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THE INFLUENCE OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF IIAIU SALONS IN NAIROBI

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

This management projcct is my original work and lias not been presented for a degree in any other University.

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This management research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

To my husband James, my son lirnest and my daughter Maureen who have been so encouraging, supportive and understanding and have born the long hours I have been away for the studies.

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ABSTRACT

The hair and beauty industry in Kenya has in the last few years experienced a lot of changes and growth which have affected the state of competition. The society has become keener on their grooming and is demanding for more professional services from the salons than ever before. The industry has witnessed the rise of many salons in the urban centers and also in the estates. This has demanded that the hair salons formulate and implement competitive strategies to be able to cope with competitive pressure. ,

This study sought to determine the competitive strategies employed by the hair salons in Nairobi and the influence of the competitive strategies on the performance of the hair salons. A sample size of 40 hair salons was used of which only 31 responded positively.

Data was collected through mail questionnaire which were directed to the salon owners or the managers of the salons. The questionnaires were dropped and picked later due to noil availability of some of the respondents. The findings of this study indicate that the most commonly used competitive strategies in the industry arc cost leadership and differentiation strategies. There is however use of focus strategy but to a limited extent. In the literature there were no conclusive findings on whether competitive strategy led to improved performance. The results of this study indicated that differentiation as a competitive strategy influenced performance positively. It however found no association between cost and focus strategies and performance.

From the findings of the study owners and managers of hair salons are encouraged to develop ways of differentiating themselves from competition so as to stand out as unique to their clients.

The researcher recommends further studies on the influence of competitive strategy and performance in other industries and also a study on the challenges of strategy development and implementation in the hair and beauty industry.

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INTRODUCTION

1.1 Background

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

The Kenyan business environment has experienced many changes among them: globalization, increased competition, and accelerated implementation of economic, reforms by the government, privatization and commercialization of public sector, price decontrols and liberalization of both domestic and foreign markets (Aosa, 1992). All these changes require that organizations make adjustments in order for them to survive.

The hair and beauty industry is no exception and has also been affected by the environmental changes. Hair salons are categorized as small and micro enterprises (SMEs), which face other unique challenges like lack of quality access to requisite information, unavailability of credit, poor market research and lack of market for their products. Despite these challenges, they continue to play a major role in providing employment opportunities. According to the National SME baseline survey conducted by Central Bureau of statistics (CBS), International Centre for Economic Growth (ICEG) and Kenya Rural Enterprise Programme (Krep) in 1999, SMEs provided employment to 2.3 million people. Results of the same survey showed that the beauty and barber shops comprised the highest number of enterprises in the service sector of SMEs and llicy created the most employment opportunities. Randiki (2000) noted that though medium sized firms played a bigger role as an engine for industrialization than SMEs, SMEs are also important as a seedbed for industrialization.

1.1.1 Competitive strategy

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

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

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

1.1.2 Performance

Lusch and Laczniak (1989) define business performance as the total economic results of the activities undertaken by an organization. The performance of any business organization is affected by the strategies that the organization has chosen (Mutuku, 2005). Hunger and Wheelen (1995) say that strategies, which are a set of managerial decisions and actions, determine the long-term performance of a corporation. Performance in an organization may take many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions (Manyuru, 2005).

Measures of firm performance generally include such bottom-line, financial indicators^.- as sales, profits, cash flow, return on equity, and growth (Dess and Robinson, 1984). However, Thompson et al., (2007) notes that using financial measures alone overlooks the fact that what enables a company achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength. Non-financial measures include innovativeness (Goldsmith and Clutterbuck, 1984) and market standing (Saunders and Wong, 1985; llooley and Lynch, 1985).

1.1.3 Relationship between competitive strategies and performance

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

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

1.1.4 The Hair and Beauty Industry in Kenya

The hair and beauty industry has for a long time been accorded inferior consideration or altogether gone neglected by key players in the economic sector (Stephanie, 2002). It has been looked at as unprofessional and something that one does not much out of choice but as a last resort or as a supplementary source of income. This is evidenced by the fact that for many years careers in this industry were being pursued by school drop-outs and failures.

However, as Irene (2005) notes, it is one of the industries where just anybody with enough ambition can start an enterprise and make money because its clientele ranges from photo studios, Television presenters, VIPs, brides, to school children; actually, everyone is a potential client for the salons. This industry is experiencing a lot of growth and also changes (Stephanie, 2002). Many small salons have come up in the outskirts of the central business district which has heightened the competition; demand for male hairdressers is increasing, and the rise of sophisticated salons, where salons are sectioned according to functions e.g. facial and massage rooms, kitchen, reception and even the manager's office (Jane, 2005).

The industry has also witnessed the evolution of mobile hairdressers and beauticians, garden services and also free lancers who operate from their homes, many beauty shops springing up in every neighborhood of this country, growing partnerships between beauty product manufacturers and salons (Jane, 2005). With people becoming keener on health issues, many salons have incorporated gyms and fitness centers to be able to cater for the changing needs of their clients. Others have resulted to offering extras like serving refreshments, sponsoring beauty pageants and also involving their hairdressers in hair dressing competitions which serve to create awareness for their existence (Irene, 2005).

Moreover, the society has continued to develop awareness of their grooming and need to maintain their personal hygiene and natural beauty. Clients are therefore opting to go for professional advice more. This has led to many people today seeking out for salons with well trained and qualified personnel (Carol. 2002). This in turn has led to a lot of competition by salon owners for highly trained staff. This industry is also very dynamic; hairstyles, just like fashion come and go. This requires that the stafTare often trained and educated to keep them updated with industry demands and to ensure that they can offer quality.

A major characteristic of the salon business is that there is a very high rate of staff turnover which Winnie (2005) terms as both a legal and human resource management problem. This is because most salon employees never sign up employment contracts and more often than not, salon owners and managers don't motivate their employees. An even more interesting scenario is that when the staff moves from one salon to another, they normally migrate with their clients; an issue salon owners don't seem to have control of.

1.2 Problem statement

All business firms exist in an open system. This means they impact and are impacted by the external conditions largely beyond their control. This requires managers to look beyond the limits of the firms own operations (Pearce and Robinson, 2002). It thus calls for all organizations regardless of the sector in which they are; to formulate competitive strategies in response to this turbulent environment. This will enable them cope with competition.

The hair and beauty therapy industry in Kenya is facing challenges which include: changing customer needs, rising demand for highly qualified hairdressers and beauticians, very high staff turnover rates and also increasing demand for more professional services. This demands that the salon owners and managers devise competitive strategies to enable competitive positioning of their businesses. Hair salons offer very essential services to a large number of people: men, women and children. Demand for these services is even increasing as the society becomes more conscious about their grooming.

Previous studies reveal that strategic management, which is about competitiveness in the market place leads to improved performance far more than it results in no change or even poorer performance (I lunger and Wheelen, 1995). Others studies have found that the link between strategy and performance was lessened by situational variables, such as a focus on manufacturing and profitability (Davis and Scluil, 1993; Zahra, 199.1). However, studies by McGee and Thomas (1986, 1992), found no link between strategy and performance.

Studies have been carried out on competitive strategies adopted by Kenyan firms from various sectors. These studies include; Ndubai (2003), who studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. The study revealed that strategies used included strategic choice of location, stocking other items like cosmetics, mobile phones, surgical and diagnostic items, attractive counter displays. stalT uniforms and road signboards. Karanja (2002) studied competitive strategies by real estate firms and found that most firms used differentiation, cost leadership though to a lesser extent and narrow focused differentiation. Obado (2005) looked at competitive strategies employed by sugar manufacturing firms in Kenya. He found that they used cost leadership and differentiation as the main strategies.

These studies revealed the existence of competitive strategies in the firms studied. However, they did not examine the influence of these strategies on the performance of the firms studied. Also these studies done in Kenya did not relate competitive strategies to performance: yet others done elsewhere revealed mixed conclusions. This therefore justifies the need for further research in this area.

Besides, the hair and beauty industry is very unique. It faces very low barriers to entry and high barriers to exit. This increases the threat of new entrants and rivalry among the players. Again the buyers have a high bargaining power because there are many hair salons and thus they have a choice. Suppliers however do not have high bargaining power because they are many. The services offered by the salons do not face a high threat from substitute products. Owing to the uniqueness of this industry and the conclusions of the previous studies, it is worth carrying out this study. Thus, the research question this study seeks to answer is: What competitive strategies are employed by the hair salons in Nairobi and what influence do these strategies have on the performance of the hair salons?

1.3 Objectives of the study

1. To establish the competitive strategies employed by the hair salons in Nairobi.
2. To establish the influence of competitive strategies on the performance of the hair salons in Nairobi.

1.4 Importance of the study

The findings of this study will add on to the body of knowledge and will also be a basis for further research. Players in this industry will also be able to understand the strategic issues they need to address in order to position themselves more competitively.

CHAPTER TWO

LITERATURE REVIEW

2.1 The concept of strategy

The concept of strategy can be seen as a multidimensional one and therefore its definition is not straight forward. Some of the elements of strategy can apply universally while some are largely dependent not only on the nature of the firm but also 011 its structure and culture (Hax and Majlufi 1996). Andrews (1971) defines strategy as the pattern of major objectives, purposes or goals and essential policies and plans for achieving those goals which enable the company to define what business the company is pursuing, the kind of economic contribution it intends to make to its shareholders, employees and community at large. *

Thompson & Strickland (1998) define strategy as the game plan that the management has for positioning the company in its chosen market in order to compete successfully, please its customers and also achieve good business performance. It thus involves choosing among alternatives. This shows that the organization must be aware of the competition in order to position itself successfully.

AnsolTA McDonnell (1990) have defined strategy as a set of rules for decision making that guide organization behavior which can be in either of the following forms: Yardsticks also called objectives, product or business strategy, rules for establishing internal relations called organizational concept, or rules for conducting day to day activities also known as operating policies. Chandler (1962) refers to it as the determination of the basic long term goals and objectives of an organization and the adoption of courses of action and allocation of resources necessary for meeting the goals.

Strategy is needed in order for organizations to obtain a viable match between their external environment and their internal capabilities. Therefore the role of strategy is not to just respond to the external threats and opportunities presented by the external environment but to continuously and actively adapt the organization to meet the demands of an ever-changing environment. Muriuki (2005) notes that strategy has become a critical tool that contributes to the organizational success and comes in handy as organizations continue to face turbulent environments.

Strategy is therefore a tool that offers significant help for coping with turbulent environment that organization are confronted with every day. It therefore merits serious attention as a managerial tool not only for the firm hut also for other social organizations (Ansoff«& McDonnell, 1990).

2.2 Competitive strategy

A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. It deals with management action plan for competing successfully and providing superior value to the customers. This enables it to differentiate or put the company apart from its competitors (Thompson & Strickland, 2003). Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998).

The essence of formulating strategy is to enable cope with competition. Porter (1998), says that competition is at the core of the success or failure of firms and it determines the appropriateness of a firm's activities that contribute to its performance, e.g. cohesive culture innovation etc. I Ic further says that an industry is the fundamental arena where competition occurs and therefore firms develop competitive strategies in search of a favorable competitive position in the industry. In doing so, firms are not only looking for profitable positions but arc also looking for ways of sustaining the profitability. Tang and Bauer (1995) says that a company that manages to develop a style of management that seeks sustained leadership by out-thinking the competition with more effective strategics and out perform the competition with superior quality and satisfaction is therefore able to achieve competitive dominance.

Competition in an industry is rooted in its underlying economics, and competitive forces exists that go well beyond the established combatants in a particular industry. Whatever the collective strength of the competitive forces, the strategist's goal is to find a position in the industry where his or her company can best defend itself against those forces or can influence them in its favor (Pearce & Robinson, 2002). It is therefore important for a firm to have the knowledge of these sources of competitive pressures as it helps guide its strategic action. The knowledge helps to highlight the company's critical strengths and weaknesses, animate the position of the firm in the industry, and clarify the areas where strategic changes may yield the greatest pay-offs and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats. Il also proves helpful if a company is considering areas for diversification (Porter, 1998).

Competition arises between firms if they sell goods or services to the same customers or if they employ factors that are sourced from the same suppliers or group of suppliers (Nyokabi, 2001). Competitive strategy therefore involves positioning a business to maximize the value of the capabilities that distinguish it from its competitors (Porter, 1998). The objective of competitive strategy is to knock the socks off rival companies by doing a significantly better job of providing what buyers are looking for thus, enabling the company to earn a competitive advantage.

The core of a company's competitive strategy thus consists of its internal initiatives to deliver superior value to customers but also includes offensive and defensive moves to counter the maneuvering of rivals and tactical effort to respond to whatever conditions prevail in the market (Thompson and Strickland, 2003). An effective competitive strategy as Porter (1980) contends takes offensive and defensive actions in order to create a defendable position against the five competitive forces.

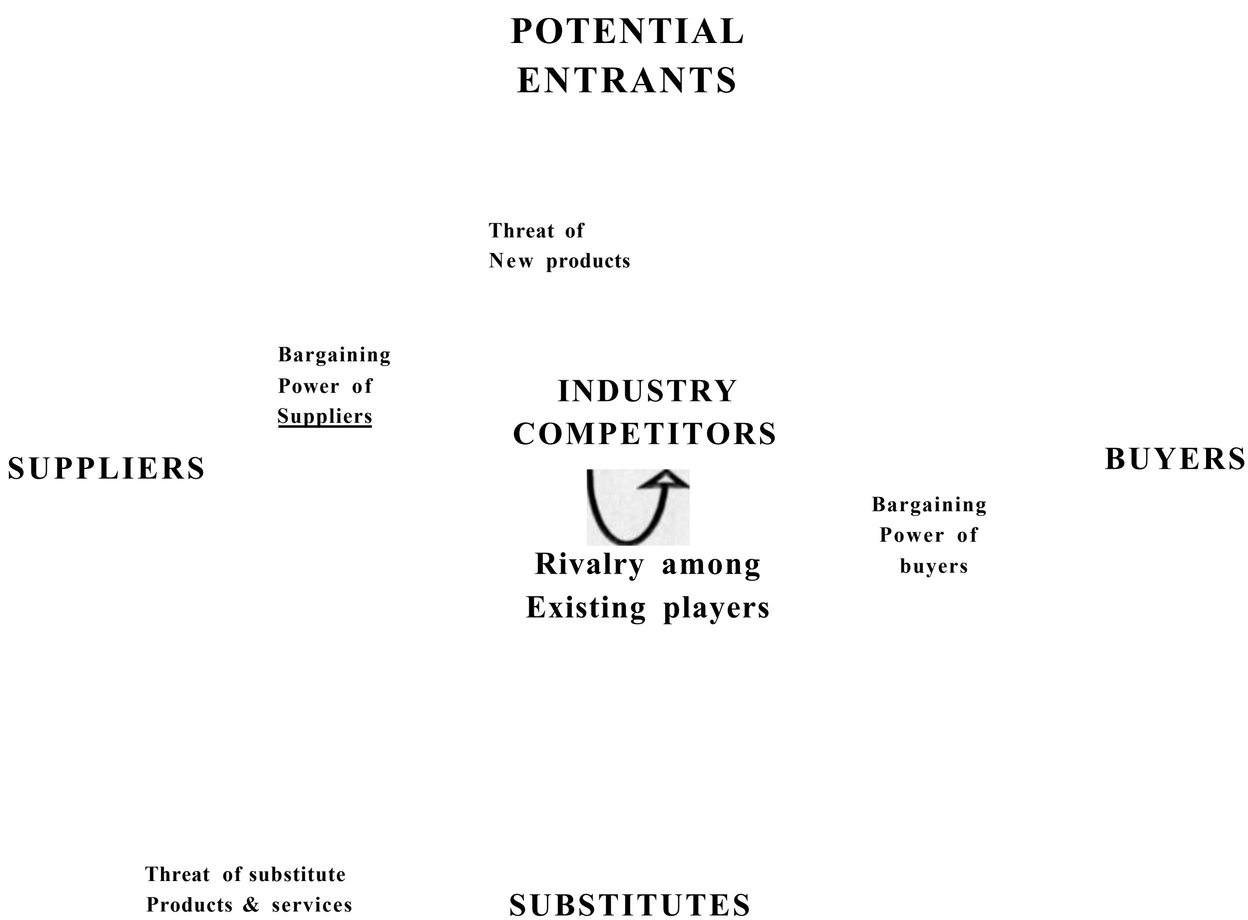
In his study on Kenyan sugar manufacturing firms, Obado (2005) found that all the firms employed cost leadership strategies in their value chain activities. The firms also achieved differentiation by branding their sugar, distribution networks and customer service. The firms also employed focus strategy though to a limited extent.
Theuri (2003) who studied branded fast food outlets found that the fast food chains served specific target markets. They also offered variety of products and services besides ensuring high quality in their products and customer service. Marketing activities like advertisements and sales promotions were also existent.

Studying (lie competitive strategy employed by the pharmaceutical industry, Ndubai (2003) found that the retail firms emphasized on customer service to enhance the image .Other strategies include choice of strategic locations, stocking other items like cosmetics, surgical and diagnostic items, mobile phones and scratch cards and also ensuring cleanliness and enough lighting in the shops. Attractive counter displays, staff uniforms and road signboards were used as strategies. The major challenge faced is unethical competition which leads to price undercutting in the sector.

The nature and degree of competition in an industry hinge on five forces: the threat of new entrants, threat of substitute products, bargaining power of buyers, bargaining power of suppliers and the jockeying among current contestants. The collective strength of these five forces determines the ultimate profit potential of an industry (I'earce and Robinson 2002, Porter 1998). Rivalry occurs when players use tactics like price competition, **advertising** battles, product introductions and increased customer service warranties. It occurs because one or more competitors feel the pressure or sees the opportunity to improve position. Pressure from substitute products because substitute products limit the potential returns of an industry by placing ceilings on prices firms in the industry can charge. Suppliers can exert bargaining power over participants by threatening to raise prices or reduce quality of purchased goods or services. They can thus squeeze profitability out o an industry.

New entrants bring new capacity and the desire to gain market share and often substantial resources which can inflate prices or hid prices down. Buyers on the other hand can exercise power by forcing prices down and bargaining for higher quality or more services and playing competitors against each other all at the expense of industry profitability.
The five forces of competition are presented diagrammatically in figure I.

Figure 1: The Five Forces Model of Competition



Source: Porter, M.E. (1998) Competitive strategy. The free press PP.4

2.3 Porter's generic competitive strategies

The state of competition in an industry is determined by the five basic competitive forces as noted earlier. Porter (1998) says that there are three potentially successful generic strategies that a firm can use for it to lie able to outperform other firms in an industry. They include: overall cost leadership, differentiation and focus. A firm sometimes can successfully pursue more than one approach as its primary target.

2.3.1 Overall cost leadership.

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

Achieving a low cost overall position often requires a high relative market share or other advantages such as favorable access to raw materials, having a high degree of capitalization (Porter 1998, Pearce and Robinson 1997). A low cost leader is able to use the cost advantages to charge lower prices or enjoy higher profit margins. I le can thus defend himself in price wars, attack competitors on price to gain market share (Pearce and Robinson. 1997).

Once low cost is achieved, the position provides high margins which can be re-invested in new equipments and modern facilities in order to maintain the cost leadership (Porter, 1998). It defends the firm against powerful buyers who can exert power to drive costs down and also against powerful suppliers by providing more flexibility to cope with input costs increases. In addition it places it places the firm in a favorable position vis-a-vis substitutes relative to its competitors in the industry

2.3.2 Differentiation

This involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). A company thus designs to appeal to customers with a special sensitivity lor a particular product attribute which in linn helps build customer loyalty. This loyalty helps the company to charge premium prices for its products (Pearce and Robinson, 1997). Barney (1997) says that though a company may have several basis of differentiation, at the end it is only a matter of customer perception. To build competitive advantage through differentiation, a firm must search out sources of uniqueness that are burdensome and time-consuming for rivals to match (Thompson and Strickland, 2003).

Approaches to differentiation can take many forms such as design or brand image, technology, product features, customer service or dealer networks (Porter, 1998). All these create perceptual barriers against competitors (Pearce and Robinson, 1997). Advantages of differentiation are that it provides insulation against competitive rivalry because of brand loyalty by customers; it increases margins which avoids the need for a low cost position and positions the firm better vis-a-vis substitute products than its competitors (Porter, 1998).

2.3.3 Focus

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

Firms pursuing this strategy are willing to service isolated geographic areas, satisfy needs of customers with special financing, inventory or servicing problems or even to tailor the products to somewhat unique demands of the small to medium-sized customers. The firms that achieve this strategy may potentially earn above-average returns for its industry. It can also be used to select targets that are least vulnerable to substitute products or where competitors are weakest.

2.3.4 Risks of generic strategies

No single competitive strategy is guaranteed to achieve success, and even some companies that have successfully implemented one of the Porter's competitive strategies found out that they could not sustain the strategy (Hunger and Wheelen, 1995). Cost leadership, despite of the advantages it achieves for the firm, imposes severe burdens on the firm to keep up it's position which means re-investing in modern equipments, ruthlessly scrapping off obsolete assets, avoiding product line proliferation and being alert for technological improvements.

Other risks of relying on scale or experience as entry barriers include low cost learning by industry new comers through imitation or even ability to invest in state of the art facilities, inability to see required product or marketing change because of much attention given to cost, inflation in costs narrowing the firm's ability to maintain price differentiation and technological changes that nullify past investments or learning.

Risks of differentiation include the fact that with time, the cost differential between low-cost competitors and the differential firms becomes so great for differentiation to hold brand loyalty. The buyers thus sacrifice the features for large cost savings. Buyer's need for the differentiation factor fails as they become more sophisticated, competitors imitate the products and perceived differentiation narrows (Porter 1998, Hunger and Wheelen 1995). Also sometimes it is not easy to identify what buyers consider as value (Thompson and Strickland, 2003).

The focus strategy also faces some risks. With time, competitors find sub-markets in the strategic target market and they out-focus the focuser, the differences in the desired products or services between the strategic market and the market as a whole narrows and also the cost differential between the broad range competitors and the focused firms widens to eliminate the cost advantages of servicing a narrow target market (Hunger and Wheeler, 1995. Porter 1998).

2.4 Performance

A creative distinctive strategy that sets a company apart from its rivals and yields a competitive advantage is the company's most reliable ticket for earning above average performance. Without this, a company risks being out competed by stronger rivals and/or being locked into the mediocre financial performance (Thompson et al., 2007).
The performance of any business organization is affected by the strategies in place within that organization (Mutuku, 2005). Hunger and Wheclen (1995) say that strategies determine the long-term performance of the firm.

Performance is normally measured using standards which are usually detailed expressions of strategic objectives. They are also the measures of acceptable performance results. Measures used to assess organizational performance depend on the organization and the objectives that need to be achieved. These objectives are normally established in the strategy formulation stage of the strategy management process and they could include: profitability, market share and cost reduction among others (Hunger and Wheelen, 1995). Thompson et al, (2007) identified two distinct performance yardsticks. They arc those relating to financial performance and those relating to strategic performance. Those relating to strategic performance are the outcomes that indicate if a company is strengthening its market standing, competitive vitality and future business prospects.

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Most studies on organizational performance use a variety of financial and non-financial success measures. Researchers employ financial measures such as profit (Saunders and Wong, 1985; llooiey and Lynch, 1985; Baker ***et al.,*** 1988), turnover (Frazier and Howell, 1983), return on investment (Ilooley and Lynch, 1985). and inventory turnover (Frazier and Howell, 1983). Non-financial measures include innovativeness (Goldsmith and Clutterbuck, 1984) and market standing (Saunders and Wong, 1985; Hooley and Lynch, 1985). The most commonly used measures of corporate performance according to I lunger and Wheelen (1^95), are the rate of return on investment (ROI), earnings per share (IT'S) and rate of return on equity (ROE). A study by Manyuru (2005) on corporate governance and performance considered turnover, net profit and market share price (MSP) as the measures of performance.

ROI is the result of dividing net income before tax by total assets. EPS is equal to the earnings available to common stockholders divided by the weighted average number of shares of common stock outstanding. ROE shows the relationship of net income to average stockholders equity (Hermanson et al., 1989). Turnover is the sales or gross revenue of the company during the financial period under review. A higher or growing turnover implies increased volume of sales due to quantities sold or increased prices. Higher volumes of sales will most likely result from increased demand for the company's products or services which reflects growth of the company. Quoting Drobetz (2004), Manyuru says that data on turnover has been used by many companies in assessing corporate performance. However, on its own it does not reveal the level of efficiency in production and other cost related areas.

Net profit is the realizable income net of all costs, interest on debt or tax and it shows how well a company has controlled its costs in the effort to maximize on shareholders wealth. Market share price is one of the stock market-based indicators which arc considered most appropriate or sensitive measures as they relied the wealth generation for shareholders. This research project will utilize sales revenue, net profits and growth in number of clients over the period as the measures of performance. ,

Both the literature and some of the studies carried out do not reveal a conclusive relationship between competitive strategy and performance and this therefore necessitates the need for further research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

The research design which was used for the study was a survey. A survey is considered more appropriate for a study involving relationships and comparative analysis.

3.2. The population

The population of study consisted of all the hair salons operating in Nairobi. Nairobi was considered for the study because being the capital city it houses most of the big salons in the country. Information from the Kenya Hair and Beauty Industry Directory 2007/8 edition shows that the city centre of Nairobi has 219 hair salons. However, they have not defined the city centre boundaries.

3.3. The sample

Convenience sampling method was used. This method was considered to be appropriate for this study because it was not possible to get a list of current salon businesses operating in Nairobi. The registrar of companies could not provide this information because salons are not registered under that title. A sample of 40 hair salons will be used.

3.4. Data collection

Data was collected by the use of a structured questionnaire. The questionnaire used both open ended and closed questions. It was divided into three sub-sections, A, B and C. Sub-section A targeted data on the demographic aspects of the company. Sub-section B collected data on competitive strategies employed by the salons, while sub-section C collected data on the performance. Drop and pick later approach which is a variation of mail survey was used to administer the questionnaires. They were given to cither the owners of the salons or the salon managers. Data on performance covered 12 months from August 2006 to July 2007. This period was considered adequate to derive conclusive results.

3.5. Data Analysis

Before analysis, the data was checked for completeness and consistency. Descriptive statistics such as frequencies, means and percentages were used. Pearson's product moment correlation statistic was used to test relationship between competitive strategy and performance.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The research findings are presented and discussed in this chapter. It begins by looking at the response rate. Profiles of the salons are then looked at in terms of when they started operating, their branch network, their size in terms of number of employees and ownership structures. After the overview of the salon profiles, it then looks at strategy development and the competitive strategies applied by the hair salons. It finally analyses and discusses the relationship between competitive strategies employed by the salons and their performance in terms of average monthly sales turnover, average monthly total costs incurred and the average number of clients served per month.

4.2 Overview of company profiles

4.2.1 Years of operation

The **number** of years that the salons have been in operation is an important indicator of the growth trends **in** the industry.

Table 1: Number of years a firm has been in operation

Years of operation	Frequency/No of firms	Percentage (%)
1-5	20	64.5
6-10	6	19.35
11-15	4	12.9
16-20	1	3.25
Total	31	100

As shown in table 1, the salons surveyed ranged in age from one (I) to twenty (20) years of operations. The summary data shows that most of the salons surveyed (64.5 %) were established in the last five years. This indicates growth in the industry. This could lie as a result of increased demand for the salon services owing to the fact that the society has become more conscious of their grooming.

4.2.3 Branch Networks

The number of branch outlets that are set up by firms is normally an indicator of market potential in many industries.

Table 2: Salons with branches

No. of branches	Frequency/ No of firms	Percent
1	7	22.6
0	24	77.4
fotal	31	100.0

The findings 011 table 2 above indicate that (24) respondents (77.4%) did not have any branches while the rest (7) respondents (22.6%) had only one branch each. This may be explained by the fact that most salons fall under small and micro enterprises that are more often than not family owned.

4.2.4 Number of employees

Table 3: Employees

No. of employees currently	Frequency/ No of firms	Percentage (%)
5-10	12	38.7
11-15	7	22.6
16-20	5	16.1
Above 20	7	22.6
Total	31	

From (lie findings of table 3, majority of the salons surveyed (77.4%) had twenty employees and below. Only 22.6% of the respondents had more than twenty employees. This could be explained by the fact that most salons are small and micro enterprises that employ a small number of staff.

4.2.5 Ownership

The ownership of any organization is very important because it determines who and how strategy is formulated and implemented in the organization.

Table 4: Ownership

Ownership	Frequency	Percentage
Sole proprietorship	22	**70.9**
Partnership	**8**	**25.8**
Limited company	**1**	**3.3**
Total	**31**	100.0

Findings on table 3 indicate that out of the salons surveyed. (22) 70.9% were sole proprietorships, (8) 25.8%) were partnerships while only I salon was a limited liability company. Most of the salons arc family owned and more often than not, they arc owned by people who are employed but run the salon business as a source of additional income.

4.2.6 Vision and Mission statements

These are very important aspects of strategic management process in every organization because they determine the direction of the organization.

Table 5: Vision statement

Existence of a Vision Statement	Frequency	Percent
Yes	21	67.7
No	10	32.3
Total	31	100.0

Findings on tabic 5 above indicate that 21 respondents (67.7%) had written down vision statements while 10(32.3%) did not have any vision statements for their salons.

Table 6: Mission statement

Existence of a Mission Statement	Frequency	Percent
Yes	20	64.5
No	9	29
No response	2	6.5
Total	29	100.0

Table 6 presents the findings which indicated that 20 (64.5%) of the respondents had mission statements for their salons while 9(29%) did not have. 6.5% of the respondents did not respond to that question.

4.2.7 Formulation of strategy

Table 7: Responsibility for strategy development

Who Makes Strategy	**Frequency**	**Percentage**
The owner (s)	6	30.0
The manager and the owner(s)	10	50.0
Staff representatives and manager and owner	4	20.0
Total	20	100.0

Results presented in table 7 indicate that of the salons that had strategy, 30 % were prepared by the owners alone, 50% involved the owner and their managers in the development of strategy while only 20% involved staff representatives, managers and owners in strategy development. This could be explained by the fact that most owners arc hardly involved in the management of the salons; hence the person who understands the operations more is the manager.

4.3 Generic Competitive strategics

4.3.1 Cost leadership strategics

Results presented in table 8 indicate that majority of the clients (96.7%) normally requested for price discounts and also that 96.7% of the respondents do give the discounts to their clients. This implies that most of the clients are sensitive to prices and it could actually determine where they go for their services.

Table 8: Whether or not customers ask for discounts

Discounts	Frequency	Percent
Yes	**30**	**96.7**
No	**1**	**3.3**
Total	**31**	**100.0**

Table 9: Frequency of giving price discounts

Give Price Discounts	Frequency	Percent
Yes	30	96.7
No	1	3.3
Total	31	100.0

Results presented on table 9 indicate that majority of the respondents (30) 96.7%. actually responded by giving their clients price discounts. This could be serving as a way of ensuring client loyalty to the salons.

Table 10: Application of cost leadership variables

	Mean	Std. Deviation
Ensuring high quality of services	4.8387	.45437
Building customer loyalty	4.7419	.51431
Ensuring clients don't wait for long before being attended to	4.6452	.87744
Ensuring ample space	4.6452	.79785
Location of the salon	4.6129	.84370

[Use of modern equipments	4.5667	.72793
[Employing a high Caliber of stafT	4.4333	1.04000
[Longer operating hours	4.3000	1.11880
[Retention of popular staff	4.2581	1.26406
Offering price discounts	3.7241	1.19213
Offering low priced products and services	2.1613	1.31901
Sourcing for low-cost products	1.7333	1.11211

The results from table 10 indicate that most of the hair salons employ cost leadership strategies. Great emphasis is placed on ensuring high quality of services, longer opening hours, employing and retention of popular staff, offering price discounts and ensuring fast service delivery enables build customer loyally for the salons. This in turn results to repeat business from satisfied customers who are also able to spread good word of mouth to new ones. This in the long run enables them to achieve cost leadership through economies of scale. Creating ample space in their salons, location and use of modern equipments are also part of the strategies used.

4.3.2 Differentiation

Table 11: creating a unique image

Strive to create unique image	Frequency	Percent
Yes	30	96.8
No	1	3.2
fotal	31	100.0

96.8% of the respondents indicated that they made a conscious effort to create a unique image of their salons to their clients. Owing to the fact that the number of salons arc increasing at a high rate, salons are thus striving to win customers by projecting a unique image to their clients.

Tabic 12: Differentiation variables

	Mean	Std. Deviation
Quality customer service as compared to your competitors	5.000(J	.00000
Safety and hygiene of your salon relative to your competitors	4.9355	.35921
Use of modern equipments relative to your competitors	4.87K	.34078
Quality of services as compared to your competitors	4.8387	.37388
Using superior products relative to your competitors	4.7742	.56034
Maintaining regular contacts with your clients as compared to your competitors	4.6774	.70176
Location of your salon relative to your competitors	4.6129	.88232
Quality of staff relative to your competitors	4.6129	.71542
Ambience of your salon relative to your competitors	4.5484	.67521
Offering refreshments to clients relative to your competitors	4.5484	1.02758
Offering a variety of services relative to your competitors	4.3448	I.I 1085
Popularity of your staff relative to your competitors	4.3000	.87691
Offering clients gifts and cards during special occasions or holidays relative to your competitors	4.0968	1.07563
Use of advertisements relative to your competitors	3.6129	1.56370
Offering other products for sale like cosmetics relative to your competitors	3.5667	1.30472
Use of staff uniforms with salon logo and name as compared to your competitors	3.1935	1.55819
Engaging in promotional activities like road shows relative to your competitors	2.0968	1.19317
Providing special services like gym facilities relative to your competitors	.8667	1.50249

From the findings of table 12, differentiation strategy was used by most of the hair salons; this is evidenced by the high means on almost all the variables. They ensured that their customer service was of very high quality, safety and hygiene was maintained at high levels, use of modern equipments to ensure efficient delivery of service and use of superior products which ensured quality service. They also maintained regular contacts with the clients which ensured that they have feedback from their clients continually which helps improve services. Location and ambience of the salon, quality and popularity of staff also served as a differentiator. Others like offering variety of services and refreshments, offering clients gifts on special occasions, use of advertisements and staff uniforms and offering other products for sale were not commonly used as a way of differentiating the salons from their competitors.

4.3.3 Focus

Table 13: Special category of clients

	Frequency	Percentage(%)
Yes	19	61.3
No	12	38.7
Total	31	100.0

The respondents were asked to indicate whether they have any special category of clients who relied entirely on their services. The findings are presented on table 13. As shown in the table, only 61.3% of the respondents indicated of having a special category of clients who relied entirely on their services while 38.7% did not have. This implies that most of the salons did not serve a niche market but focused on the broad market.

	Frequency	Percentage (%)
Yes	6	19.4
No	25	80.6
Total	31	100.0

The respondents were asked if they offered similar prices to all their clients. Results in table 14 indicate that most of the salons (80.6%) had different prices for different clients whom they served hence achieving high differentiation.

Table 15: premium services

	Frequency	Percentage (%)
Yes	4	12.9
No	27	87.1
Total	31	100.0

Asked if lliey had premium services which attracted a premium price. 87.1% of the respondents did not have while only 12.9% offered premium services.

Table 10: differentiated services

	Frequency	Percentage (%)
Yes	26	83.9
No	5	16.1
Total	31	100.0

The respondents were asked whether they offered a wide range of differentiated products. Results presented in table 17 indicate that most of the salons (83.9%) offered a very wide range of differentiated products to meet the varying needs of their clientele. This implies that the salons did not limit themselves in terms of the target clientele and product offer.

Tables 14 to 16 indicate that differentiation focus is used by the hair salons though not to a very large extent.

4.4 Performance

Table 17: Average monthly sales (Ksh)

	Frequency	Percentage (%)
200. 001-300.000	5	19.2
300, 0001-400, 000	6	23.1
400, 001-500, 000	8	30.8
700, 0001-1000.000	1	3.8
1,000. 0001-1500. 000	1	3.8
Above 1,500,000	5	19.2
Total	26	100.0

Findings in table 17 indicate that the average monthly sales turnover of most salons (53.9%) ranged between Ksh 300.000 and Ksh 500,000,19.2% of the salons made monthly sales which ranged between Ksh 200.000 and ksh 300,000, another 19.2% made above Ksh 1,500,000 monthly average sales. 7.6% ranged between ksh 700,000 and Ksh 1,500,000. This could be explained by the different sizes of the salons. The location of the salon and the target clientele also determines the sales turnover achieved by different salons. Prices charged could also influence the monthly sales turnover by either attracting more or less clients.

Table IS: Average monthly costs (Ksh)

	Frequency	Percent (%)
Below 150, 000	5	19.2
150,001-250.000	8	30.8
250,001-350.000	6	23.2
350,001-450,000	1	3.8
650,001-1,000,000	5	19.2
Above 1,000,000	1	3.8
fotal	26	100.0

From the findings in table 18, most salons (77%) incurred average monthly costs of Ksh 450,000 and below. 19.2% of the respondents incurred average monthly costs ranging between Ksh 650,000 and Ksh 1.000,000 while only one respondent incurred costs above Ksh 1,000,000. Costs incurred by different salons could also depend on the location, use of modern equipment and the product sources.

	Frequency	Percent
Below 200	0	0
201-300	8	27.6
301-500	7	24.1
501-700	3	10.3
701-1000	3	10.3
1301-1500	4	13.8
Above 1500	4	13.8
Total	29	100.0

From the findings in table 19. 51.7% of the respondents served an average number of clientele which ranged between 200 and 500.27.6% 1300 clients and above, 20.6% served a clientele ranging from 500 and 700.

The results of tables 17, 18 and 19 could be explained by the fact that most of the hair salons are family businesses and small and therefore they have a limited number of operations per month.

4.5 Competitive strategies sind performance

Table 20: Correlations between Cost Leadership factors and Performance indicators

Cost Leadership Variables	Performance Indicators			
	Pearson Correlation	Average Monthly Sales	Average Monthly Total costs	Average Number of Clients Served Per Month
Offering low priced products and services	Pearson Correlation	.278	.314	.220
	Sig. (2-tailed)	.169	.119	.251
Building customer loyalty	Pearson Correlation	.026	-.017	.147
	Sig. (2-tailed)	.900	.934	.448
Longer opening hours	Pearson Correlation	.181	.068	.119
	Sig. (2-tailed)	.387	.745	.546
Use of modern equipments	Pearson Correlation	.137	.085	.118
	Sig. (2-tailed)	.514	.687	.549
Offering price discounts	Pearson Correlation	.263	.209	-.135
	Sig. (2-tailed)	.215	.327	.501
Ensuring clients don't wait for long before being	Pearson Correlation	-.018	-.063	.040

attended to	Sig. (2-tailed	.929	.759	.836
Sourcing for low-costs products	Pearson Correlation	.316	.283	.290
	Sig. (2-tailed)	.124	.170	.134
Location of the salon	Pearson Correlation	.154	-.028	-.079
	Sig. (2-tailed)	.452	.893	.684
Retention of popular staff	Pearson Correlation	.154	.011	.022
	Sig. (2-tailed)	.452	.958	.911
Ensuring ample space	Pearson Correlation	.039	-.013	.108
	Sig. (2-tailed)	.849	.952	.577
Employing a high Caliber of staff	'earson Correlation	.206	.164	.026
	Sig. (2-tailed)	.324	.433	.895
Ensuring high quality of services	'earson Correlation	.368	.338	.308
	Sig. (2-tailcd)	.064	.091	.104

The results in table 21 indicate that variables relating to cost leadership have 110 association with the different indicators of performance which includes average monthly sales turnover, average monthly total costs and average number of clients served per month. The correlation coefficients are not significant at $p < 0.05$.

Table 21: Correlations between Differentiation and Performance

Differentiation Variables	**Performance Indicators**			
	Pearson Correlation	Average Monthly Sales	Average Monthly Total costs	Average Number of Clients Served Per Month
Using superior products relative to your competitors	Pearson Correlation	.136	.235	.046
	Sig. (2-tailcd)	.507	.247	.813
Popularity of your staff relative to your competitors	Pearson Correlation	-.280	-.402	-.304
	Sig. (2-tailed)	.175	.046	.116
Location of your salon relative to your competitors	Pearson Correlation	.075	.029	-.157
	Sig. (2-ailed)	.716	.889	.416
Ambience of your salon relative to your competitors	'earson Correlation	.205	.180	.322
	Sig. (2-ailed)	.314	.378	.088
Use of advertisements relative to your competitors	'earson Correlation	.030	.190	.211
	Sig. (2-ailed)	.883	.353	.272
Engaging in promotional activities like road shows relative to your competitors	'earson Correlation	.191	.300	.351
	3ig. (2-tailed)	.351	.136	.062

Quality of services as compared to your competitors	Pearson Correlation	.373	.295	.222
	Sig. (2 tailed)	.061	.143	.247
Quality of staff relative to your competitors	Pearson Correlation	.028	-.168	-.045
	Sig. (2-tailed)	.891	.413	.817
Quality customer service as compared to your competitors	Pearson Correlation	.	.	.
	Sig. (2-tailed)	.	.	.
Offering refreshments to clients relative to your competitors	Pearson Correlation	.028	.019	-.009
	Sig. (2-tailed)	.893	.926	.962
Use of staff uniforms with salon logo and name as compared to your competitors	Pearson Correlation	.196	.153	.162
	Sig. (2-lailed)	.337	.455	.401
Safety and hygiene of your salon relative to your competitors	Pearson Correlation	-.346	-.417	-.317
	Sig. (2-ailed)	.083	.034	.093
Use of modern equipments relative to your competitors	Pearson Correlation	.171	.106	.132
	Sig. (2-iailed)	.404	.607	.493
Offering other products for sale like cosmetics relative to your	'earson rorrelation	-.016	.054	-.021

competitors	Sig. (2-tailed)	.939	.796	.915
Maintaining regular contacts wit your clients as compared to your competitors	Pearson Correlation	.267	.140	.161
	Sig. (2-tailed)	.187	.495	.401
Offering clients gifts and cards during special occasions or holidays relative to your competitors	Pearson Correlation	.161	.356	.358
	Sig. (2-tailed)	.432	.075	.057
Providing special services like gym facilities relative to your competitors	'earson Correlation	.459	.502	.389
	Sig. (2-ailed)	.021	.011	.041
Offering a variety of services relative to your competitors	'earson Correlation	.051	-.038	.053
	Sig. (2-ailed)	.814	.861	.791

The results in table 21 indicate that some of the variables of differentiation indicated a weak positive relationship with some of the performance variables while some indicated a negative relationship. The correlation coefficient between popularity of staff and the average monthly costs was significant at ($r = -0.4$, $p < 0.05$). This implies that if salons are maintained their popular staff, it worked to reduce the costs incurred per month. This could be explained by the fact that popular staff resulted to retention of already existing clients. This enabled cut costs of looking for new clients and also costs of recruiting new staff.

The correlation coefficients between providing special services like gym and average monthly turnover, average monthly costs and average number of clients per month were significant at ($r = 0.45$, $p < 0.021$; $r = 0.5$. $p < 0.011$; r - 0.38. $p < 0.04$ respectively). This implies that offering special services attracted more new clients who translated into increased monthly sales. Costs also arc likely to go up due to the cost of the services in terms of maintaining the equipments.

The correlation coefficient between maintaining safety and hygiene and average monthly costs was significant at ($r = -0.41$, $p < 0.03$). This implies that maintaining high quality of hygiene and cleanliness led to reduced monthly costs. This could be explained by the fact that it resulted to increased number of clients and eventually reduces costs due to economies of scale. However from the results this is not the case. This shows some inconsistency.

Tabic 22: Correlations between Focus and Performance

Focus Variables	**Pearson Correlation**	**Performs nee**		
		Average Monthly Sales	Average Monthly Total costs	Average Number of Clients Served Per Month
1 lave special category /class of clients who rely entirely on your services	Pearson Correlation	.287	.182	.191
	Sig. (2-tailed)	.156	.373	.321
products are offered at different prices to different clients	Pearson Correlation	-.197	-.194	-.287
	Sig. (2-tailed)	.334	.343	.131
We have premium services which we offer at a premium price to special clients	Pearson Correlation	.272	.248	.222
	Sig. (2-tailed)	.179	.222	.247
We serve a particular class of clients whom we charge low prices	Pearson Correlation	.173	.263	.239
	Sig. (2-tailed)	.397	.193	.212
We offer a very wide range of differentiated products to meet all the needs of our clients	Pearson Correlation	.082	.084	.073
	Sig. (2-tailed)	.692	.684	.706

Results in table 22 indicate that the correlation coefficients are not significant at

($p \leq 0.05$). This implies that there is no association between focus strategy and performance.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.1 Summary Introduction

The aim of this study was to determine the competitive strategies employed hy hair salons in Nairobi and also determine the influence of the competitive strategies on (he performance of these hair salons.

The findings from the study indicated that most of the hair salons have not been in operation for more than live years. This could suggest an increased demand for (he salon services. Results also indicate that most salons do not have branches and employ ten staff and below. A large number of the salons (73.1 %) achieved a monthly sales turnover of " between ksh 200.000 and Ksh 500.000 and served an average clientele of below 500 per month. This could be because most of the salons are sole proprietorships and thus small in size.

Results indicated existence of strategy in only 20% of (he salons. In 80% of the salons that have strategy, the owners and managers were involved in strategy development. Most of (he salons being in (he ca(egory of micro and small enterprises, strategy is in most cases implied and not formally written down. The owners also have a lot of influence in (he formulation of strategies in these firms.

5.1.1: Summary of Competitive strategies

The study found that cost leadership strategies are widely employed by the salons. This they do by ensuring high quality of services, building customer loyalty, ensuring that clients are served fast without waiting for long, using modern equipments and strategically locating their salons. Other cost strategies employed include offering price discounts, retention of popular staff and opening for longer hours which helps accommodate different timings of different clients.

Differentiation strategies were also used by majority of the salons. The industry is growing and many salons arc coming up. This really demands that the salons are able to create a unique image to their clients for them to survive. Some of the ways in which the salons arc able to achieve differentiation is through very high quality customer service, maintaining very high hygiene and safety standards, using modem equipments and superior products which enabled them offer very high quality services. Most of the salons ensured that they are strategically located and maintained regular contacts with their clients. Offering refreshments and retaining popular staff also served as a differentiator. Focus strategies also existed but to a very limited extent. Most of the salons due to their small size focused on the wider market to be able to grow their clientele rather than limiting themselves to a niche market.

5.1.2: Summary of relationship between Competitive strategy and performance

Further, the findings of this study indicate that there is no association between the variables of cost and focus strategies and the performance indicators. 1 lowcver. some of the variables of differentiation strategy indicated existence of a relationship. Popularity of staff influenced costs negatively while provision of special services like gym influenced ^ the three indicators positively.

5.2 Conclusion

In conclusion, the study found out that most of the hair salons employed competitive strategies in order to cope with the competitive environment. The most commonly used strategics are cost leadership and differentiation. Focus strategy is also in use but to a limited extent. The study also found that use of differentiation strategy influenced performance positively.

5.3 Recommendations

From the findings of the study, differentiation strategy seams to be the strategy most employed by the hair salons. Some of the factors of differentiation strategy also indicated positive relationship with performance. Managers of the hair salons are thus encouraged to look for serious ways of differentiating themselves in the market. This will enable them stay ahead of competition.

The researcher recommends further research in the influence of strategy and performance, probably in other industries other than the hair and beauty industry. A study on the challenges of strategy development and implementation in this industry could also bring to light the challenges facing the players and how they can be overcome.

5.4 Limitations of the study

The major limitation of this study not all the firms responded. More so, of the ones that responded, most of them felt that information on their performance ie their sales, costs and even the number of clients they served was confidential information which they were not willing (o reveal. Another element was that most owners who were the target respondents of the questionnaires were not available at the salons. This made data collection very hard because the researcher was forced to leave the questionnaires at the salons for them to be dropped to the owners. This took time and resources to follow up. On the other hand, most of the managers who were also the alternative respondents in case the owners were not available were not able to respond adequately to the questions asked.

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APPENDIX 1: LETTER OF INTRODUCTION

August 13 2007

Dear Respondent,

MBA RESEARCH PROJECT

As part of the requirement for the degree of Master of Business Administration (MBA) of the University of Nairobi, school of Business, the undersigned, who is a student in the faculty of Commerce at the University, is required to undertake a management paper. She intends to undertake a study on the hair and beauty industry.

This questionnaire is designed to gather information on the competitive strategies adopted by the hair salons and their performance in Nairobi, Kenya. Your responses will k-treated in strict confidence and in no circumstance will your name be mentioned in the report. Further confidentiality will be ensured through the necessary coding of the survey findings.

Your cooperation will be highly appreciated.

Yours faithfully,

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MBA STUDEN'I

PROFESSOR K,OBONYO
SUPERVISOR

APPENDIX II QUESTIONNAIRE

Section A

1. Name of the salon_
2. When was the salon established?_
3. What was the number of employees at inception and currently? At inception________________________Currently
4. Do you have any branches? Yes ( ) No ( ). If yes how many
5. Of what importance are they to the firm? Please tick the statements that apply to your salon

a) It enables focus on special needs of different customers ( )

b) Enables us to reach to many customers ( ) "

c) It is a way of creating awareness ( )

d) It helps build customer confidence in our stability ( )

e) Others (specify)

6. In which of the following categories does your salon fall?

a) Sole proprietorship ( )

b) Partnership ( )

c) Others (specify)

Section B Competitive strategy

7. Does your salon have a written?

a) Vision statement Yes ( ) No ( )

b) Mission statement Yes ( ) No ( )

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

a) The owner (s) ( )

b) I he manager and the o\vner(s) (   )

c) Stall representatives and manager (   )

d) Others (specify)_______________-

Cost leadership

9. Do your customers ask for price discounts? Yes (   ) No (   )

10. Do you normally give the price discounts? Yes (   ) No (   )

11. To what extent do you use the following as means of attracting and retaining customers?

5) A very large extent (4) a large extent (3) a moderate extent (2) a less extent (I) not at all

	5	4	3	2	1
Offering low priced products and services					0
Building customer loyalty					
Longer opening hours					
Use of modern equipments					
Offering price discounts					
Ensuring clients don't wait for long before being attended to					
Sourcing for low-costs products					
Location of the salon					
Retention of popular staff					
Ensuring ample space					
Employing a high Caliber of staff					
Ensuring high quality of services					

Differentiation

12. Do you strive to create a unique image of your salon to your clients?

Yes ( ) No ( )

13. T what extent are the following factors used as a way of distinguish your salon from the others?

5) A very large extent (4) a large extent (3) a moderate extent (2) a less extent (I) not at all

	5	4	3	2	1
Using superior products relative to your competitors					
Popularity of your staff relative to your competitors					
Location of your salon relative to your competitors					
Ambience of your salon relative to your competitors					
Use of advertisements relative to your competitors					
Engaging in promotional activities like road shows relative to your competitors					
Quality of services as compared to your competitors					
Quality of staff relative to your competitors					
Quality customer service as compared to your competitors					
Offering refreshments to clients relative to your competitors					
Use of staff uniforms with salon logo and name as compared to your competitors					4

Safety and hygiene of your salon relative to your competitors					
Use of modern equipments relative to your competitors					
Offering other products for sale like cosmetics relative to your competitors					
Maintaining regular contacts with your clients as compared to your competitors					
Offering clients gifts and cards during special occasions or holidays relative to your competitors					
Providing special services like gym facilities relative to your competitors					
Offering a variety of services relative to your competitors					

Focus

14. Do you have any special category /class of clients who rely entirely on your services?

Yes ( ) No ( )

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Which of the following statements would best describes your salon?

a) All our products are offered at the same price to all our clients ( )

b) We have premium services which we offer at a premium price to special clients ( )

c) We offer a very wide range of differentiated products to meet all the needs of our clients ( )

Section performance

16. Kindly indicate the average performance of your salon in terms of sales turnover. *r'* total costs incurred and the number of clients served. I'lcase tick the range where your salon falls.

Average monthly sales

Below 200.000
200.001-300.000
300.001-400.000
400.001-500.000
500,001-700.000
700,001-1000. 000
1000,001-1500.000
Above 1500,000

Average monthly total costs

Below 150.000
150,001-250.000
250,001-350.000
350,001-450.000
450,001-550.000
550,001-650.000
650,001-1000. 000
Above 1000,000

Average number of clients served

Below 200
201-300
301-500
501-700
701-1000
1001-1300
1301=1500
Above 1500