and preferences.	( )	( )	( )	( )	( )
56.	Adapted technology optimizes the service delivery process	( )	( )	( )	( )	( )
57.	Adapted technology standardizes the service delivery process	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
58.	Adapted technology guarantees the deliverability of service independent of space and time	( )	( )	( )	( )	( )
59.	Designing jobs and technological systems to meet service level standards	( )	( )	( )	( )	( )
60.	Integration of customer service activities for the hospital/one-stop desks	( )	( )	( )	( )	( )
61.	Consistency of customer service activities throughout the organization	( )	( )	( )	( )	( )
62.	Conducting of research to determine patients needs, wants and satisfaction levels	( )	( )	( )	( )	( )
63.	Carrying out of periodic customer service audit	( )	( )	( )	( )	( )
64.	Appraisal of other hospitals' customer service activities	( )	( )	( )	( )	( )
65.	Use of reservation/advanced booking to manage demand	( )	( )	( )	( )	( )
66.	Separation of emergency cases	( )	( )	( )	( )	( )
67.	Existence of residence doctors who are available on demand	( )	( )	( )	( )	( )
68.	Pre-examination processes before actual check up	( )	( )	( )	( )	( )
69.	Sequencing of numbers system in the management	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
	of queues/use of operational logic					
70.	Offering other services during off peak hours eg giving vaccines	( )	( )	( )	( )	( )
71.	Multi-skilling of employees-back office and frontline	( )	( )	( )	( )	( )
72.	Hiring of staff on a short time basis, especially during high peak seasons	( )	( )	( )	( )	( )
73.	Back office operations handled during off peak hours	( )	( )	( )	( )	( )
74.	Make it easy for patients to complain by use of questionnaires for patients, suggestion boxes ,display of name and telephone number of manager on duty, customers service desk	( )	( )	( )	( )	( )
75.	Complaints are recorded, solved and learnt from	( )	( )	( )	( )	( )
76.	Effective recovery systems so that complaints are dealt with quickly and effectively	( )	( )	( )	( )	( )
77.	Front-line employees trained on complaint handling and management	( )	( )	( )	( )	( )
78.	Service guarantee, financial compensation for cases of	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
	dissatisfaction					
79.	Empowerment of front-line employees to take remedial action	( )	( )	( )	( )	( )
80.	Guarantee customers standards of service excellence, measure performance and customer satisfaction against these standards	( )	( )	( )	( )	( )
81.	Use of data from customers in training of front-liners	( )	( )	( )	( )	( )
82.	Everybody knows the potential value of a customer who stays loyal to the company	( )	( )	( )	( )	( )
83.	Effective market segmentation to identify which organizations/ patients you want to have long term relationship with	( )	( )	( )	( )	( )
84.	Continuous development of services that suit the needs of these relationships	( )	( )	( )	( )	( )
85.	Carry out relationship surveys and up to date customer database	( )	( )	( )	( )	( )
86.	Existence of continuous relationship with your patients	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
87.	Existence of associations for members, support groups/referral network for support services	( )	( )	( )	( )	( )
88.	Hospital has a reputation for service quality provision	( )	( )	( )	( )	( )
89.	Use of consistent colours for physical environment, vehicles, employees fashion/uniform	( )	( )	( )	( )	( )
90.	Names used for wards create an impression of service experience	( )	( )	( )	( )	( )
91.	Use of strong visual symbols to describe virtues of your service offering or service organization	( )	( )	( )	( )	( )
92.	Use of concrete specific language to describe the benefits of your service offering (i.e. use of a tag line to describe your hospital)	( )	( )	( )	( )	( )
93.	Use of perceived image of quality to position hospital in marketplace	( )	( )	( )	( )	( )
94.	Use of price to position hospital in market place	( )	( )	( )	( )	( )
95.	Positioning by user categories e.g. children, women, long-term diseases	( )	( )	( )	( )	( )

No	Issue	Very Large extent	Great Extent	Some Extent	Small Extent	No extent at all
96.	Degree of complexity of services e.g. offering limited range of treatment or adding other services.	( )	( )	( )	( )	( )
97.	Degree to which service output is variable e.g. adding general counseling services or adding diagnostic work	( )	( )	( )	( )	( )

PART C

i. Please indicate the factors that pose a challenge to your organization, in adopting services that are relatively different or delivering services in a distinct way from other hospitals. You may select the relevant factors, by ticking from the list below.

(a) Marketing activities crowded out by operational activities ( )
(b) No product differentiation ( )
(c) No patent protection/Ability to copy moves ( )
(d) Difficult to control customer interface ( )
(e) Problems of growth ( )
(f) Difficult to improve productivity ( )
(g) Problems in innovation (e.g. training customers on new innovations) ( )
(h) Restrictive regulations for advertising ( )

Please list below any other challenges

_____
_____
_____
_____
_____
_____
_____
_____

Thank you very much for your participation.

APPENDIX 4: Correlation Matrix

Correlation Between Adoption of Differentiation Strategies & Bed Capacity

Variable		BED Capacity
BED Capacity	Pearson Correlation	1
	Sig. (2-tailed)	.
Variable1	Pearson Correlation	.571(**)
	Sig. (2-tailed)	0.001
Variable2	Pearson Correlation	0.317
	Sig. (2-tailed)	0.088
Variable3	Pearson Correlation	-0.035
	Sig. (2-tailed)	0.853
Variable4	Pearson Correlation	0.02
	Sig. (2-tailed)	0.915
Variable5	Pearson Correlation	.444(*)
	Sig. (2-tailed)	0.014
Variable6	Pearson Correlation	-0.095
	Sig. (2-tailed)	0.617
Variable7	Pearson Correlation	.545(**)
	Sig. (2-tailed)	0.003
Variable8	Pearson Correlation	0.066
	Sig. (2-tailed)	0.729
Variable9	Pearson Correlation	0.133
	Sig. (2-tailed)	0.482
Variable10	Pearson Correlation	-0.049
	Sig. (2-tailed)	0.797
Variable11	Pearson Correlation	.363(*)
	Sig. (2-tailed)	0.049
Variable12	Pearson Correlation	.505(**)
	Sig. (2-tailed)	0.004
Variable13	Pearson Correlation	.368(*)
	Sig. (2-tailed)	0.045
Variable14	Pearson Correlation	0.045
	Sig. (2-tailed)	0.815
Variable15	Pearson Correlation	0.029
	Sig. (2-tailed)	0.879
Variable16	Pearson Correlation	-0.105
	Sig. (2-tailed)	0.582
Variable17	Pearson Correlation	0.101
	Sig. (2-tailed)	0.595

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

* Correlation is significant at the 0.05 level (2-tailed)

Correlation Matrix Continued

Variable		BED Capacity
Variable18	Pearson Correlation	0.017
	Sig. (2-tailed)	0.929
Variable19	Pearson Correlation	-0.03
	Sig. (2-tailed)	0.873
Variable20	Pearson Correlation	-0.069
	Sig. (2-tailed)	0.715
Variable21	Pearson Correlation	0.032
	Sig. (2-tailed)	0.874
Variable22	Pearson Correlation	-0.075
	Sig. (2-tailed)	0.708
Variable23	Pearson Correlation	0.002
	Sig. (2-tailed)	0.993
Variable24	Pearson Correlation	.435(*)
	Sig. (2-tailed)	0.016
Variable25	Pearson Correlation	0.3
	Sig. (2-tailed)	0.107
Variable26	Pearson Correlation	0.196
	Sig. (2-tailed)	0.298
Variable27	Pearson Correlation	-0.09
	Sig. (2-tailed)	0.638
Variable28	Pearson Correlation	-0.011
	Sig. (2-tailed)	0.954
Variable29	Pearson Correlation	-0.048
	Sig. (2-tailed)	0.801
Variable30	Pearson Correlation	-.463(*)
	Sig. (2-tailed)	0.015
Variable31	Pearson Correlation	-0.011
	Sig. (2-tailed)	0.953
Variable32	Pearson Correlation	0.13
	Sig. (2-tailed)	0.495
Variable33	Pearson Correlation	0.091
	Sig. (2-tailed)	0.634
Variable34	Pearson Correlation	-0.129
	Sig. (2-tailed)	0.521
Variable35	Pearson Correlation	0.346
	Sig. (2-tailed)	0.071
Variable36	Pearson Correlation	-0.006
	Sig. (2-tailed)	0.975
Variable37	Pearson Correlation	0.276
	Sig. (2-tailed)	0.163
Variable38	Pearson Correlation	0.025
	Sig. (2-tailed)	0.898
Variable39	Pearson Correlation	0.077
	Sig. (2-tailed)	0.687

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

* Correlation is significant at the 0.05 level (2-tailed)

Correlation Matrix Continued

Variable		BED Capacity
Variable40	Pearson Correlation	-0.07
	Sig. (2-tailed)	0.728
Variable41	Pearson Correlation	-0.231
	Sig. (2-tailed)	0.22
Variable42	Pearson Correlation	-0.229
	Sig. (2-tailed)	0.223
Variable43	Pearson Correlation	.400(*)
	Sig. (2-tailed)	0.028
Variable44	Pearson Correlation	.605(**)
	Sig. (2-tailed)	0
Variable45	Pearson Correlation	.445(*)
	Sig. (2-tailed)	0.014
Variable46	Pearson Correlation	0.126
	Sig. (2-tailed)	0.507
Variable47	Pearson Correlation	-0.006
	Sig. (2-tailed)	0.977
Variable48	Pearson Correlation	-0.11
	Sig. (2-tailed)	0.562
Variable49	Pearson Correlation	-0.028
	Sig. (2-tailed)	0.884
Variable50	Pearson Correlation	-0.117
	Sig. (2-tailed)	0.577
Variable51	Pearson Correlation	-.488(**)
	Sig. (2-tailed)	0.006
Variable52	Pearson Correlation	0.122
	Sig. (2-tailed)	0.521
Variable53	Pearson Correlation	0.167
	Sig. (2-tailed)	0.379
Variable54	Pearson Correlation	0.192
	Sig. (2-tailed)	0.31
Variable55	Pearson Correlation	0.099
	Sig. (2-tailed)	0.604
Variable56	Pearson Correlation	.640(**)
	Sig. (2-tailed)	0
Variable57	Pearson Correlation	-0.025
	Sig. (2-tailed)	0.896
Variable58	Pearson Correlation	-0.23
	Sig. (2-tailed)	0.221
Variable59	Pearson Correlation	.404(*)
	Sig. (2-tailed)	0.027
Variable60	Pearson Correlation	0.063
	Sig. (2-tailed)	0.741

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

* Correlation is significant at the 0.05 level (2-tailed)

Correlation Matrix Continued

Variable		BED Capacity
Variable61	Pearson Correlation	0.233
	Sig. (2-tailed)	0.214
Variable62	Pearson Correlation	0.329
	Sig. (2-tailed)	0.076
Variable63	Pearson Correlation	.423(*)
	Sig. (2-tailed)	0.02
Variable64	Pearson Correlation	0.336
	Sig. (2-tailed)	0.069
Variable65	Pearson Correlation	0.272
	Sig. (2-tailed)	0.146
Variable66	Pearson Correlation	.461(*)
	Sig. (2-tailed)	0.01
Variable67	Pearson Correlation	-0.041
	Sig. (2-tailed)	0.829
Variable68	Pearson Correlation	-0.183
	Sig. (2-tailed)	0.334
Variable69	Pearson Correlation	-.495(**)
	Sig. (2-tailed)	0.005
Variable70	Pearson Correlation	-0.016
	Sig. (2-tailed)	0.933
Variable71	Pearson Correlation	0.326
	Sig. (2-tailed)	0.079
Variable72	Pearson Correlation	.504(**)
	Sig. (2-tailed)	0.005
Variable73	Pearson Correlation	0.188
	Sig. (2-tailed)	0.32
Variable74	Pearson Correlation	0.274
	Sig. (2-tailed)	0.143
Variable75	Pearson Correlation	0.004
	Sig. (2-tailed)	0.982
Variable76	Pearson Correlation	-0.004
	Sig. (2-tailed)	0.985
Variable77	Pearson Correlation	-0.061
	Sig. (2-tailed)	0.747
Variable78	Pearson Correlation	-0.068
	Sig. (2-tailed)	0.721
Variable79	Pearson Correlation	0.271
	Sig. (2-tailed)	0.148
Variable80	Pearson Correlation	-0.167
	Sig. (2-tailed)	0.379
Variable81	Pearson Correlation	-0.11
	Sig. (2-tailed)	0.562
Variable82	Pearson Correlation	0.114
	Sig. (2-tailed)	0.547

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

* Correlation is significant at the 0.05 level (2-tailed)

Correlation Matrix Continued

Variable		BED Capacity
Variable83	Pearson Correlation	0.23
	Sig. (2-tailed)	0.221
Variable84	Pearson Correlation	0.124
	Sig. (2-tailed)	0.513
Variable85	Pearson Correlation	0.162
	Sig. (2-tailed)	0.392
Variable86	Pearson Correlation	0.008
	Sig. (2-tailed)	0.966
Variable87	Pearson Correlation	0.002
	Sig. (2-tailed)	0.993
Variable88	Pearson Correlation	0.057
	Sig. (2-tailed)	0.763
Variable89	Pearson Correlation	.515(**)
	Sig. (2-tailed)	0.004
Variable90	Pearson Correlation	0.212
	Sig. (2-tailed)	0.26
Variable91	Pearson Correlation	-0.071
	Sig. (2-tailed)	0.708
Variable92	Pearson Correlation	.475(**)
	Sig. (2-tailed)	0.008
Variable93	Pearson Correlation	-0.09
	Sig. (2-tailed)	0.636
Variable94	Pearson Correlation	0.122
	Sig. (2-tailed)	0.522
Variable95	Pearson Correlation	0.292
	Sig. (2-tailed)	0.118
Variable96	Pearson Correlation	-.411(*)
	Sig. (2-tailed)	0.024
Variable97	Pearson Correlation	-0.192
	Sig. (2-tailed)	0.309
	N	30

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

* Correlation is significant at the 0.05 level (2-tailed)