APPLICATION OF PORTER’S GENERIC STRATEGIES IN KENYA’S HOSPITALITY INDUSTRY

BY

CATHERINE MWIKALI MUNYAKA

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SUMMER 2016
APPLICATION OF PORTER’S GENERIC STRATEGIES IN KENYA’S HOSPITALITY INDUSTRY

A Case Study of the Lukenya Getaway Limited

BY

CATHERINE MWIKALI MUNYAKA

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Executive Master of Science in Organizational Development (EMOD).

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2016
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for the academic credit.

Signed: ___________________________ Date: ___________________________

Catherine M. Munyaka (ID No: 637967)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ___________________________

Prof. Peter Lewa

Signed: ___________________________ Date: ___________________________

Dean, Chandaria School of Business
ABSTRACT

The purpose of the study was to investigate the extent to which Porter’s generic strategies have been applied in Kenya’s hospitality industry and with what success. The research questions that were used to give guidance to the study were; what is the nature of competition in the hospitality industry, to what extent is cost leadership strategy applied and with what success, to what extent is differentiation strategy used and with what success and finally to what extent is focus strategy used and with what success.

A descriptive research design was used by the researcher in the study. The opinions of the stakeholders regarding strategies of sustainable competitive advantage through Porter’s Generic strategies were explored using questionnaires. The dependent variable in the study was Porter’s generic strategy for competitive advantage while the independent variables were Cost Leadership, Differentiation and Focus. Stratified random sampling was used in the selection of a representative sample of the population to cater for diversity in the population. The population of study was 112 people while the sample size was 35 respondents from the internal clients (current staff) and the external clients (former employees) of the Lukenya Getaway Limited. Quantitative research method was used on the questionnaires that were physically given out to the respondents. Statistical software, SPSS, was used to enter, clean and analyze the coded data. Pearson’s correlation coefficient analysis was used to analyze the relationships that exist between the variables and the data was presented through tables and figures.

The key findings on the application of Porter’s generic strategies and success were that Lukenya Getaway Limited mostly uses two of Porter’s Generic strategies namely Differentiation and Focus strategies. Cost Leadership is also used but not to a great extent. In the application of the generic strategies differentiation and Focus strategies have been used to address the market (external factors) as cost leadership has been used to address the firm processes (internal factors).

The key findings on the nature of the hospitality industry were that this industry is very competitive in nature; as a result therefore, the industry creates unique product features that are not common. The hospitality industry also uses the different generic strategies to compete. In comparing the different strategies, Cost Leadership and Focus strategy were not as widely used as Differentiation strategy. To attain Cost Leadership, there is an emphasis on efficiency through tight cost controls and cost consciousness and also in the use of its assets.
In operational focus the findings were that the firm focused on the service other than on the value chain and the product. The firm also practiced differentiation focus as opposed to the cost focus.

The major conclusion on the nature of the hospitality industry was that this industry is very competitive in nature. This has therefore resulted to continuous improvement and innovation of both the products and services that a firm offers. In terms of cost leadership, accommodation and meals were found to be the main cost drivers. The sources of low cost advantage were found to be sustainable hence in one way or another influencing the affordability in the firm. Differentiation has been used widely by the firm to guard against new entries and it has also lowered the customers’ sensitivity to price. Due to the unpredictable and dynamic markets, the firm does not utilize focus strategy entirely.

From the research, the recommendations on competition were that since the location of the firm is opening up to other investments and hotels, Lukenya Getaway Limited should together with these investments work on having a Destination Marketing Organizations (DMO) in order to look for innovative ways to put this destination on the map hence improving consumer travel trends and maximizing demand capture. To improve on cost leadership, the firm should reconfigure the value chain to enhance the firm’s capability to have cost advantage and also exploit all the potential cost drivers that allow for greater efficiency in each value-adding activity.
ACKNOWLEDGEMENT

First and foremost I would like to thank God for the grace He gave to me and the people he brought my way for this project.

Secondly I would like to express my appreciation to all those who took part in this project; those who took their time to give me feedback and encourage me throughout this period.

Thirdly I would like to express my gratitude to Prof. Peter Lewa and Dr. Peter Kiriri whose useful comments, feedback and engagement have came in handy throughout the project.

Last but not least, I would like to thank my entire family for the overwhelming support during the entire period of my studies, I am forever thankful to you.
DEDICATION

I dedicate this project to my beloved husband Wilson Kiuna who has walked with me in this journey. Your effort has not gone unnoticed, deepest appreciation to you.

Secondly, I dedicate this project to my family Dr. Isaiah Mbithi, Mrs. Janet Riara, Ms. Ruth Mutanu and the Simbi’s. Am very grateful for your support throughout my time in school.

Last but not least, I would like to dedicate this project to my God for this far He has brought me, He is Ebenezer!
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Strategy is first and foremost a broad and complex concept. Strategy is the creation of a unique and valuable position, which usually involves different sets of activities (Porter, 1996). Strategy also refers to the ideas, plans and support that firms employ to compete successfully against their rivals (Woo, 2007). The main focus of strategic positioning is to choose activities that yield superior profitability and thus create a sustainable competitive advantage against rivals. A competitive advantage is not necessarily enduring, which is why strategy must be distinguished from operational effectiveness (OE). Both elements generates competitive advantage, which improves performance, but operational effectiveness is relatively easy to imitate and, consequently, the competitive advantage risks eroding (Minarik, 2007). The major threat to the sustainability of a competitive advantage is that rivals can diagnose and duplicate or make obsolete the competitive advantage (Saloner, 2011).

The author of "The Spirit to Serve" and the founder of Marriott Hotels operating the highest number of rooms in the world, J.W. Marriott pointed out that good fortune, structure and strategy are the critical requirements for successful companies and individuals (Marriott, 1997). Among other requirements, strategies greatly influence performance of firms and therefore have been the focus of many firms in the last decade; having said this therefore, it’s of importance to highlight that competitive advantage is at the heart of strategy. That is, strategies that lead to competitive advantage enable firms to achieve superior performance. More broadly, some suggest that competitive advantage is central to why firms even exist (Conner, 1996; Chen et al., 2010).

Constant or sustainable strategies for competitive advantage are characterized by implementation of value creating plans which are either impossible or heavily costly for other competitors to imitate (Hitt, Hoskisson and Ireland, 2007). An appropriate selection and formulation of a generic competitive strategy will best position the company’s offerings and it gives the company the strongest possible competitive advantage within its industry (Kotler and Armstrong, 2000).

The competitive dynamics literature particularly emphasizes that every competitive action has a reaction (Chen and Miller, forthcoming). That is, the performance consequences of a particular move depend not only on the scope of the opportunity that the move targets or the
capabilities and resources with which the move is executed, but also on the likelihood of a competitive response or a countermove. The longer the lag of response, the more effective the focal move is (Katila et. al, 2012). The argument is that a competitive response is particularly likely if the rival is both motivated (that is, the move is visible and relevant for the rival) and capable (the rival has appropriate resources) to respond (Chen, Su, and Tsai, 2007; Ferrier, 2001).

Miller and Chen (1994) discovered that airlines with more price changes, advertising campaigns, and service adjustments had higher revenues per available seat mile—a standard measure of performance in the industry. They combined evolutionary theory with competitive dynamics, to address this gap. Prominent in evolutionary learning theory is the idea of search which is a problem-solving process in which organizations recombine, relocate and manipulate existing knowledge in order to create new knowledge (Levinthal, 1997; Katila, 2002). Such search takes place on a performance landscape. Long-lasting and steadily growing firms have understood the factors of macroscopic, industrial and demographic transitions, and have selected their own competitive strategies in advance. Thus, the management seizes a good opportunity for promising future business, invests constantly in the development of means to compete and ultimately improves internal execution power (Woo, 2007).

In any industry there can be two categories of firms namely the small scale entrepreneurial firms and the large scale firms. Given the stable search topography of established market landscapes and their weak starting positions, Katila et. al (2008) propose that entrepreneurial firms should invest in Research and Development (R&D) moves that lower the production cost of existing products (they label these as exploitative R&D moves) and offer these low-cost products to market segments that are price sensitive and, thus, typically underserved by large firms (they label these as exploratory market moves). That way, entrepreneurial firms stay undetected and attack weak flanks in large firm strongholds. Large firms in contrast, that use the opposite moves, i.e., invest in developing new products (exploratory R&D moves) in their existing market segments (exploitative market moves), are likely to perform well in established markets. Here, the strategic logic is to invest in maintaining existing market positions through new product introductions. Large firms should focus on product introductions that are particularly critical in new markets because they help firms learn about which product features are needed—helping identify opportunities (Katila, 2002).

The hospitality industry comprises of the hotel industry and the travel industry and within these sections of the industry are large and small firms. The hotel industry comprises
accommodation, hotels, clubs, cafes and restaurants. It is one that has a lot of competition from within and without the country. The hotel industry has become a fierce battlefield, with a proliferation of new brands and business models, with different approaches to segmentation of the market. When proliferation is rampant, the one strategy that will clearly not work is standing still. Standing still means being surrounded by rivals and having accommodations rates falling and commodization creeping in from all sides (D’aveni, 2010). Therefore, one cannot stand still to watch this happen but they must actively shape the game they play, not just play the game they find (Brandenburger et al., 2009).

In Kenya, the current trend in the hospitality industry indicates that things are not becoming any easier as more investments are expected. This is in view of some new hotels which are yet to come online. There are also international brands that have not yet ventured into Kenya but are in the process of doing so e.g. Marriott hotel, Rezidor amongst others (Sarova, 2011). Despite its recent impressive growth and financial success globally, the hospitality sector is also perhaps the most sensitive to a wide range of external and internal factors which at times threaten its survival (Jönsson and Devonish 2009; Faulkner, 1993; Go and Pine, 1995; Elliott, 1997; Tribe, 1997). These factors bring about competition even within any one given country. Michael E. Porter suggests in his book ‘On Competition’ that national competitiveness depends on the abilities of firms in a country to reach higher productivity through repeated innovations and sustain it for a long time. Intensifying competition on the global tourism market is a great challenge for strategic management. Accelerating changes in industries and economies resulting in global competition have led to an increased popularity of strategic planning (Rigby, 2001). Passionate and innovative enterprisers introduce new standards for the hospitality industry in a narrow sense, and play the role of maintaining the driving force for national growth by enhancing the value of a city as well as contribute greatly to human amusement and leisure activities by representing a highly advanced model for the worldwide tourism industry (Woo, 2007).

The hospitality industry being very dynamic has also integrated quite a number of strategies and approaches in their operations to achieve competitive advantage. Though they may have been useful, the industry faces diverse challenges that arise while managing and growing it to achieve a competitive advantage despite the changing market trends. Research shows that market trends are shaped by: Governments, International transactions, speculation/expectation and supply/demand. Government affects the trends through monetary and fiscal policy; these policies affect International transactions which in turn affect economic strength. Speculation and expectation drive prices based on what future prices might be and changes in supply; demand create trends as market participants fight for
the best price (Mitchell, 2011). Mitchell’s study interpreted simply implies that expected future conditions shape current decisions and those current decisions shape future trends. Competitive advantage will therefore enable a firm create value for its buyers both now and in the future.

Competitive strategy has evolved over the years and different types of generic strategies have been suggested over the years. A generic business strategy is one that can be adopted by any firm, regardless of the product or industry involved, to achieve a competitive advantage. Some current research suggests that a firm needs several major competencies, not just one, to sustain its competitive advantage over longer periods. Utterback and Abernathy (1975) proposed cost minimizing and performance – maximizing business strategies that may be positioned at opposite ends of the spectrum. Miles (1978) proposed four types of competitive strategy which are ‘reactor’, ‘defender’, ‘analyzer’, and ‘prospector’. Porter (1980) pulled all the types of strategy together and suggested three generic types of competitive strategy, namely: Cost Leadership, Differentiation and Focus. With Porter’s three generic competitive strategies, Scania, a product firm, has been able to achieve competitive advantage as it’s a low-producer of a differentiated truck that is custom-manufactured and sold to a regionally focused market (Robinson and Pearce, 2000). Competitive advantage develops out of the value an organization creates for its customers that surpasses the cost of its production. Consumers are willing to pay for value and when an organization offers lower prices than its competitors for equivalent benefits that more offset a higher price, then superior value is achieved (Porter, 1998).

Porter’s three main generic strategies that we are going to look at are cost leadership, differentiation and focus. A cost leadership strategy enables a firm defend market share against rivals, defend supply, build entry barriers, weaken threat of substitutes, increase market share, enter new markets and reduce the cost of capital (Porter, 1998). The idea of search which is the prominent process of evolutionary learning theory is a problem-solving process in which organizations recombine, relocate, and manipulate existing knowledge in order to create new knowledge thus differentiation (Levinthal, 1997; Katila, 2002) and Focus will be achieved through adoption of a particular niche or market segment through cost or differentiation focus.

The Lukenya Getaway is part of the hospitality industry and it faces the challenges any other hospitality firm would face. The establishment started in 2001 as a countryside home for the now proprietors of the expansive hotel property. Soon after, guests and friends sought after the property as a home away from home. In 2003, due to increased demand the Cottages
were put up as a solution. A larger pool, a dining area and a volley ball pitch followed. Having grown in capacity and product variety, the Executive wing was built in 2005. In 2007, four Getaway suites and two luxury suites come into existence. In 2009 an additional 18 rooms were added to the Getaway wing. In April 2012 the Lukenya suites were completed, adding a total of 32 state of the art rooms, giving the hotel a total capacity of 105 rooms. The Lukenya Getaway is an ideal place created to provide an environment for intellectual work, rest and recreation. Located at the scenic and serene surroundings of the Lukenya Hills, it renders a quiet and peaceful environment for conferences, team buildings, retreats, workshops, and much more. Their Clientele is composed of Non – Governmental Organizations, Corporates, Parastatals, Government Ministries, Churches, Schools and Institutions, Campers, Families and Individuals among other groups (Lukenya, 2013).

1.2 Statement of the Problem
Kenya’s hospitality industry faces many emerging challenges that if a firm is not continually strategically positioning itself, then the existing threats posed by substitute product, established rivals and new entrants will slowly but surely bring any firm to its death bed (Sarova, 2011). In contrast to prior work that has focused on moves and the related competitive advantages of large firms, attention was drawn to entrepreneurial firms in the hospitality industry. These firms need to get a way of dealing with escalating operating costs, escalating renovation and construction costs, growing global uncertainty about security and evolving customer expectations to achieve competitive advantage over its rivals.

Research suggests that competitive moves are likely to play an important role in creating competitive advantage. In particular, the key findings indicate that more frequent, complex, and aggressive moves are likely to be performance enhancing (Miller and Chen, 1994). These findings have been corroborated across diverse industries and in numerous studies in the competitive dynamics literature. Yet, while these insights are helpful, they may not be how entrepreneurial firms successfully compete, especially in the hospitality industry. The application of Porter’s generic strategies, that is: cost leadership, differentiation and focus were applied in this research and evaluated to find out to what extent they had been used by entrepreneurial firms in the hospitality industry and with what success had this achieved competitive advantage. This study therefore would be a resource that can be used for the entrepreneurial firms in the hospitality industry.
1.3 Purpose of the Study
The purpose of the study was to investigate to what extent the application of Porter’s generic strategies had been in Kenya’s hospitality industry and with what success.

1.4 Research Questions
1.4.1 What is the nature of competition in the hospitality industry?
1.4.2 To what extent is cost leadership strategy applied and with what success?
1.4.3 To what extent is differentiation strategy used and with what success?
1.4.4 To what extent is focus strategy used and with what success?

1.5 Importance of the Study
1.5.1 The Lukenya Getaway Directors
The directors will know which of Porter’s three generic strategies to apply to have a sustainable competitive advantage. They will also be in a position to exploit the specific organization’s distinctive capabilities bearing in mind the organization’s long-term plans for sustainable competitive advantage.

1.5.2 The Lukenya Getaway Managers and Heads of Departments
This group of people will benefit by having a better understanding of which of Porter’s three generic strategies they have been using and which of the three to focus on in order to achieve sustainable competitive advantage.

1.5.3 The Lukenya Getaway employees
They will understand better the strategies that the organization has been using and use the set objectives arising from the strategy used to develop short-term strategies to achieve the organization’s sustainable competitive advantage.

1.5.4 Academicians and Researchers
This study will contribute to the body of knowledge and once it’s done as it will be a source of reference for the application of Porter’s generic strategies in Kenya’s hospitality industry for sustainable competitive advantage with a focus on entrepreneurial firms.

1.6 Scope of the Study
The study sought to focus on Lukenya Getaway, which is a hotel under the category of entrepreneurial firms. The population was the management, heads of departments, both
current and former team members in the different departments. This study was conducted between January and July 2013.

The population sample of study was small to actually represent the current scenario in the industry. As the organization is quite unique in its operations this was not an entirely a true representative of the entire hotel sector in the hospitality industry. This research study was also conducted through stratified random sampling method at Lukenya Getaway Limited. By its very nature, the study was not utterly comprehensive due to evident shortcomings associated with sampling studies. However, efforts were made to ensure utmost reliability on the sample by ensuring validity, accuracy and completeness of the sample studied. Having knowledge of such limitations, the researcher identified actions to address some of the limitations.

1.7 Definition of Terms
1.7.1 A Service
A service is any action; presented or performed that one party can offer to another. It is intangible and does not result in the ownership of anything. The production of a service may or may not be tied to a particular physical product (Kottler et. al., 2006). Zeithaml and Bitner (2003) simply define it as deeds, processes and performances.

1.7.2 Competitive Advantage
A competitive advantage is what distinguishes you from the competition in the minds of your customers. Whether you are an employee, a business or a country, you need to have a clear competitive advantage and communicate it to your customers (Amadeo, 2010).

1.7.3 Sustainable Competitive Advantage
Sustainable competitive advantage eludes definition but can be broadly defined as the quality of an organization that enables it to outperform its competitors and sustain above normal returns (Peteraf, 1993). Resources that are complex, casually uncertain and ambiguous tend to be inimitable and lead to sustainable competitive advantage (Barney, 1991 and 2002).

1.7.4 Competitive Strategy
Is a long-term action plan that is devised to help a company gain a competitive advantage over its rivals. It is the pursuit for an advantageous competition position in an industry. Competitive strategy aims to establish a profitable and sustainable position against the forces
that determine industry competition (Porter, 1998). Competitive strategy is about being unique. It means deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1996).

1.7.5 Strategy
Strategy is the creation of a unique and valuable position, involving a different set of activities. If there were only one ideal position, there would be no need for strategy. Strategy is creating fit among a company’s activities. The success of a strategy depends on doing many things well – not just a few – and integrating among them. If there is no fit among activities, there is no distinctive strategy and little sustainability (Porter, 1996).

1.7.6 Evolutionary Theory
This is a theory particularly appropriate to understand how search moves (exploratory and exploitative) begin from a particular starting position on a landscape and ultimately influence performance (Katila et al., 2012).

1.7.7 Entrepreneurial Firms
These are firms that start from weak market and resource positions (Katila et al., 2012).

1.8 Chapter Summary
This chapter addresses the management problem as finding strategies of sustainable competitive advantage through the application of Porter’s generic strategies in the hospitality industry with an emphasis on entrepreneurial firms. The study focused and sought to answer questions on Porter’s three generic strategies of Cost Leadership, Differentiation and Focus.

The next chapter is literature review which tackles different aspects and strategies of competitive advantage suggested by Michael Porter. Chapter three describes the research methodology which includes the research design, population and sampling design, tools of collecting data and a description of how the data will be analyzed. Chapter four gives the findings of the study carried out in relation to the variables followed by a brief interpretation of the same. Chapter five provides details on the discussions held, the conclusion and the recommendations of the study and for further study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter is on literature review and it addresses Porter’s generic strategies of competitive advantage. The research first focused on the nature of competition in the hospitality industry after which the three generic strategies of cost leadership, differentiation and focus were addressed in detail. At the end of this chapter there is a chapter summary of the key findings.

2.2 Nature of Competition in the Hospitality Industry

2.2.1 Overview of the Hospitality Industry

Pitts and Lei (2002) described that strategic competitive advantage as the ability of a firm to execute operations in a more effective and more excellent manner, and helps the firm to bind its own sector(s) among its competitors. Porter further indicated that competitive strategy is taking offensive or defensive actions to create a defendable position in an industry, to cope successfully with the five competitive forces and thereby yield a superior return on investment on the firm (Porter, 1998). Every firm in any industry therefore needs to find ways to cope with the five forces of competition therefore bringing about the whole aspect of competitive advantage which arises from the ability of a firm to outperform its competition.

The hospitality industry in Kenya has all sectors of the industry being highly interdependent. The hotel industry depends on the travel industry to bring in guests. In turn, good lodging and eating facilities contribute to an increase in tourism in general. Restaurants expect more business when there are popular recreational facilities in their town or when a major event such as a concert, a football game, or a convention takes place there. When one segment flourishes, the others also do well. When one segment has problems, other parts of the industry usually feel the effects (Looking Into Hospitality and Recreation, 2013).

As different from one another as industries might appear on the surface, the underlying drivers of profitability are the same. Managers therefore need not define competition too narrowly as if it occurred only among today’s direct competitors. Competition for profits goes beyond established competitors to include other competitive forces such as potential entrants, customers, substitute products and suppliers. The extended rivalry that results from all five forces defines an industry’s structure and shapes the nature of competitive interaction within an industry (Porter, 2008).
Porter (1980) highlighted that there are ways to look at the threat of new entrants as entry ease/barriers, geographical factors, incumbents’ resistance, new entrant strategy and routes to market. For the threat of the bargaining power of suppliers, areas to be focused on are brand reputation, geographical coverage, product/service level quality, relationships with customers and bidding processes/capabilities. Porter (1980) also addressed the threat of bargaining power of buyers through buyer choice, buyers size/number, change cost/frequency, product/service importance and finally with the volumes.

Competition in the hospitality industry seems to arise from small and large scale refreshes, marketing trends, pricing policy, hotel chains and designs and finally the Destination Marketing Organizations (DMOs) (Looking Into Hospitality and Recreation, 2013). By incorporating the above, organizations in the hospitality industry work towards enhancing their long-term profits. These profits can only be achieved if the company is positioned where the forces are weakest, if it exploits changes in the competitive forces but lastly if they reshape the forces in their favor (Porter, 2008).

2.2.2 Small and Large Scale Refreshes

In the coming years, competition will continue to increase globally in the hospitality sector; this has therefore forced hoteliers not to rely on policies that put emphasis on the once-flexible brand refreshes. Hoteliers are expected to face more stringent requirements from both lenders and brands to refresh property to maintain a competitive market position in the new setting. Globally, today’s travelers are presented with a multitude of state-of-the-art lodging amenities, high-quality bathroom fixtures and case goods, internet access and flat-screen televisions. Some hotel owners have initially focused on small scale room refreshes, such as furniture, drapery, new carpeting, lighting fixtures and wall coverings. Hoteliers with well-funded capital reserves however have focused on larger-scale projects such as redesigning of lobbies, bars, restaurants and fitness facilities as well as full-brand refreshes in view of their ability to roll out changes incrementally to minimize downtime and have a positive impact on operating efficiency. While many larger ventures are financed through property capital reserve funds, some proprietors are obtaining debt financing from lenders, particularly in cases where a property requires extensive reconstruction work (Ernst and Young, 2013).

2.2.3 Marketing Trends

Marketing has had a critical competitive role in the hotel sector and whilst the function of marketing is to influence demand for a particular product offered by the different sectors in
any industry, most firms have little or no control over the total demand, demand fluctuations or elasticity of demand. Besides, the structure of the hospitality industry is complex and therefore there are few but larger firms in the market. However, relative to many industries, the hotel industry is extremely unconcentrated. This is the main reason for the highly competitive nature of the business. Whilst there may be local, geographical monopolies, such as only one hotel in a town or new resort, such hotels do face competition from hotels in alternative locations (Jones and Lockwood, 2002). Many hotels are targeting their services to particular market segments such as businesspeople or budget travelers. Increased international tourism makes cultural sensitivity and adaptability especially important in this field (Looking Into Hospitality and Recreation, 2013).

2.2.4 Pricing Policy

The hospitality industry being a price sensitive one, competition seems to arise from the pricing policy. Internal and external factors will in one way or another affect the pricing policy used by the different hotels. In mature markets, the pricing policy is often based on the idea of price discrimination where products are priced according to the elasticity of demand of the segment at which it is aimed. There are also internal factors which affect the pricing policy of a hotel that it has control over and these include product considerations such as prestige of the hotel, the level of differentiation, age of the unit and its position in the market, resources of the firm in terms of its ability to absorb loss-making periods or units (Jones and Lockwood, 2002).

2.2.5 Hotel Chains and Designs

Hotel chains flourish if they offer consumers a reliable and predictable visit. In this case, many are adding services from nationally known franchises such as pizzerias or Starbucks coffee shops. This similarity makes them popular because travelers going to an unfamiliar city know what to expect if they have stayed in another hotel or motel in the same chain. Some innovative hotel designs also capture markets successfully (Looking Into Hospitality and Recreation, 2013).

One popular trend has been the all-suite hotel. Each unit in an all-suite hotel provides a living area and a separate bedroom. Some also offer a cooking area. Another development is the environmentally conscious “ecohotel,” which highlights features such as low-flush toilets, refillable containers for toiletries, and recycled stationery. One of the most popular promotions in resort locations is the all-inclusive package, which offers travelers not only
lodging but all meals, drinks, and entertainment for one price. Hotels make foreign travelers feel welcome by serving international cuisine in their restaurants and by providing room directories and menus printed in several languages. Some hotels now employ multilingual concierges to help guests with making reservations, arranging tours, and answering questions about the region. This trend increases the demand for workers who speak several languages and who have experience with different cultures (Looking Into Hospitality and Recreation, 2013).

2.2.6 Destination Marketing Organizations (DMOs)

Amid global competition which has become very fierce, Destination Marketing Organizations (DMOs) strive to put their destinations on the map after recent years of fluctuations in visitation levels and constrained budgets. DMOs are looking for innovative ways of improving consumer travel trends by dusting off and rethinking their tourism strategies to maximize demand capture (Looking Into Hospitality and Recreation, 2013).

Social media has become a driving force in today’s hospitality sector in view of reaching guests. Hoteliers are now leveraging these technologies to improve their service and standards while Tourism boards on the other hand are leveraging these technologies to attract prospective guests to certain destinations. The research generated by Cornell University indicates that social media and user-generated content indisputably affect a hotel’s profitability and a destination to a broader extent (Ernst and Young, 2013).

DMOs strive to capture and cultivate demand from niche and/or new markets by forming strategic partnerships with private and local public entities across varied sectors. Similar to hotels, many convention centers have been capital-constrained and are in need of renovations as an important part of infrastructure. Thus, DMOs are now campaigning for government agencies to collaborate with private developers to renovate and expand old fashioned conference facilities to attract groups thus fill in low peak periods. To achieve this, DMOs experienced partners to evaluate the opportunity gaps and guide them in view of increased and fierce competition (Ernst and Young, 2013).

According to Ernst and Young (2013), the main key areas in keeping destinations in front of competition are a thorough analyses of competitive destination, development of innovative marketing strategies, and discovery of the critical success factors. These success factors include and not limited to market image, quality of tourism infrastructure and price/value of the products and services. International hotels, both emerging and mature, have strong
competition as they strive to expand their portfolios around the globe by penetrating into new markets.

International companies/hotels are customizing their products further by creating specific brands for particular markets. By doing so, they create a local brand presence which succeeds only by engaging numerous considerations from an ownership standpoint as well from an operative one.

International brands are not only facing competition from local brands in some markets in the mid-scale, but real competition also arises from the budget sectors and the independent hotels. DMOs focus on the possibility of capturing like-minded individuals and potential visitors by ensuring that there is real-time and user-generated content. As such then DMOs value the ability of keeping content relevant and fresh. Some nontraditional forms of marketing that DMOs use to encourage tourism include flash mobs, scavenger hunts and public stunts. These methods are memorable and cost-effective examples of “guerilla marketing” that have helped promote destination awareness (Ernst and Young, 2013).

2.3 Extent of Cost Leadership Strategy
Cost leadership seeks to reach the lowest cost structure possible while reducing costs throughout the value chain. A cost leader venture puts products with limited standard features and an acceptable quality on the market to maximize its market share while gaining competitive advantage. Such kinds of enterprises appeal to a wide group of customers. Cost leadership necessitates a reduction of costs in fields such as R&D and advertising (Sumer, 2012). In this strategy, cost reduction through experience curves, economies of scale and strict control over costs and overhead costs are important. Researchers who have focused on cost leadership have found out that this group has various denominations: cost minimizing (Utterback and Abernathy, 1975), cost leadership (Huang, 2001; Hitt et. al 2007), maintenance (Galbraith and Schendel, 1983), cost leaders (Ward, Bickford and Leong, 1996), cost reduction (Schuler and Jackson, 1987), price differentiation (Mintzberg, 1988), efficiency and service (Robinson and Pearce, 1988), low cost(Wright, Pringle and Kroll,1992), low cost provider (Thompson and Strickland, 1999), low-cost/follower (Chang, 2002).

Effective strategies should fit the specific features of the environment in which firms do business. This efficiency can be rooted in various economies in the production or distribution process (e.g. economies of scale, scope, marketing etc). It can also be as a result of a managerial focus on cost control, employee productivity and economical asset use
(Hambrick, 1996). In some cases, the efficiency is the result of proprietary manufacturing technologies or innovations (Porter, 1980). In all cases, Cost Leadership is the result of some extra efficiency in the cost structure in comparison to competitors; it is about being the lowest cost producer in the industry.

Porter (1980) defines Cost Leadership as the achievement of “overall cost leadership in an industry through a set of functional policies aimed at this basic objective. Cost Leadership requires search for dynamic ways of cost reduction, aggressive construction of efficient-scale facilities, stringent control measures on costs and overheads, avoidance of marginal customer accounts and cost reduction in areas like Research and Development, service, sales force, advertising.

In Cost Leadership, though quality, service and other areas cannot be ignored, low cost relative to competitors becomes the theme running through the entire strategy. Because of its lower cost, the cost leader is able to charge a lower price for its products than its competitors and still make a satisfactory profit. Having a low cost position yields the firm above average returns in its industry despite the presence of strong competitive forces. A firm’s cost position gives it defense against rivalry from competitors, because its lower costs still earn returns after its competitors have completed away their profits through rivalry (Porter, 1980).

For companies competing in a price-sensitive market, Cost Leadership is the strategic imperative of the entire organization. It is vitally important for these companies to have a thorough comprehension of their costs and cost drivers in order to pursue a Cost Leadership Strategy. They also need to fully understand their targeted customer group, definition of quality, usually denoted in terms of design specifications, contractual requirements, delivery and services at the lowest possible cost. Of particular importance will be for the company to attain a cost level that is low relative to its competitors. For companies not competing on price, a Cost Leadership strategy is still vitally important (Pidun et al., 2012).

A proposition by Katila et al. (2008) is that entrepreneurial firms should invest in R&D moves that lower the production cost of existing products (they label these as exploitative R&D moves) and offer these low-cost products to market segments that are price sensitive. Secondly, exploratory R&D moves are performance enhancing for entrepreneurial firms because such moves (unlike exploitation) can often be executed ahead of large firms and because large firms’ responses to such moves is often delayed. As a result of their small size and speed, entrepreneurial firms can move early and often, thus avoiding having to react to others’ moves.
2.3.1 How Cost Leadership is created

As the business environment becomes even more dynamic, a robust Cost Leadership strategy within the framework of corporate strategy is vital in order to ensure the success of the organization. The strategy should provide the direction that the whole organization can pursue to secure the company’s future survival and success (Business resources, 2011). A comparative cost position of a firm is a function of the composition of its value chain versus its comparative position vis-a-vis the cost drivers for each activity.

Porter (1998) explains that the two major ways a firm can gain a cost advantage are by reconfiguring the value chain and controlling cost drivers. These can be achieved when a firm reconfigures its value chain by adopting a different and efficient way to design, generate, reallocate or promote the product. A firm can gain advantage with respect to the cost drivers of value activities by representing a significant percentage of total costs.

Cost Leadership requires an assessment of every activity in a firm for opportunities to minimize cost and the constant pursuit of all of them. Cost Leadership has been more prevalent and effective in stable environments. In contrast, discontinuous, unpredictable and dynamic markets have been found to be better served through differentiation or focus strategy (Lamount et al., 1993; Lee et al., 1996; Miller, 1988). Diversity and heterogeneity is also better served through differentiation or focus (Miller, 1988).

Bordes (2009) suggests that building a cost-based leadership requires the firm to find and exploit all the potential cost drivers that allow for greater efficiency in each value-adding activity. A cost driver is a factor, both economic and/or technological, that determines the cost of carrying out some activity. Important cost drivers that shape the low-cost leadership strategy include; the location to which the activity is being performed at, economies of scale, learning or experience curve effects and the vertical incorporation/integration degree. Firms can modify the use of cost drivers to create low-cost leadership across different value-adding activities.

Cost leadership is therefore mainly created through a focus on efficiency. A firm has cost advantage if its cumulative cost of carrying out all value activities is lower than competitors’ costs. The strategic value of cost advantage is hinged on its sustainability. Sustainability will arise if the sources of a firm’s cost advantage are difficult for competitors to duplicate or imitate. Cost advantage results to superior performance if the firm offers an adequate level of value to the customer so that its cost advantage is not invalidated by the need to charge lesser price than its competitors (Porter, 1998).
For efficiency to be attained, this has to be done through a firm’s greatest asset—its workforce. Grant (1991) highlights that the importance of a firm’s resources (which the workforce is part of) and capabilities rests on two premises. First, internal resources and capabilities give a firm the basic course for its strategy. Secondly, the primary source of profit for a firm are resources and capabilities. Therefore, a model that clearly outlines the processes that lead to competitive advantage needs to be identified. This is however often problematic for several reasons. Firstly, capabilities are often hard to identify even though they are deeply embedded within the fabric of the organization (Day, 1994). Secondly, a capability is developed when employees apply their intangible knowledge and skills repeatedly to transform inputs to outputs. This change can be accomplished when there is frequent interaction between intangible and tangible resources or assets. Thirdly, a firm’s capabilities can be impacted by environmental characteristics which in itself may help develop the knowledge and skills that evolve into capabilities (Grant, 1996).

2.3.2 Sustainability of Cost Leadership

Cost Leadership will result in above average performance if only the firm can sustain it. Improving relative cost position in unsustainable ways may allow a firm to maintain cost parity or proximity, but a firm attempting to achieve a Cost Leadership Strategy must also develop sustainable sources for it (Porter, 1998).

Cost advantage is sustainable if there are entry or mobility barriers that prevent competitors from imitating its sources. Sustainability varies for different cost drivers and from one industry to another (Porter, 2000). The sources of low—cost advantage are not enduring or sustainable without continuous improvement and ongoing searches for improved process yields, streamlined product design, or more efficient means of delivering a service (Bordes, 2009).

2.3.3 Advantages of Cost Leadership

Various studies have shown that firms with high market share, for a number of reasons, can command above-average industry profitability over extensive periods of time. Some of the empirical findings that appear to explain, at least practically, the relationship between high market share and profitability include economies of scale, risk avoidance by customers, strong market presence, and focused management. Risk avoidance by customers means that purchasers who are currently conversant with the low-cost leader’s products are not likely to change to a competing brand of a similar product, unless that brand offers something very
different or unique. Thus, low-cost firms that achieve a leading market share position may induce risk aversion on the part of the industry’s customers (Porter, 1998). Customers often opt to buy from recognized, dominant-share companies because they feel these firms will still exist a long time after their purchase. This reasoning is predominantly true for products that are pricey or require after-sales service, such as electronics, appliances and computers.

Low-cost firms ensure that they have strong market presence by persuading their competitors not to start price wars within the industry. This means that low-cost firms can be used as the standard by setting the discipline of pricing within an industry. In turn, by keeping prices stable enough this guarantees some degree of profitability in all firms in that industry (Robinson, 1988). The arrival of intense global competition however has made this type of discipline hard to enforce.

Low-cost firms have the capability of keeping prospective competitors out of an industry through their price-cutting ability, which create barriers to new entrants (Porter, 1980). Another way to put it is that, when low-cost leadership strategies are effectively implemented and understood by potential entrants, this becomes an effective barrier to entry that governs industry rivalry. Low-cost firms also have the benefit of being able to maintain price increases passed on by their suppliers. Low-cost firms can easily cushion themselves from prices of elements used during their production process by operating at more cost-efficient levels (Porter, 1998).

2.3.4 Disadvantages of Low-Cost Strategies

Bordes (2009), explains some of the disadvantages of Cost-based strategies as being high level of asset commitment that involve capital-intensive activities. Firms that follow this kind of strategy invest significant amounts of funds into fixed assets and production or distribution technologies that are hard to change to other uses or products. Thus, firms could find themselves rapidly becoming outdated by being locked in a particular process or technology.

The other huge disadvantage facing low-cost firms is imitation and replication of cost reduction methods by other firms. Cost advantages, are regularly short-lived and fleeting particularly in standardized production or service delivery processes. Many firms do not fully understand the behavior of the costs from a strategic perspective and fail to exploit opportunities to improve relative cost position. Some errors made can be exclusive focus on the cost of manufacturing activities such as marketing, sales, service, technology
development and infrastructure, ignoring procurement, overlooking indirect or small activities such as maintenance and regulatory costs, contradictory cost reduction among others (Porter, 1998).

2.4 Extent of Differentiation Strategy

Differentiation is a generic strategy that involves creation of a slightly or significantly differentiated offering, for which the company may charge a premium. It’s mainly associated with brand image or design, technology features, merchant network, or customer service (D’aveni, 2010). This strategy is viable for earning above average returns in a specific business as the resulting brand loyalty lowers customers’ sensitivity to price. Customer loyalty serves as an entry barrier also. New firms therefore must develop a distinctive competence for their products to successfully compete (Porter, 1980).

Differentiation strategy is more likely to generate higher profit than is low-cost strategy because differentiation creates a better entry barrier. However, low-cost strategy is more likely to generate increases in market share (Caves et al., 1992). A firm differentiates itself from its competitors when it provides something unique that is valuable to buyers beyond simply offering a low price. A firm differentiates itself from its competitors if it can be unique at something that is valuable to buyers. Firms view the potential sources of differentiation too narrowly. They see differentiation in terms of the physical product or marketing practices, rather than potentially arising anywhere in the value chain. Firms are often different but not differentiated, because they pursue forms of uniqueness that buyers do not value. Differentiators also frequently pay insufficient attention to the cost of differentiation, or to the sustainability of differentiation once achieved (Porter, 1998).

Differentiation allows the firm to command a premium price, to sell more of its product at a given price, or to gain equivalent benefits such as greater buyer loyalty during cyclical or seasonal downturns. Differentiation leads to superior performance if the price premium (all the benefits of differentiation) achieved exceeds any added costs of being unique. A firm’s differentiation may appeal to a broad group of buyers in an industry or only to a subset of buyers with particular needs (Porter, 2000).

2.4.1 Sources of Differentiation

Differentiation grows out of the firm’s value chain. Virtually any value activity is a potential source of uniqueness (Porter, 1998). The variables or sources of differentiation can be grouped into four general categories: product characteristics, market characteristics, company characteristics and other variables. Companies often do not focus on one single
feature to set them apart from their competitors but instead on several specifications (Guerras et al., 2007).

Product differentiation is based on a varied array of tangible characteristics and intangible values associated with it, and for which customers are ready to pay more (Guerras et al., 2007). In Las Vegas, Hotels execute product differentiation strategies by means of upscale facilities emphasizing the tangible evidence of product, intangible but warmhearted human service, highly accessible convenient location, and exclusively unique shows across the globe (Woo, 2007).

In meeting the market’s different preferences and requirements, impacts on the way the customers perceive and value the product and assign intangible values to each one of the brands (Guerras et al., 2007). Guerras also noted that company characteristics would be defined by the values, the culture and the specific style it operates (Guerras et al., 2007). The structure of a company ensuring effective corporate activities indicates the system allocating operation resources and includes organizational formulation or complexity, formulation and flexibility (Michael et. al., 1998). According to Woo (2007), the secret of Marriott Hotel's growth and long-lasting market dominance is implementation of value chains that employee satisfaction leads to customer satisfaction by recruiting, training and giving incentive pay to different races other than the traditional labor market.

Other variables would be; time taken to respond to customer’s demands and attending to criteria of social responsibility (Guerras et al., 2007). Another key variable to differentiation is a company’s ability to adapt to change by integrating evolutionary learning theory and competitive dynamics. Evolutionary learning theory and competitive dynamics, expands a firm’s understanding of the performance effects of competitive moves to simultaneous competition on different fitness landscapes, distinct search starting positions, and relative invisibility of particular moves and particular rivals (Katila et al., 2012). In an evolutionary landscape terms, firms often find it difficult to change their current locality or neighborhoods and, in particular, to escape the low-performance Valleys as noted by Benner and Tushman (2003). Thus, they tend to exploit landscape areas they know. Second, while firms have a general tendency to remain local, some search further away and increase performance (Siggelkow and Rivkin, 2005; Katila and Chen, 2008). That is, they explore landscape areas that are new to them. Capabilities and skills that are valuable in hotel business include such activities as customized service, innovative hotel facilities, proprietary technology, superior quality, faster response to customer needs, and employee care programs can also be sources of differentiation (Woo, 2007).
A differentiation strategy in the hospitality industry focuses on offering products and services that the clients perceive to be different and better than the offerings of competition. This strategy is popular in the hospitality industry because services in this industry are complex and satisfy self-identity and social affiliation needs, thus tremendous opportunities for differentiation. However, with great potential for differentiation, the ease of imitation can make it likely that several brands will attempt similar strategies, a situation known as competitive convergence. Despite each chain’s effort to differentiate, many brands become enough alike that consumers cannot distinguish them from each other (Enz, 2011).

2.4.2 Routes to Differentiation

Differentiation is a strategic choice, not a feature of the market, and as such needs to be based on creating a bundle of resource capabilities. Service experiences that complement consumers’ lifestyles, brands that communicate their aspirations may allow the firm that creates this products and services to set itself apart sufficiently that it can charge a premium price. In offering a unique experience, a higher cost is necessary to cover extra costs incurred (Enz, 2011).

The leading hypothesis is that sustained superior performance arises from sustainable competitive advantages (Barney, 1997; Grant, 1998; Roberts, 1999). From the viewpoint of business administration, such fundamental strategy for survival is to reinforce the competitiveness of market price through cost reduction or to develop a new market. Nowadays, however, such conventional manner came to an end. The true winners in the new era will be firms which succeed in preparing peerless competition manners through daring ideas and constant innovation, which has already come out in actually all over the industries (Hamel, 2002). Thus, the management should seize a good opportunity for promising future business, invest constantly in the development of means to compete and ultimately improve the internal execution power (Woo, 2007).

Porter (1998) suggests two basic ways in which a firm can enhance its differentiation. A firm may become more unique in performing its existing value activities or it may reconfigure its value chain in some way that enhances its uniqueness. Becoming more unique in its value activities requires that a firm manipulate the drivers of uniqueness. In any case, a differentiator must simultaneously control the cost of differentiation so that it translates into superior performance. Successful differentiators are characterized by the following approaches; increasing the sources of uniqueness, making the cost of differentiation an
advantage, creating uniqueness by changing the rules, reconfiguring the value chain to be unique in entirely new ways.

According to Enz (2011) to profit from differentiation strategy in the hospitality industry, it is important to understand customer lifestyles and aspirations so that hotel’s distinctive offerings are valued by customers. Differentiation can be achieved in an almost unlimited number of ways such as product features, complementary services, technology embodied in design, location, service innovations, superior service, creative advertising and better supplier relationships leading to better services. Certain resources are more effective as a source of sustainable differentiation than others.

2.4.3 The Sustainability of Differentiation

The sustainability of differentiation depends on two things namely; it’s continued perceived value to buyers and the lack of imitation by competitors. The sustainability of a firm’s differentiation vis-a-vis competitors depends on its sources. To be sustainable, differentiation must be based on sources where there are mobility barriers to competitors replicating them (Guerras, 2007). Differentiation will be more sustainable under the following conditions; the firm’s sources of uniqueness involve barriers, the firm has a cost advantage in differing. The sources of differentiation are multiple and a firm creates switching costs at the same time it differentiates (Porter, 1998).

There are resources that are more effective as a source of sustainable differentiation than others. Reputations and brands are difficult to imitate, for example, whereas particular service features may be easy to imitate. In general, intangible resources such as a high-performance organizational culture are hard to imitate and are a stronger basis of competitive advantage, whereas a tangible resource such as the fixtures and furnishings in a hotel are easy to imitate. So creating value extends beyond just the product, as Four Seasons has illustrated with its fostering of a service culture (Talbott, 2006). The key to success when deploying a differentiation strategy is that customers must be willing to pay more for the service than it cost your hotel to create it. Therefore, a critical aspect of the differentiation strategy is to keep costs low in the areas that are not directly related to the sources of differentiation. Chic and Basic, for example, differentiated on design while keeping staffing costs low. Many large hotel companies avoid investing in real estate so that they can focus their efforts on brand and franchise differentiation. This "asset-light" strategy is common throughout the hotel industry (Enz, 2011).
2.4.4 Pitfalls in Differentiation

Porter (1998) proposes the pitfalls of differentiation as uniqueness that is not valuable, too much differentiation, too big a price premium, ignoring the need to signal value, not knowing the cost of differentiation, focus on the product instead of the whole value chain and failure to recognize buyer segments.

2.5 Extent of Focus Strategy

Porter (1980) and Miles et al. (1978) propounded the focus strategy in literature for the first time. The defender strategy propounded by Miles focuses on efficient and effective production in a small market segment rather than maximizing the product quality. Focus strategy aims to differentiate within just one or a small number of target market segments and within that segment aims to achieve either a cost advantage or differentiation (Porter, 1998).

Successful companies leverage competitive advantages in the marketplace to achieve high levels of performance. They either attain overall market leadership by differentiating themselves from competitors or dominate market segments where they focus their efforts. In this type of strategy, the market segments are identified and the firm deliberately works on this category to effectively compete. Focus strategy matches an organization’s competitive advantages with the market characteristics to yield desired sales volumes, revenues and ultimately profits (Markgraf, 2012). The focus strategy differs from the other strategies in one aspect. Focus strategy appeals to a certain geographical area or a certain fraction of customers while cost and differentiation strategies appeal to a wide fraction of customers. Focus rests on the choice of a narrow competitive scope within an industry (Sumer, 2012).

The focus strategy is further subdivided into two variants, namely: cost focus and differentiation focus. Cost focus is where a firm seeks a cost advantage in its target segment and differentiation focus is where the firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between focuser’s target segments and other segments in the industry. Cost focus is a low-cost strategy that focuses on a particular buyer group or geographic market and attempts to serve only this niche, to the exclusion of others. In using a cost focus strategy, the company seeks a cost advantage in its target (Porter, 1998).

In Las Vegas for example, because the leisure-purpose tourism industry is relatively sensitive to economic fluctuations, it is apt to depend on seasonality. On the other hand, the cultivation and promotion of convention and exhibition industries which are less sensitive to
economic fluctuations can function as a firm foundation to enable the hospitality industry to grow up constantly (Woo, 2007). From the above the hotel’s focus was more on the convention and exhibition industries while the leisure-oriented clients substituted the two industries.

Harrison and Enz (2005), argue that a focus strategy emphasizing lowest cost is rare in the hotel industry as it is hard to please a particular guest segment without some form of differentiation. Examples of companies in the hotel industry that follows focus strategy based on differentiation advantage is Burj Al Arab hotel, a sail-shaped hotel built on a man-made island which targets members of royal families as well as celebrities and wealthy industrialists and visitors.

2.5.1 Building a Focus-Based Advantage

Firms can build a focus by either adopting a cost-based focus thus serving a particular niche or market segment, or they can assume a differentiation based focus. The scope of the target market differentiates focus strategies from low-cost leadership and differentiation strategies. A firm using the focus strategy can pursue many of the target market as the broader low-cost or differentiation approaches to building competitive advantage within a particular targeted market or niche. Thus, many of the sources of competitive advantage also apply to focus strategies at the niche or segment level as they do in the cost and differentiation strategies. Focus strategies attempt to pursue low-cost or differentiation in relation to a much narrower targeted market niche or product segment. Thus, specialization of the resources and skills that the firm or business uses is necessary (Bordes, 2009).

2.5.2 Cost Advantage through Focus

This strategy does not necessarily mean that a firm charges lowest prices in an industry, instead it charges low prices relative to other firms competing for the same target market. Redbox (a company in the United States renting DVDs), for example uses vending machines placed outside grocery stores and other retail outlets for movie DVDs at $1. Redbox therefore offers unparalleled levels of low price and high convenience compared to other cheaper ways of renting actual DVDs (Ketchen and Short, 2012).

A focus strategy may provide a means for achieving a cost advantage that rests on using focus to control cost drivers, reconfiguring the value chain, or both. Since the cost value activities as well as the most efficient value chain may differ for different segments, a firm that dedicates its efforts to a well-chosen segment of an industry can often lower its costs.
significantly (Porter, 1998). There are many techniques and methodology that organizations can use to lower cost of products and services by lowering defects and improving quality (Business resources, 2011). In other cases, the sales channel used to reach customers defines the target market. Some pizza shops, for example offer sit – down service, delivery or both; in some outfits like Papa Murphy sell pizzas that customers cook at home making the pizzas inexpensive. In contrast to most fast-food restaurants, drive – through – only operations like Checkers Drive In save money by not offering indoor seating to its customers, constructing cheaper buildings with lower utility costs and fewer employees. The result of these is that the firm offers larger burgers at very low prices as they remain profitable (Ketchen and Short, 2012).

The most dramatic improvements in relative cost position through focus usually stem from employing a different and tailored value chain to serve the target segment. Focus can also lower costs if the target segment is associated with a key cost driver. The ability to improve performance and reduce costs is one of the key competencies for corporations. Control and Analyzing of costs are no longer simply concerned with monitoring departmental budgets, but involves putting in place a cost structure and strategy after severe analysis has been conducted that will benefit the organization by optimizing the processes, which will add value to the products and services. Reducing costs require identifying and analyzing the activities which are undertaken, measuring their value and cost, and relating these activities to the outputs of the organization. Value Cost Analysis (VCA) is a pragmatic approach for managers and executives to execute an action plan (Business resources, 2011).

2.5.2.1 Information Technology and Cost Focus

Information technology is permeating the value chain at every point, transforming the way value activities are performed and the nature of the linkages among them. Technological information is expanding faster than the managers can explore the opportunities. Information technology is generating more data as a company performs its activities and permitting it to collect or capture information that was not available before. It also transforms the physical processing component of activities making the activities faster, more accurate, and more flexible in manufacturing than the older, manually operated machines (Miller et. al., 1994). Information technology can therefore alter a company’s costs in any part of the value chain and there are no longer limits as activities like assembling that mainly involve physical processing now have a large information processing component.
2.5.3 Differentiation through Focus

Differentiation through focus or a focused differentiation strategy requires offering unique features to fulfill the demands of a lean market. Some firms using a focused differentiation concentrate on a particular sales channel, such as selling over the internet only, targeting particular demographic groups for example Breezes resorts, which caters for couples without children (Ketchen and Short, 2012).

Experiments to develop ‘two product lines in parallel’ to increase strategic flexibility can also achieve competitive advantage as indicated by Shimizu and Hitt (2004). In particular, the hypothesis is that the more frequently the entrepreneurial firms engage in exploitative research & development (R&D) moves the more they reduce the cost of their products and the higher their performance in established market landscapes. Katila and Chen (2008) proposed that low-cost products are relatively more advantageous for entrepreneurial firms because such products avoid expensive product development races with large firms. Given entrepreneurial firm’s limited R&D resources and initially less attractive products (Diestre and Rajagopalan, forthcoming), they typically cannot afford to win development races with large firms. Instead, the high-performing strategy for entrepreneurial firms is likely to be investing in process R&D to lower the production costs of existing products so as to improve process and prune functionality, thus avoiding head-on competition with the expensive, feature-rich products of large firms (Utterback, 1994).

Katila and Chen (2008) also proposed that exploitative R&D moves are high performing for entrepreneurial firms because they are much less likely to trigger a competitive response from rivals than more visible product development moves are. This is because, as Christensen and Raynor (2003) noted, it is typically more attractive for large firms to move up-market than down-market. Overall, because they match resources of entrepreneurial firms and invite less retaliation, exploitative R&D moves are likely to be high performing for entrepreneurial firms in established markets.

There is always a need to satisfy the desires of a narrow market in pursuit of uniqueness for firms that incorporates differentiation strategy as the key strategy. For this reason therefore such firms have always taken their appeal to satisfy the narrow market as the proverbial ‘next level’. Often the unique features provided by firms following a focused differentiation are specialized (Ketchen and Short, 2012). An example of a firm that has unique offering is Kopi Luwak coffee beans. In contrast to other coffee selling firms, Kopi Luwak sells for hundreds of dollars per pound. The price is driven by the rarity and rather bizarre nature of the beans. Noted by a New York Times article in 2010, the beans are found in the droppings...
of the Civet, a nocturnal, furry, long – tailed catlike animal that prowls South Asia’s coffee – growing lands for the tastiest, ripest coffee cherries. The Civet excretes the hard, indigestable innards of the fruit – essentially, incipient coffee beans – though only after they have been fermented in the animal’s stomach producing a brew described as smooth, chocolaty and devoid of any bitter aftertaste (Onishi, 2010).

2.5.3.1 Information Technology and Differentiation

The impact of information technology on differentiation strategies is equally dramatic. The role of a company and its product in the buyer’s value chain is the key determinant of differentiation. The new information technology makes it possible to customize products. Using automation, for instance, Sulzer brothers has increased from five to eight the number of cylinder bore sizes of new low-speed marine diesel engines (Ong et al., 2001).

2.5.4 Benefits and Costs of Focus strategies

Firms that use Focus Differentiation can charge very high prices as they often price their wares far above what is charged by other firms. Secondly, a firm that uses focus strategy often develops tremendous expertise about goods and services that they offer making it difficult for rivals and new entrants to compete with firms following a focus strategy (Ketchen and Short, 2012). By discovering and serving a narrow market niche, focused firms often can remain highly profitable, even in light of unattractiveness of the broader. Firms that practice focus/specialization strategies avoid deviating from the niche. Concentration of resources and effort to serve and defend a niche makes the focused/ specialized firm less susceptible to key changes in the industry’s competitive environment (Bordes, 2009).

The disadvantages are that limited demand within a niche can cause problems as a firm’s growth ambitions may be stymied requiring a new set of skill if the firm is to expand. Secondly larger competitors could take over the niche market or it may as well disappear. Lastly, damaging attacks may come not only from smaller firms that adopt an even narrower focus but also from larger firms (Ketchen and Short, 2012).

2.6 Chapter Summary

This chapter tended to answer the three research questions on whether cost leadership affects sustainable competitive advantage, the effects of differentiation on sustainable competitive advantage and the influence of focus in sustainable competitive advantage. From the discussions held, cost leadership, differentiation and focus would in one way or another influence and/or affect sustainable competitive advantage. The bottom line is that the
value chain is key for the three factors to come to play for sustainability in competitive advantage.

In the next chapter the researcher describes the methodology used in the research in relation to the research questions raised in this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methodology that was used in the study. It encompasses the research design, the population and sampling design, the sampling technique and the sample size. It identifies the selected methods used to collect data and gives a description of the method of statistical analysis. At the end of this chapter there is a chapter summary.

3.2 Research Design

A research design is a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings (Burns and Grove, 2003). Polit et al. (2001) describes a research design as the researcher's overall for answering the research question or testing the research hypothesis.

This study focused on the strategies that the application of generic strategies used and in the hospitality industry and their success. The descriptive research design was used in this research. Descriptive research includes fact-finding enquiries of different kinds. The major purpose of descriptive research is to provide a picture of a situation as it naturally happens. It may be used to justify current practice and make judgment and also develop theories (Burns et. al., 2003). In social science and business research, the term Ex post facto research is used for descriptive research studies.

The main characteristic of this method is that the researcher has no control over the variables; she can only report what has happened or what is happening. In this type of study also, the researcher attempts to discover the cause even when they cannot control the variables. The methods of research utilized in descriptive research are survey methods of all kinds, including comparative and correlation methods (Kothari, 2008). For this study, descriptive research was used to obtain an opinion of the stakeholders in view of improving and refining the application of Porter’s generic strategies in Kenya’s hospitality industry.

3.3 Population and Sampling Design

3.3.1 Population

A population is defined to as the total number of units from which data can be collected (Parahoo, 1997). Burns and Grove (2003), describe population as all the elements that meet the criteria for inclusion in a study.
The population was considered to comprise of seven managers and HODs, four business development team members, the five front office members, four trainees, eight members of the FSA department, four from the field services department, twenty from housekeeping, twenty from production, twenty from service and twenty former employees of Lukenya Getaway Limited (LGL) who have left in the last six months as at 30th April 2013. The population data of the staff and former staff was retrieved from the human resources department as at 30th April 2013.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trainee/ Attachee</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>Front Office</td>
<td>5</td>
<td>4.5</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>20</td>
<td>17.9</td>
</tr>
<tr>
<td>Production</td>
<td>20</td>
<td>17.9</td>
</tr>
<tr>
<td>Service</td>
<td>20</td>
<td>17.9</td>
</tr>
<tr>
<td>Field service</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>Finance, Supplies and Administration (FSA)</td>
<td>8</td>
<td>7.1</td>
</tr>
<tr>
<td>Business Development</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>Management and HODs</td>
<td>7</td>
<td>6.3</td>
</tr>
<tr>
<td>Former Employees</td>
<td>20</td>
<td>17.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: LGL Human Resources Department (2013)

3.3.2 Sampling

3.3.2.1 Sampling Design

A sampling frame is the outline of population elements from which the sample is drawn (Cooper and Schindler, 2003). The sampling frame therefore was comprised of a hundred and twelve people from different departments in Lukenya Getaway as per the employee list provided by the human resources department as well as former employees of Lukenya Getaway Limited (LGL) who had left in the past six months as at 30th April 2013.

3.3.2.2 Sampling Techniques

The final sample size was determined by use of the stratified random sampling technique. Stratified random sampling is a technique which attempts to restrict the possible samples to those which are “less extreme” by ensuring that all parts of the population are represented in the sample in order to increase the efficiency (that is to decrease the error in the estimation).
According to Chava and Nachimias (2007), a representative sample for the population should have at least 30 units. In this study, the population is stratified according to the master list of people obtained from the human resources department.

The above technique was used as the sample was composed of people directly involved in the value chain and so stratified census was appropriate as the target sample is small. This method helped to obtain estimates of known precision for certain subdivisions of the population by treating each subdivision as a stratum. This was achieved since sampling was done independently in each stratum hence separate stratum estimates and their precision were obtained by treating each stratum as a "population" in its own right. Again, the method was useful because of the heterogeneous nature of the population. Shuttleworth (2008) highlights that when the sub–population vary considerably, it is advantageous to sample each sub-population into relatively homogenous subgroups before sampling.

### 3.3.2.3 Sample Size

A sample is a proportion of the population (Polit et al., 2003). The Sample size was 35 respondents. These respondents were from different departments with the number allocations as follows; five (5) managers and HODs, four (4) business development team members, the four (4) front office members, three (3) trainees, seven (7) members of the FSA department, one (1) from the field services department, one (1) from housekeeping, one (1) from production, four (4) from service and five (5) former employees of Lukenya Getaway Limited (LGL) who had left in the last six months as at 30th April 2013.

The sample size accounted for 71.4% of the management team, 100% of the business development team members, 80% of front office members, 75% of trainees, 87.5% of FSA department, 25% of field services department, 5% from housekeeping, 5% from production, 20% from service and 25% of former employees of Lukenya Getaway Limited (LGL) who had left in the last six months as at 30th April 2013.
Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population</th>
<th>Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trainee/ Attachee</td>
<td>4</td>
<td>3</td>
<td>75.0</td>
</tr>
<tr>
<td>Front Office</td>
<td>5</td>
<td>4</td>
<td>80.0</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>20</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Production</td>
<td>20</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Service</td>
<td>20</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Field service</td>
<td>4</td>
<td>1</td>
<td>25.0</td>
</tr>
<tr>
<td>Finance, Supplies and Administration (FSA)</td>
<td>8</td>
<td>7</td>
<td>87.5</td>
</tr>
<tr>
<td>Business Development</td>
<td>4</td>
<td>4</td>
<td>100.0</td>
</tr>
<tr>
<td>Management and HODs</td>
<td>7</td>
<td>5</td>
<td>71.4</td>
</tr>
<tr>
<td>Former Employees</td>
<td>20</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112</strong></td>
<td><strong>35</strong></td>
<td><strong>31.3</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Data collection specifies to the details of the task with an emphasis on the data to be obtained and their sources (Cooper and Schindler, 2003). The main data collection method used was questionnaires to get the raw data. Secondary data was also used to support the findings collected through the questionnaires. The secondary method used was the customer feedback forms that are given by the clients as they leave the resort. This method was particularly important for the research question four whose emphasis was in the extent of differentiation strategy used in the organization. Both closed and open ended questions were used in the questionnaires. Interviews carried out were used to fill in the gaps from the questionnaires and clarify any unclear feedback or suggestions.

3.5 Research Procedure

A data collection tool was designed and a pilot test/research was conducted. A pilot research is a run-through to test the research design with a subsample of the respondents who have similar characteristics to those identifiable in the main sample to be surveyed. Conducting a pilot before the main survey allows any potential problems in the pro forma of the questionnaire to be identified and corrected (Gill and Johnson, 2010). The pilot was used to detect the weakness in the design and instrumentation.

The questionnaire was given out to a sample of five people for the purpose of piloting. Feedback was given on clarity of the questions and the ease of filling in the questionnaires. Recommendations were incorporated and then the questionnaires were then distributed to the sample physically (by handing them out to the respondents). The researcher ensured high
response rate by getting support from management who encouraged the respondents to fill in the questionnaires and return them to the researcher within the stipulated timelines. The respondents were instructed not to indicate their name on the questionnaire and that completed copies should be given back to the researcher, this assured the respondents of anonymity and confidentiality. Data collected was then analyzed and conclusions were made.

3.6 Data Analysis Methods
Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques (Cooper and Schindler, 2003). The researcher interpreted the reduced accumulated data in light of the research questions and determined whether the results were consistent with the theories that were discussed in the literature review.

Statistical Package for Social Sciences (SPSS) was used for analyzing data. Pearson’s Correlation coefficient analysis was used for analysis and testing of the relationships between the dependent and independent variables. Frequency distribution tables and figures were used to present the collected data.

3.7 Chapter Summary
This chapter described the research methodology used in the study. It expansively described the research design, the population of the study, the sampling design, the sampling frame, the data collection methods and the data analysis methods. The next chapter describes the results and findings of application of Porter’s generic strategies in Kenya’s hospitality industry.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter analyses the research findings, interprets and presents data in line with the objectives of the study. The data obtained was presented in tabular form, percentages and in descriptive statistics such as pie charts and bar graphs. The chapter is structured on the basis of respondents who took part in the survey in regard to the way they responded to each of the 65 variables of the questionnaire in relation to Porter’s generic strategies that are most commonly applied. This chapter ends with a chapter summary.

4.2 General Information

4.2.1 Response Rate

There were 31 respondents who returned their questionnaires out of 35 respondents who were given the questionnaires. The response rate achieved therefore was 82.2%. This information is given in Table 4.1 below.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Strata</th>
<th>Sample</th>
<th>Returns</th>
<th>Response Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trainee/ Attachee</td>
<td>3</td>
<td>2</td>
<td>66.7</td>
</tr>
<tr>
<td>Front Office</td>
<td>4</td>
<td>4</td>
<td>100.0</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>1</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Production</td>
<td>1</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Service</td>
<td>4</td>
<td>3</td>
<td>75.0</td>
</tr>
<tr>
<td>Field service</td>
<td>1</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Finance, Supplies and Administration</td>
<td>7</td>
<td>7</td>
<td>100.0</td>
</tr>
<tr>
<td>Business Development</td>
<td>4</td>
<td>4</td>
<td>100.0</td>
</tr>
<tr>
<td>Management and HODs</td>
<td>5</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td>Former Employees</td>
<td>5</td>
<td>4</td>
<td>80.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>31</strong></td>
<td><strong>82.2</strong></td>
</tr>
</tbody>
</table>

4.2.2 Age Group

Majority of the respondents were at the age between 25-34 years with a total response rate of 58.1% while 29% of the respondents were in the age bracket of between 18-24 years. Only
12.9% of the respondents were in the age bracket of 35 - 44 years. This indicates that most employees working at Lukenya Getaway are the youth. The age brackets of the respondents are illustrated in the Figure 4.1 below.

![Figure 4.1: Age Group](image)

**4.2.3 Distribution of Respondents by Gender**

Majority of the respondents who participated in the survey were female (18) while 13 of the respondents were male. The study indicated that 58.1% of the respondents were female while 41.9% were men. Table 4.2 below shows the distribution by Gender.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>13</td>
<td>41.9</td>
</tr>
<tr>
<td>Female</td>
<td>18</td>
<td>58.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Table 4.2: Distribution of Respondents by Gender**

**4.2.4 Distribution of Respondents by Education Level**

The researcher sought to find out the education level of the different respondents in the study. In the form 4 leaver category there was 1 respondent, at certificate level 7 respondents, 5 respondents were in the Diploma level, University respondents were 15, Post graduates were 2 while in the others category there was 1 respondent. Of the respondents, 3.2% represents form four leaver category, 22.6% for the certificate level, 16.1% Diploma level, 48.4% University level, 6.5% for the post graduate level and 3.2% for the other category. This representation was taken to be that a majority of the respondents (48.4%) were degree holders and they are directly involved in the value chain. Figure 4.2 following illustrates the findings.
4.2.5 Distribution of Respondents by Length of Service

The study further went on to find out the length of service distribution of people at the Lukenya Getaway. It was found out that 12 people representing 38.7% have worked for a year and below, 17 people representing 54.8% have worked between 2-5 years at the Lukenya Getaway Limited and 2 people representing 6.5% have worked between 6-10 years at the Lukenya Getaway Limited. Picking this as the trend of the number of years that each of the respondents has worked for Lukenya, then there is a high chance that in the next five years there would be an entire new staff team at the Lukenya Getaway Limited. See the following table.

Table 4.3: Distribution of Respondents by Length of Service

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year or Below</td>
<td>12</td>
<td>38.7</td>
</tr>
<tr>
<td>2-5 Years</td>
<td>17</td>
<td>54.8</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>2</td>
<td>6.5</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.6 Distribution of Respondents by Department

Critical roles are generally determined by the type of roles the job holder performs. It was therefore felt by the researcher that this was a critical factor for consideration. Majority of
the employees who took part in the study were from finance, supplies and administration department with response rate of 7 respondents. It was followed by management and HODs with 5 respondents, front office and business development each with 4 respondents, F&B service and sales with three (3), trainee/attachees (2) while housekeeping and F&B production had one respondent each as shown in the Table 4.4 below.

<table>
<thead>
<tr>
<th>Department/Business Unit</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trainee/ Attachee</td>
<td>2</td>
<td>6.5</td>
</tr>
<tr>
<td>Front Office</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>1</td>
<td>3.2</td>
</tr>
<tr>
<td>F &amp; B Food Production</td>
<td>1</td>
<td>3.2</td>
</tr>
<tr>
<td>F &amp; B Service and Sales</td>
<td>3</td>
<td>9.7</td>
</tr>
<tr>
<td>Finance, Admin and Supplies</td>
<td>7</td>
<td>22.6</td>
</tr>
<tr>
<td>Business Development</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Management and HODs</td>
<td>5</td>
<td>16.1</td>
</tr>
<tr>
<td>Others (Specified)</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.7 Respondents Opinion on Perception on the Size of LGL

The researcher sought to find out the respondents perception in regards to the size of Lukenya Getaway Limited compared to other establishments in the hospitality industry. The findings were 2 people thought that it is a small firm, 23 people thought that it is a medium size firm while 6 people thought it is a large firm in the hospitality industry. Almost three quarters of the respondents (74.2%) felt that Lukenya Getaway Limited is a medium size firm while 19.4% felt that it is a large firm. However, only 6.5% felt that the firm is small compared to other firms in the hospitality industry as shown by the figure following.
4.3 Competition and Application of Generic Strategies

This section provides a general overview on the application of generic strategies. The respondents were expected to show their most appropriate response from a given list of options.

4.3.1 Most common Generic strategies

The researcher sought to find out the commonly used generic strategy in Lukenya Getaway Limited. Respondents were asked to rate their level of agreement or disagreement with various parameters on a five point scale from strongly disagree to strongly agree. The specific questions covered provision of items at low cost compared to its competitors, unique products/services that are valuable to clients beyond simply offering a low price and LGL appeal to a particular category/class of clientele.

Majority of the respondents with a mean score of 4.6 indicated that there is provision of unique products and services that are valuable to clients beyond simply offering a low price; which is the most commonly used generic strategy. In addition, majority of the respondents also indicated that the appeal to specific class is most commonly used generic strategy in the organization with a high mean score of 4.2 while offering items at low cost compared to its competitors was the least used generic strategy used with a low mean of 2.8 as shown in the Figure 4.4 below. This shows that the commonly used generic strategy provision of uniqueness beyond low costs (differentiation), followed by appealing to a specific clientele (focus) and then comparison to low costs (cost leadership) being the least strategy used.
4.3.2 Correlation between Variables (Differentiation, Focus and Cost Leadership)

A correlation analysis was carried out on how the different generic strategies correlate with each other. The findings showed that, at 95% confidence interval, the correlation between differentiation and focus was 0.959. \( R=0.10, P<0.05 \). This showed that there was a strong relationship between differentiation and focus. This means that for differentiation to take place there is a bias to a particular focus group and on applying focus, differentiation will highly be applied in order to meet the needs of the said clients.

The correlation between Cost Leadership and Focus was 0.162 \( (s=0.384, p<0.05) \) which indicates that the relationship between cost leadership and focus is not strong. This means that cost leadership is not majorly influenced by focus and vice versa in its application.

The correlation between Cost Leadership and Differentiation was found to be -0.184 \( (r=0.322, p<0.05) \). This indicates that there is very weak relationship between Cost Leadership and Differentiation. This is interpreted to mean that when Differentiation is being applied then Cost Leadership as a strategy would not have a great influence to it and when Cost Leadership is applied as a generic strategy there would be minimal Differentiation applied.
Table 4.5: Correlation between Variables (Differentiation, Focus and Cost Leadership)

<table>
<thead>
<tr>
<th></th>
<th>Offering items at low cost compared to its competitors (CL)</th>
<th>Provision of unique products/services valuable to clients beyond just low price</th>
<th>Appealing to a particular category/class of clientele (Focus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offering items at low cost compared to its competitors (CL)</td>
<td>Pearson Correlation 1 ( -0.184 )</td>
<td>Pearson Correlation ( 0.322 )</td>
<td>Pearson Correlation ( 0.162 )</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) ( 0.322 )</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>( N = 31 )</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of unique products/services valuable to clients beyond just low price (Differentiation)</td>
<td>Pearson Correlation ( -0.184 )</td>
<td>Pearson Correlation ( 1 )</td>
<td>Pearson Correlation ( 0.959 )</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) ( 0.322 )</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>( N = 31 )</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appealing to a particular category/class of clientele (Focus)</td>
<td>Pearson Correlation ( 0.162 )</td>
<td>Pearson Correlation ( 0.959 )</td>
<td>Pearson Correlation ( 1 )</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) ( 0.384 )</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>( N = 31 )</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.3.3 Strategies that exist in LGL to reduce the threat of substitute products

The study sought to find out what strategies the firm employs in guarding against the threat of substitute products. Table 4.6 shows the main barriers to entry being used to reduce the threat of substitute products. Majority of the respondents with a frequency of 18 respondents indicated corporate branding being the most preferred strategy used in LGL to reduce threat of substitute products. Provision of special offers was rated the second best strategy to reduce threat of substitute products having a frequency of seven (7) respondents. However, 3 respondents felt that all strategies were equally important in reducing threat of substitute products while 3 respondents indicated that none of the listed strategies was capable enough to reduce risk of substitute products.

This indicates that corporate branding and special offers are the most common methods used to reduce the threat of substitute products while low costs alternative is not a method that the firm employs to guard against the threat of substitute goods.
Table 4.6: Strategies used to Guard against Substitute Products

<table>
<thead>
<tr>
<th>Strategies used to Guard Against Substitute Products</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Offers</td>
<td>7</td>
<td>22.6</td>
</tr>
<tr>
<td>Corporate Branding (Image of LGL)</td>
<td>18</td>
<td>58.1</td>
</tr>
<tr>
<td>Low Costs Alternative</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>None of the above</td>
<td>3</td>
<td>9.7</td>
</tr>
<tr>
<td>All of the above</td>
<td>3</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3.4 Strategies that exist in LGL for guarding against threat of new entrants

The research sought to find out the strategies that exist in the firm to guard against the threat of new entrants. Table 4.7 shows the main barriers to entry being a combination of variety in products offered, branding and product quality which translated to a total frequency of 5 translating to 20.83%, followed by two combinations of variety in the products it offers, competitive pricing and product quality at 4 responses at 16.7% and another combination of competitive pricing, product quality and accessibility to clients and suppliers at 4 responses representing 16.7%. From the research, the products offered and their quality, competitive pricing and branding are the key methods that the firm uses to guard against threat of new entrants.

Table 4.7: Strategies to Guard against New Entrants

<table>
<thead>
<tr>
<th>Strategies to Guard Against New Entrants</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variety in Product offered, Branding, Competitive Pricing</td>
<td>2</td>
<td>8.3</td>
</tr>
<tr>
<td>Variety in Product offered, Branding, Product Quality</td>
<td>5</td>
<td>20.8</td>
</tr>
<tr>
<td>Variety in Product offered, Competitive Pricing, Product Quality</td>
<td>4</td>
<td>16.7</td>
</tr>
<tr>
<td>Variety in Product offered, Competitive Pricing, Accessibility to clients &amp; suppliers</td>
<td>1</td>
<td>4.2</td>
</tr>
<tr>
<td>Variety in Product offered, Product Quality, Accessibility to clients &amp; suppliers</td>
<td>1</td>
<td>4.2</td>
</tr>
<tr>
<td>Branding, Competitive Pricing, Product Quality</td>
<td>3</td>
<td>12.5</td>
</tr>
<tr>
<td>Branding, Competitive Pricing, Product Quality</td>
<td>1</td>
<td>4.2</td>
</tr>
<tr>
<td>Branding, Product Quality, Accessibility to clients &amp; suppliers</td>
<td>3</td>
<td>12.5</td>
</tr>
<tr>
<td>Competitive Pricing, Product Quality, Accessibility to clients &amp; suppliers</td>
<td>4</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Majority of the respondents indicated that product quality was the best preferred strategy for guarding threats from new industry entrants with a high score of 0.74. In addition, provision of variety in products and competitive pricing were also perceived to be effective strategies to guard against competition from new entrants with mean of 0.61 and 0.58 respectively. However, accessibility to clients and suppliers and branding were perceived not to be so effective strategies in guarding against new entrant competition.

![Figure 4.5: Strategies to Guard against New Entrants](image)

**4.4 Extent of Cost Leadership Strategy**

**4.4.1 Strategies Used in LGL to enhance Cost Leadership**

In terms of Cost Leadership, LGL focuses on a combination of having tight cost control and cost consciousness, tailor-making products for clients and efficiency in service delivery which attained a frequency of 5 at 21.7%. These may be the main challenges or gaps in implementing cost leadership in other firms. This is shown by Table 4.8 following.
Table 4.8: Cost Leadership Methods That the Firm Has Employed

<table>
<thead>
<tr>
<th>Cost Leadership Methods That the Firm Could Employ</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Tight Cost Control &amp; Consciousness, Cost Efficient use of Assets and Service Efficiency</td>
<td>3</td>
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<tr>
<td>Tight Cost Control &amp; Consciousness, New Product Development, and Tailor-made Products</td>
<td>1</td>
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<tr>
<td>Tight Cost Control &amp; Consciousness, New Product Development and Service Efficiency</td>
<td>2</td>
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<tr>
<td>Tight Cost Control &amp; Consciousness, New Product Development and Offering Products &amp; Services at low costs</td>
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<tr>
<td>Tight Cost Control &amp; Consciousness, Tailor-made Products and Service Efficiency</td>
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<tr>
<td>Tight Cost Control &amp; Consciousness, Service Efficiency and Offering Products &amp; Services at low costs</td>
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<tr>
<td>Cost Efficient use of Assets, New Product Development and Tailor-made Products</td>
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<td>Cost Efficient use of Assets, New Product Development and Service Efficiency</td>
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<tr>
<td>Cost Efficient use of Assets, Tailor-made Products and Service Efficiency</td>
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<td>New Product Development, Tailor-made Products and Service Efficiency</td>
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<tr>
<td>Tailor-made Products, Service Efficiency and Offering Products &amp; Services at low costs</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
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</table>

4.4.2 Ways in which the firm has implementing the Cost Leadership Strategy

From the research findings, majority of the respondents indicated that cost leadership has been used in attaining the right standard of the products in the organization. Besides, adequate and skilled workforce with a high mean score of 5.13 was also perceived to be the second best way the firm has considered cost leadership. This is because there is significant drop in hiring and training cost if there is adequate and skilled staff in the organization.

Majority of the respondents also indicated that the organization has embarked on efficient cost control process such as detailed cost reports and processes of accessing cheaper supplies both with a mean of 4.77. In addition, majority of the respondents agreed that Lukenya Getaway Limited has also implemented cost effective processes in the entire organization which had a mean of 4.71. All other parameters evaluated had a minimum mean score of above 4.00 which translates to over 70%. This indicates that Lukenya Getaway Limited has set suitable sustainable strategies in implementing cost leadership. This is illustrated in the Figure 4.6 below.
4.4.3 Correlation between Variables in Cost Leadership

The findings showed that the correlation between cost planning and daily tracking and the cost efficient processes and daily cost tracking was 0.757 (R=0.00, P=0.05) and 0.631 (R=0.00, P=0.05) respectively. This indicates that there is a strong relationship between daily cost tracking, cost efficient processes and cost planning. For there to be an effective cost planning coupled by cost efficient processes in an organization, then more emphasis should be laid on daily cost tracking. In addition, there is a correlation between use of superior technology and cost control process e.g. detailed cost reports 0.475 (R= 0.007, P=0.05). This indicates that there was relative relationship between use of technology and cost control in an organization. Use of technology in an organization would help in cutting down cost of an organization.
Table 4.9: Correlation between Variables in Cost Leadership

<table>
<thead>
<tr>
<th>Standard of its product</th>
<th>Standard</th>
<th>Cost control process detailed</th>
<th>Daily costs tracking</th>
<th>Cost planning</th>
<th>Process of accessing cheaper supplies</th>
<th>Cost efficient processes</th>
<th>Favorable location of LGL in regards to costs</th>
<th>Adequate skilled workforce</th>
<th>Use of superior technology</th>
<th>Adherence to waste reduction and elimination processes</th>
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</table>

* Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
4.4.3 Strategies implemented to counter the rivalry among existing competitors

Majority of the respondents (35.5%) indicated that use of differentiated products was a perfect strategy to counter the rivalry amongst competitors. Besides, 25.8% of the respondents also indicated that market focus (niching) was also a good strategy to counter rivalry among competitors. However, very few respondents felt that selling to competitors (16.1%), competitor survey (12.9%) and potential advantage from size and experience (9.7%) were effective strategies to counter rivalry amongst competitors. The results are as illustrated in the Figure 4.7 below.

![Figure 4.7: Strategies implemented to counter the rivalry among existing competitors](image)

4.4.4 Influence of different variables to Overall Costs

The research sought to find out what the main cost drivers in the firm were. Among the parameters evaluated, the influence of meals offered and accommodation was very high compared to the other variables. The third highest cost driver was repairs and maintenance. All the other variables influenced overall costs averagely. The main business of the firm is accommodation and meals among other services which shows that main costs are posted in the main area of business. In addition, to maintain the entire facility frequent repairs and maintenance have to be done.
The findings of the correlation between the variables showed that, at 95% confidence interval, the correlation between dining services and conferencing services was 0.656 (R=0.01, P<0.05). This showed that there was a strong relationship between the two variables. For the organization to enhance its conferencing services, then there must be a bias to its dining services.

The correlation between dining services, conferencing services and meals offered to accommodation was 0.527 (R=0.002, p<0.05), 0.632 and 0.387 respectively. This indicated that for the organization to enhance its accommodation services, then effort must be put to improve dining services, conferencing services and meals offered.

However, majority of the variables had correlation coefficient of below 0.3 which was interpreted as not having strong relationship between the variables. This means that there would be no great influence to between variables when one is applied as a generic strategy and also there would be minimal differentiation applied.
### Table 4.10: Correlation between Variables

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<tr>
<th></th>
<th>Inefficiency in processes</th>
<th>Dining services</th>
<th>Casual labor</th>
<th>Conferencing services</th>
<th>Meals offered</th>
<th>Accommodation</th>
<th>Repairs and maintenance</th>
<th>Procuring services</th>
<th>Transport</th>
<th>Lack of standardization of products and services</th>
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<td>.133</td>
<td>-.104</td>
<td>.399*</td>
<td>.226</td>
<td>1</td>
<td>.413*</td>
<td>.178</td>
</tr>
<tr>
<td><strong>maintenance</strong></td>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.933</td>
<td>.476</td>
<td>.576</td>
<td>.026</td>
<td>.222</td>
<td>.021</td>
<td>.339</td>
<td>.029</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td></td>
<td>31</td>
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</tr>
<tr>
<td><strong>Procuring</strong></td>
<td>Pearson Correlation</td>
<td>.185</td>
<td>.304</td>
<td>-.011</td>
<td>.031</td>
<td>.285</td>
<td>.261</td>
<td>.413*</td>
<td>1</td>
<td>-.039</td>
</tr>
<tr>
<td><strong>services</strong></td>
<td>Sig. (2-tailed)</td>
<td>.318</td>
<td>.097</td>
<td>.953</td>
<td>.871</td>
<td>.120</td>
<td>.155</td>
<td>.021</td>
<td>.834</td>
<td>.444</td>
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<td><strong>N</strong></td>
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</tr>
<tr>
<td><strong>Transport</strong></td>
<td>Pearson Correlation</td>
<td>.096</td>
<td>-.022</td>
<td>.028</td>
<td>.086</td>
<td>.257</td>
<td>.233</td>
<td>.178</td>
<td>-.039</td>
<td>1</td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td></td>
<td>.607</td>
<td>.908</td>
<td>.881</td>
<td>.645</td>
<td>.162</td>
<td>.208</td>
<td>.339</td>
<td>.834</td>
<td>.023</td>
</tr>
<tr>
<td><strong>N</strong></td>
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<td>31</td>
</tr>
<tr>
<td><strong>Lack of</strong></td>
<td>Pearson Correlation</td>
<td>.326</td>
<td>.167</td>
<td>-.054</td>
<td>.011</td>
<td>.061</td>
<td>-.077</td>
<td>.391*</td>
<td>.143</td>
<td>.408**</td>
</tr>
<tr>
<td><strong>standardization</strong></td>
<td>Sig. (2-tailed)</td>
<td>.073</td>
<td>.369</td>
<td>.774</td>
<td>.953</td>
<td>.743</td>
<td>.679</td>
<td>.029</td>
<td>.444</td>
<td>.023</td>
</tr>
<tr>
<td><strong>of products</strong></td>
<td></td>
<td>31</td>
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<td>31</td>
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<td><strong>and services</strong></td>
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</tbody>
</table>

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

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

### 4.4.5 Prominent Ways of Guarding From the Bargaining Power of Suppliers

Supplier power refers to the pressure suppliers can exert on businesses by raising prices, lowering quality or reducing availability of their products. Strong suppliers can pressure
buyers by raising prices, lowering products quality and or reducing product availability. On the other hand, weak suppliers make an industry less competitive and increases profit potential for the buyer.

The researcher therefore sought to find out the prominent ways in which the firm applies to guard itself from the bargaining power of suppliers. Majority of the respondents indicated that LGL has maintained reliable relationships with its suppliers with a mean of 0.77. Responses with a mean of 0.71 also indicated that LGL exercises both multiple sourcing as well as bulk purchasing with a mean score of 0.52. However, market leadership (0.1), low cost incurred when switching between suppliers (0.13) and being a key customer (0.32) was cited as least used strategies of guarding bargaining power in Lukenya Getaway Limited. Further, a combination multiple sourcing, reliable relationships and bulk purchasing also scored the highest. This information is shown in the Figure 4.9 below.

![Figure 4.9: Prominent Ways of Guarding From the Bargaining Power of Suppliers](image)

**Figure 4.9: Prominent Ways of Guarding From the Bargaining Power of Suppliers**

### 4.4.6 Sustainability of Cost cutting strategies in LGL

The study sought to find out whether the cut costing strategies employed in the firm were sustainable or not. 77.4% of the respondents indicated that the cut costing strategies employed in the firm were sustainable while 22.6% indicated that the strategies were not sustainable. The results shows that majority of the staff were satisfied that the cost-cutting strategies put in place are sustainable.
4.5 Extent of Differentiation Strategy

4.5.1 Uniqueness of Lukenya Getaway Limited

Among the parameters evaluated under uniqueness of LGL, customer service scored highest with a mean of 4.94. This indicated that majority of the respondents were satisfied with customer care excellence in the institution. Besides, unique product features such as team building; reliable relationships with dealers and clients and good corporate reputation for quality and technical leaders were also perceived to be unique with high mean scores of 4.45, 4.26 and 4.26 respectively.

All other parameters scored averagely indicating that they too were considered moderately unique to the institution thereby playing critical role in organizational excellence.
4.5.2 Popularity of LGL in the Hospitality Industry (Products and Services affordability)

Respondents were asked to rate the popularity of LGL using a seven (7) point scale ranging from not known at all to extremely known. Majority of the respondents (38.7%) indicated that Lukenya Getaway Limited is averagely known in the hospitality industry in terms of its affordability of its products and services. In addition, 29% indicated that the establishment is generally known while 22.6% indicated that LGL is quite well known. 6.5% indicated that the firm is extremely known. However, 3.2% indicated that they were not very certain about the popularity of LGL in terms of its affordability of its products and services.

Table 4.11: Popularity of LGL in the Hospitality Industry (Products and Services affordability)

<table>
<thead>
<tr>
<th>Affordability to Clients</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tends to be Known</td>
<td>1</td>
<td>3.2</td>
</tr>
<tr>
<td>Averagely Known</td>
<td>12</td>
<td>38.7</td>
</tr>
<tr>
<td>Known</td>
<td>9</td>
<td>29.0</td>
</tr>
<tr>
<td>Quite Known</td>
<td>7</td>
<td>22.6</td>
</tr>
<tr>
<td>Extremely Known</td>
<td>2</td>
<td>6.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.5.3 Evaluating the product, market and company characteristics

Respondents were asked to rate various products, market and company characteristics using a seven (7) point scale ranging from very poor to excellent. Majority of the respondents indicated that LGL’s response to customers’ needs was excellent with a high mean score of 6.06. In addition, organizational values, culture and specific style of operating were also excellent with mean of 6.03. Besides, capability and skills of staff to deliver customized services to clients, capabilities to meet needs of different clientele and adaptability to change in the hospitality industry were on average with mean scores of 5.94, 5.48 and 5.35 respectively. All other parameters evaluated scored averagely. This indicates that LGL has embarked on excellent product and service delivery, good organizational culture and values, good working facilities and employees’ development programs among others. The results were as follows.
4.6 Extent of Focus Strategy

4.6.1 LGL’s Main Operation Focus

Respondents were asked to indicate areas which they felt that LGL had a prime focus on. The choices were only restricted to; Products, Service and Value Chain.

Over half of the respondents (51.6%) indicated that LGL focuses mostly on the service as compared to others. A quarter of the respondents indicated that the organization focuses on the value chain while 22.6% indicated that the organization focuses on products as opposed to others.
4.6.2 LGL’s area of Specialty
The research sought to find out the customer focus applied in the firm. The result indicated that 77.4% of the respondents felt that the firm specialized on appealing a wide fraction of customers while 22.6% felt that the firm specialized only on a certain fraction of customers. The results were as shown in the Figure 4.14 below.

![Figure 4.14: LGL’s area of Specialty](image)

4.6.3 Type of Focus Strategy
The research sought to find out the focus strategy applied in the firm. Table 4.12 shows the rating in specific focus strategy used as 5 respondents for cost leadership and 24 respondents for differentiation. This translates to 17.24% for cost leadership and 82.76% for differentiation. This indicates that the firm applies differentiation focus whenever it uses focus generic strategy.

Table 4.12: Type of Focus Strategy

<table>
<thead>
<tr>
<th>Type of Focus Strategy Used</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Leadership</td>
<td>5</td>
<td>17.24</td>
</tr>
<tr>
<td>Differentiation</td>
<td>24</td>
<td>82.76</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.7 Chapter Summary
The chapter began by highlighting the response rate of the respondents followed by the demographic features of the respondents. The researcher presented the findings relating to the four research questions of the nature of competition, the application of cost strategy and its success, the application of differentiation strategy and its success and finally the application of the focus strategy and its success. A narrative accompanied each analyzed finding of the key questions. A summary based on the results was presented. The chapter that follows discusses findings in detail and provides recommendations and conclusions.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of the survey is provided followed by a discussion section that focuses on the findings. Interpretation of the results with comparisons with the theoretical background presented in the literature review is also given. The conclusions drawn from the research are presented, with recommendations for improvement and for further research.

5.2 Summary

The purpose of the study was to investigate to what extent the application of Porter’s generic strategies had been in Kenya’s hospitality industry and with what success. The study was guided by research questions that sought to determine what strategies were used in the hospitality industry to achieve competitive advantage.

The study adopted a descriptive research design. The population of the study was 112 comprising of employees and former employees of the Lukenya Getaway. This was used to determine the sample sizes of various sub groups. Determination of the sample size was done through stratified random sampling. A questionnaire was issued to 35 respondents out of which 31 were completed and sent back giving a response rate of 82.2%. SPSS was used to enter, clean and analyze the coded data. Pearson’s Correlation coefficient analysis was used to analyze the relationships between the different variables. Tables and figures were used in presenting the study findings.

The key findings on the nature of competition in the hospitality industry are that this industry is very competitive in nature and as a result, the industry uses different generic strategies to compete. Apart from the different strategies used to compete, firms in the hospitality industry have to also guard against different threats so as to outperform its competition and remain in business. The findings on the application of Porter’s generic strategies and success were that Lukenya Getaway Limited uses the three generic strategies but to different extents. The research findings indicated that the two main strategies used are Differentiation and Focus strategy; Cost Leadership strategy is not used to a great extent. In the application of the generic strategies, differentiation and focus have been used to address the market (external factors) as Cost Leadership has been used to address the firm processes (internal factors).
Cost leadership strategy was not the main generic strategy used but there was an emphasis on efficiency through tight cost controls and cost consciousness and also efficient use of its assets. The researcher found out that for there to be an effective cost planning coupled by cost efficient processes in an organization, then more emphasis should be laid on daily cost tracking. Findings on use of superior technology indicated that if fully implemented, this would help more in cutting down of costs. To enhance its accommodation services, Lukenya Getaway then must put an effort to improve dining services, conferencing services and meals offered.

Differentiation strategy is a more commonly used strategy compared to Cost Leadership and Focus strategy. Differentiation is achieved through unique product features, having reliable relationships with its dealers or traders and customer service. From the discussions, there are measures to ensure that there is success in the application of this generic strategy. The internal factors that support this are product differentiation which is based on a varied array of tangible characteristics and intangible values. In response to the external factors, the firm is constantly innovating and adapting to changes in the industry.

Focus as a strategy is also applied as a second most commonly used strategy to complement differentiation strategy. Cost leadership takes a third position in its application and is used to a small extent. In operational focus the findings were that the firm focused on the service other than on the value chain and the product. On customer focus the firm appeals to wide fraction of customers as opposed to a specific geographic area or specific group of clientele. The firm also practiced differentiation focus as opposed to the cost focus. In terms of the type of focus used, the firm is more inclined to differentiation focus as opposed to cost focus. In terms of differentiation focus, LGL aims at providing products to a particular customer segment that are clearly different from competitors who may be targeting a broader group of customers.

5.3 Discussions

5.3.1 Nature of Competition in the Hospitality Industry

The findings from the research shows that the hospitality industry uses different generic strategies to compete. The research carried out showed that the firm had adopted two main strategies, that of Differentiation and Focus. Cost leadership was not the main generic strategy used but the firm has also put measures to ensure that the costs are within reasonable degree. According to Porter (1980), a firm may adopt either one or a combination of the generic strategies, and attack either one or a combination of the strategic targets in its different strategic business units.
The findings of the research also showed that at 95% confidence interval, the correlation between differentiation and focus was 0.959. (R=0.10, P<0.05). This showed that there was a strong relationship between differentiation and focus. This means that for differentiation to take place there is a bias to a particular focus group and on applying focus, differentiation will highly be applied in order to meet the needs of the said clients. The correlation between Cost Leadership and Focus was 0.162 (s=0.384, p<0.05) which indicates that the relationship between Cost Leadership and Focus is not strong. This means that Cost Leadership is not majorly influenced by Focus and vice versa in its application.

The correlation between Cost Leadership and Differentiation was found to be -0.184 (r=0.322, p<0.05). This indicates that there is very weak relationship between Cost Leadership and Differentiation. This is interpreted to mean that when Differentiation is being applied then Cost Leadership as a strategy would not have a great influence to it and when Cost Leadership is applied as a generic strategy there would be minimal Differentiation applied. This correlation supports Porter’s argument that a firm may adopt either one or a combination of the generic strategies, and attack either one or a combination of the strategic targets in its different strategic business units.

The findings from the research indicate that the hospitality industry uses Differentiation strategy more compared to Cost Leadership and Focus strategy. Differentiation is achieved through unique product features, having reliable relationships with its dealers or traders and customer service. This finding is in agreement with what Jones and Lockwood (2002) found where levels of differentiation in the firm would influence the pricing policy and returns. Focus as a strategy is also applied as a second most commonly used strategy to complement differentiation strategy. Cost leadership takes a third position in its application and is used to a small extent which concurs with Business resources (2011) that argues that for companies not competing on price, a cost leadership strategy is still vitally important.

The hospitality industry faces a lot of competition and as a result the industry has sought ways to go about it. Porter (1980) highlighted that not only established rivals compete for profits but other competitive forces such as customers, suppliers, potential entrants, and substitute products play a major role. To stay in business therefore, Lukenya Getaway has considered these competitive forces and has put in place measures to guard itself against such forces.

The researcher was interested to know the threats affecting the firm and how the firm has been able to counter them. Chapman (2005), exploring Porter’s five forces of competition highlights that there are ways to look at the threat of new entrants as entry ease/barriers,
geographical factors, incumbents resistance, new entrant strategy and routes to market. The firm has been able to counter this threat by working on product quality, provision of variety products and competitive pricing. The threat of substitute products has been reduced by the firm through corporate branding and giving special offers while rivalry among existing competitors has been countered by differentiating products, the threat of bargaining power of suppliers has been countered by having reliable relationships with suppliers, multiple sourcing and purchasing in bulk.

The research findings also established that the hospitality industry competes through having unique product features for example team building facilities which are often refreshed, use of technological features which use the state of the art technology/ Wi-Fi, through continuous market research and being affordable compared to other firms in the industry. This compares with what researchers like Ernst and Young (2013) and Looking into hospitality (2013) have identified that competition in the hospitality industry seems to arise from small and large scale refreshes, pricing policy, hotel chains and designs and finally Destination Marketing Organizations (DMOs).

The operational focus of Lukenya Getaway Limited is service while the customer focus is not specific to a certain clientele as the firm appeals to a wide fraction of customers in different categories and geographical areas. Cost leadership strategy was not the main generic strategy but the firm is not ignorant of the fact that their competitors use this strategy. As a means to ensure that costs are within reasonable levels, the firm has established tight cost controls and cost consciousness, has tailor-made products for clients thus prices the products depending on client needs, ensures efficiency in service delivery and efficiently uses its assets. According to Grant (1991) cost leadership can only be achieved through a firm’s greatest asset – its workforce which is what the research established. The assumption also is that the workforce forms part of the assets.

5.3.2 Cost Leadership strategy use and Success
Cost leadership strategy was not the main generic strategy used but the firm is quite aware that some of its competitors use this strategy. To keep up with such competition within the industry, the firm has established tight cost controls and cost consciousness, has tailor-made products for clients thus prices the products depending on client needs, ensures efficiency in service delivery and efficiently uses its assets. According to Grant (1991) cost leadership can only be achieved through a firm’s greatest asset – its workforce which is what the research established. The assumption also is that the workforce forms part of the assets.
The research also sought to find out the correlation between the different variables in cost leadership. The findings showed that the correlation between cost planning and daily tracking was 0.757 (R=0.00, P=0.05) while that between cost efficient processes and daily cost tracking was 0.631 (R=0.00, P=0.05). This indicates that there is a strong relationship between daily cost tracking, cost planning and cost efficient processes. For there to be an effective cost planning coupled by cost efficient processes in an organization, then more emphasis should be laid on daily cost tracking. In addition, there is a correlation between use of superior technology and cost control process e.g. detailed cost reports 0.475 (R= 0.007, P=0.05). This indicates that the use of technology in an organization would help more in cutting down of costs if fully implemented.

The researcher further sought to find out what the main cost drivers were in the firm and how they influenced overall costs. The main cost drivers were found to be meals offered and accommodation which may be different from another firm in a different industry and therefore in agreement with Porter (2000) who suggests that for cost advantage’s sustainability varies with different cost drivers and from one industry to another. From the researcher’s point of view, this is a good indication as the main cost drivers form the main business in the firm which is accommodation and meals. It was also noted that the correlation between dining services, conferencing services and meals offered to accommodation was 0.527 (R=0.002, p<0.05), 0.632 and 0.387 respectively. This indicated that for the organization to enhance its accommodation services, then effort must be put to improve dining services, conferencing services and meals offered.

There is also the aspect of affordability that goes hand in hand with cost leadership. This is because Cost Leadership focuses on low cost relative to competitors while ensuring that quality, service and other areas are not ignored (Porter, 1980). The researcher sought to find out whether Lukenya Getaway was perceived to be affordable or not. The outcome was that 38.7% said that LGL is averagely known in affordability, 29% felt that it is known for affordability and 22.6% indicated that LGL is quite known for affordability. This indicates that the firm is able to charge a lower price for its products than its competitors, make a satisfactory profit as its position yields above average returns in its industry despite the presence of strong competitive forces (Porter, 1980).

The cost-cutting strategies are important in Cost Leadership. The researcher therefore also sought to find out whether the cost cutting strategies were sustainable or not. 77.4% said that the cost-cutting strategies were sustainable while 22.6% felt that the cost-cutting strategies
were not sustainable. This indicates that cost-cutting strategies can be sustainable over a long period of time which would keep the firm ahead of competition in the industry.

5.3.3 Differentiation Strategy Use and Success

The research findings were that Differentiation strategy is the main strategy used at the Lukenya Getaway. From the findings, majority of the respondents with a mean score of 4.6 indicated that there is provision of unique products and services that are valuable to clients beyond simply offering a low price. The differentiation is observed in the form of unique product features, reliable relationships with dealers or traders and customer service. The findings are in agreement with D’aveni (2010) who suggests that differentiation is a generic strategy that involves creation of a slightly or significantly differentiated offering for which the company may charge premium. This forte is associated with the design or brand image, technology feature, dealer network or customer service.

The product, market and company characteristics of LGL were also evaluated. This was done to find out whether these characteristics are congruent enough to support differentiation in LGL. Fast response to customer needs had the highest mean of 6.06, followed by organizational values, culture and the specific style of operating at 6.03 then the third highest characteristic is capabilities and skill of the staff to deliver customized service to clients at 5.94. This is important in that the client would get value for what they need and is offered at the right time which is part of the culture of LGL. Response to the client needs would also be a pointer that the firm anticipates the needs of the clients and works on meeting them which indicates that the staff have the capabilities and skill to deliver customized service to clients.

Guerras et al. (2007) emphasizes that product differentiation is based on a varied array of tangible characteristics and intangible values associated with it, and for which customers are ready to pay more and therefore in line with this, the firm has been able to differentiate itself in many areas hence lowering the customers’ sensitivity to price (Porter, 1980). From the research, there are quite a number of items that the company has differentiated itself by having upscale/chic/fashionable facilities as well as staff responding to client needs fast. This is in agreement with Woo (2007) whose argument is that hotels execute product differentiation strategies by means of upscale facilities emphasizing the tangible evidence of product and intangible but warmhearted human service (Woo, 2007).

In anticipating client needs there is the aspect of innovation that comes into play in creating new products and services. From the research, innovation (capability to develop new products and services) also scored highly with a mean of 5.06. This is good for the
organization in terms of its ability to adapt to change in the industry which had a mean of 5.35. The findings support Hamel (2002) when he says that true winners are firms which exceed in preparing peerless competition manners through daring ideas and constant innovation.

Other ways that LGL has differentiated itself is through its workforce which according to Grant (1991), the workforce is an important asset in any firm. The workforce have capabilities and skill to deliver customized service to client, meet different client needs and create a culture and have a specific style of operating which is entrenched in them from the values. From the research the capabilities and skill of the staff to deliver customized service to clients, ability to meet the needs of the different clients and organizational values, culture and specific style of operating scored quite highly with means of 5.94, 5.48 and 6.03 respectively.

From the research, differentiated strategy is strongly applied with a mean of 4.6 as compared to the other generic strategies. From the discussions above, it is evident that there are measures to ensure that there is success in the application of this generic strategy. The internal factors that support this are product differentiation which is based on a varied array of tangible characteristics and intangible values. In response to the external factors, the firm is constantly innovating and adapting to changes in the industry.

5.3.4 Focus Strategy Use and Success

The findings showed that focus strategy is normally used second after differentiation strategy with a mean of 4.2. This indicates that LGL appeals to a particular category or class of clientele as opposed to a wide fraction of clientele.

The research also sought to find out the main focus strategy used. In operational focus the findings were that 51.6% said that the firm focused on the service, 25.8% said that firm focused on the value chain while 22.6% said that the firm focused on the product. The finding points to that the end justifies the means in this firm and this may be a problem because loop holes in whole process are not highly considered or looked into and that is why emphasis is more on the service than the value chain and/or the product.

On customer focus the firm appeals to wide fraction of customers as opposed to a specific geographic area or specific group of clientele. This is a contradiction that this firm actually uses the focus strategy, as according to Porter (1998) focus strategy aims to small market segment rather than maximizing the product quality. The summary of the findings was that 77.4% said that the firm appeals to a wide fraction of customers, 22.6% said that the firm
appeals to a certain fraction of customers while none of the respondents said that the firm appeals to a certain geographical area.

The ability to improve performance and reduce costs is one of the key competencies for organizations. Control and analyzing of costs are no longer simply concerned with monitoring departmental budgets, but involves putting in place a cost structure and strategy after severe analysis has been conducted that will benefit the organization by optimizing the processes, which will add value to the products and services (Business Resources, 2011). In this regards, the researcher also sought to find out what particular focus strategy is applied in the firm, whether it is cost focus strategy or the differentiation focus strategy.

The findings were that cost focus is applied by 17.24% as the firm focuses on a particular buyer group or geographic market and attempts to serve only this niche (cost focus). From the projected targets, the company aims at achieving a 25% of cost of goods sold and therefore there has been some effort put in the value chain to ensure that the target is met without compromising on the value of the products and services offered. Reducing costs require identifying and analyzing the activities which are undertaken, measuring their value and cost, and relating these activities to the outputs of the organization (Business Resources, 2011) and this has been identified as accommodation and meals which again from informal interviews done the researcher found out that effort towards the two elements is being put in to ensure that the target is not exceeded. Effort made towards cost leadership is through customizing the packages of the different clients.

Differentiation focus is applied by 82.76% which implies that LGL focuses on providing products to a particular customer segment that are clearly different from competitors who may be targeting a broader group of customers. Experiments to develop ‘two product lines in parallel’ to increase strategic flexibility can also achieve competitive advantage (Shimizu and Hitt, 2004) and this is what the firm has been able to do as there is a preset product but a similar product can be offered and customized to meet the needs of any given client depending on what they would want to have. This is because, as Christensen and Raynor (2003) note, it is typically more attractive for large firms to move up-market than down-market and since Lukenya Getaway is an entrepreneurial firm it targets to even go down market for business. Porter et. al (2001) suggests that new information technology makes it possible to customize products. The use of information technology in the firm from the research scored averagely with a mean of 3.71. This therefore shows that there has been significant contribution of technology to differentiation.
5.4 Conclusions

5.4.1 Nature of Competition in the Hospitality Industry

Competition is a reality in the hospitality industry and so there is continuous improvement in both the products and the services that a firm offers. These products and services are constantly being improved by means of innovations to create products that the clients value. Creation of new products also influences the marketing trends as consumers are also changing and also the aspect of the pricing.

In the hospitality industry different threats are reduced in different ways which is good for development and fighting against the competitors so that a firm is not always predictable in its moves. For example the threat of substitute products has been reduced by the firm through corporate branding and giving special offers, the firm has also guarded itself from the threat of new entrants by offering variety of products, branding and working on the product quality. To counter rivalry among existing competitors the firm often has differentiated products.

5.4.2 Cost Leadership Strategy in the Hospitality Industry

The main cost drivers were found to be meals offered and accommodation. From the researcher’s point of view this does not raise any alarm as these two are the core activities in the firm. However all other cost drivers which include inefficiency in processes, dining services, casual labour, conferencing services, repairs and maintenance, procuring services, transport and lack of standardization influenced overall costs averagely. Looking at these findings critically, they all form part of the value chain and so the firm should focus on working on the value chain.

The Lukenya Getaway has sustainability in its cost cutting strategies and as a result, its affordability in the market place seems to range from it being averagely known to quite known. The conclusion of this is that its sources of low cost advantage are sustainable and hence there is a continuous improvement and ongoing searches for more efficient means of service delivery.

5.4.3 Differentiation in the Hospitality Industry

Differentiation has been used by the firm to guard against new entries and as a result it has lowered the customers’ sensitivity to price because the resulting brand loyalty lowers customers’ sensitivity to price. The findings also indicated that the clients thought of the firm as being affordable and this might have been as a contribution of differentiation. The long-term return is that there has been increase in the market share.
There are different product, market and company characteristics that support the use of any strategy used. The firm is fast in responding to customer needs and it’s also good in innovation and adaptation to change in the hospitality industry. It also does not focus on a single feature to differentiate itself with the competitors but focuses on different features.

Capabilities and skill of the staff to deliver customized service to clients was rated highly and this was supported by the fact that there is innovative hotel facilities, fast response to customer needs and customer care programs are there though operating averagely. The capabilities and skills are valuable in hotel business and include activities as customized service, innovative hotel facilities and faster response to customer needs and employee care programs which can be sources of differentiation.

5.4.4 Focus Strategy in the Hospitality Industry

While in the differentiation and cost strategies wide fractions of customers are being appealed to, focused firms prefer to appeal to a certain geographical area or a certain fraction of clientele. Due to the unpredictable and dynamic markets, the firm does not focus on the focus strategy entirely but appeals to a wide fraction of the clients. This is one of the ways that the firm has been able to survive the downturns which are at different times for different clients.

We can therefore conclude that from all the other findings done and discussions held in the previous sections that LGL does not practice focus and cost leadership strategies are used in the organization to support the main strategy which is differentiation strategy.

5.5 Recommendations

Based on the study findings, discussions held and conclusions made, the following are recommendations for consideration.

5.5.1 Recommendations for Improvement

5.5.1.1 Nature of Competition in the Hospitality Industry

The research showed that LGL is a medium sized entrepreneurial firm and research and development moves are not fully exploited. The recommendation is that LGL should invest in exploratory R&D moves to enhance performance as a result of its size. The moves can be executed ahead of large firms thus avoids to reacting to others moves.

As its location is opening up to other investments and hotels, LGL should together with these investments work on having a Destination Marketing Organizations (DMO) in order
to look for innovative ways to put this destination on the map hence improving consumer travel trends and maximizing demand capture.

5.5.1.2 Cost Leadership Strategy Application and Success
As a way of gaining cost advantage, control of cost drivers came out strongly. To improve on cost leadership, reconfiguring of the value chain will enhance the firm’s capability to have cost advantage. Secondly, finding and exploiting all potential cost drivers that allow for greater efficiency in each value-adding activity is not only necessary but important. The firm should invest also in research and development moves that lower the production cost of existing products and offer low-cost products to the market as this industry is price sensitive. As the hospitality industry is unpredictable and dynamic, cost leadership should not be the main focus as the client’s diversity and heterogeneity will not be met through cost leadership.

5.5.1.3 Differentiation Strategy and its Success
In order to compete better in terms of differentiation, management should constantly invest in the development of means to compete and ultimately improve in execution power. Investment in research and development is also crucial as then the firm will understand customer trends better enabling them to pursue forms of uniqueness that are valuable to the buyers.

The firm should also broaden its sources of differentiation from just the physical product, the marketing practices and the service to the value chain. This will enable the firm to command a premium price, sell more of its products at a given price and gain equivalent benefits such as greater buyer loyalty at off peak seasons.

5.5.1.4 Focus Strategy and its Success
Due to the unpredictable and dynamic markets, the firm appeals to a wide fraction of clients and it’s also not specific to any one geographical area. This is because it needs to cushion itself from the off-peak or low seasons that the different clientele have at different times. Within the different groups though, the firm should focus on the main groups that bring in more revenue. In terms of operational focus, the firm should focus more on the value chain as this will increase differentiation in the product offered in turn increasing the revenues.

5.5.2 Recommendations for Further Study
This study established the different generic strategies used in the hospitality industry but it only focused on research done internally as no responses from clients was received. The study did not seek to find out what the other stakeholders thought of the strategies applied.
The study also focused on one specific firm as opposed to a number of them in the industry depending on their different levels of classification.

The researcher therefore recommends further studies to be done on the external response on the application of the generic strategies across the different levels of classification of the hotels. The other area of study is the comparison of the different strategies used and the output in relation to the strategy used.
REFERENCES


Ernst and Young. (2013). *Benchmark*. Ernst and Young.


Grant, R.M. (1991), ``The resource based theory of competitive advantage: implications for strategy formulation``, California

Grant, R.M. (1996), ``Prospering in dynamicallycompetitive environments: organizational capability as knowledge integration``,


APPENDICES

APPENDIX 1: RESEARCH QUESTIONNAIRE

INTRODUCTION
This project is being conducted in partial fulfillment of the requirement for the degree of Executive Master of Science in Organizational Development (EMOD) and it will be used for academic purposes only. You are encouraged to provide your honest opinion as the information you provide in this questionnaire will be treated confidentially. The researcher will focus on the Lukenya Getaway Limited (LGL) as a case study. This exercise will take approximately 25 - 30 minutes to complete. Please mark your answers by circling or ticking the appropriate response.

Section 1:

a) Kindly tick or mark your age bracket:

- □ 18-24
- □ 25-34
- □ 35-44
- □ 45-55
- □ 55 and above

b) What’s your gender?
- □ Male
- □ Female

c) What’s your highest level of education?

<table>
<thead>
<tr>
<th>Highest level of Education</th>
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<tbody>
<tr>
<td>Form 4 leaver</td>
<td>01</td>
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<tr>
<td>Form 6 leaver</td>
<td>02</td>
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<tr>
<td>Certificate</td>
<td>03</td>
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<tr>
<td>Diploma</td>
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<td>Higher National Diploma</td>
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<td>University</td>
<td>06</td>
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<td>Post Graduate</td>
<td>07</td>
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<td>Others (Specify)</td>
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</table>

d) How long have you been at Lukenya Getaway Limited?

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<tr>
<th>Years</th>
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<td>One year or below</td>
<td>01</td>
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<td>2 – 5 years</td>
<td>02</td>
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<td>6 – 10 years</td>
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<td>11 – 15 years</td>
<td>04</td>
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</table>
e) Please circle or tick the department you belong to:

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<th>Department</th>
<th>Code</th>
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<td>Front Office</td>
<td>02</td>
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<td>Housekeeping</td>
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<td>F &amp; B Food Production</td>
<td>04</td>
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<td>F &amp; B Service and Sales</td>
<td>05</td>
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<td>Field Services</td>
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<tr>
<td>Finance, Admin and Supplies</td>
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<td>Business Development</td>
<td>08</td>
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<td>Management and HODs</td>
<td>09</td>
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<td>Others (Specify)</td>
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f) In your opinion, what do you think is the size of LGL as a firm?

- [ ] Small  - [ ] Medium size  - [ ] Large firm  - [ ] Not Sure

**Section 2:**

Assess your working experience with Lukenya Getaway Limited and rate each of the statements.

1) What would you say is LGL’s cutting edge in the market place?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Not in a Position to Comment</th>
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<tr>
<td>1. Offering items at low cost compared to its competitors</td>
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<td>2. Providing something unique that is valuable to clients beyond simply offering a low price</td>
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<td>3. Appealing to a particular category/class of clientele</td>
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</table>

2) Indicate the main methods that the firm has employed to reduce the threat of substitute products

- a) Special Offers
- b) Corporate Branding (Image of LGL)
- c) Low Costs Alternatives
- d) None of the above
- e) All of the above
For questions 3 and 4, select three answers that you consider most appropriate from the choices given.

3) In your opinion, what are the main barriers to entry that LGL has set up in order to guard itself from the threat of new entrants (business entering into the hospitality enterprise)?
   a) Variety in the products it offers
   b) Branding
   c) Competitive pricing
   d) Product quality
   e) Accessibility to clients and suppliers

4) Which of the areas do you think LGL would lead others in terms of operating at low costs?
   a) Minimizing cost by having tight cost control and cost consciousness
   b) Cost efficient use of assets
   c) Development of new products
   d) Tailor-making products for clients and pricing the product depending on client needs
   e) Efficiency in service delivery
   f) Offering products and services to customers at low costs

5) Cost Leadership

<table>
<thead>
<tr>
<th>How would you rate the following statements in relation to LGL?</th>
<th>Very Poor</th>
<th>Poor</th>
<th>Somewhat Poor</th>
<th>Average</th>
<th>Good</th>
<th>Very Good</th>
<th>Excellent</th>
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<td>b Cost control process e.g. detailed cost reports</td>
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<td>c Daily costs tracking</td>
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<td>e Process of accessing cheaper supplies</td>
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<td>f Cost efficient processes</td>
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<td>g Favorable location of LGL in regards to costs e.g. proximity to suppliers</td>
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<td>h Adequate skilled workforce</td>
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<td>i Use of superior technology</td>
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<td>j Adherence to waste reduction and elimination processes</td>
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6) Are there any other ways that LGL uses to lower the cost of production of existing products?
__________________________________________________________________________
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7) Indicate the main methods that the firm has implemented to counter the rivalry among existing competitors
   a) Differentiated products
   b) Selling to competitors
   c) Market focus (niching)
   d) Competitor survey
   e) Potential advantage from size and experience

8) Rate the following statements depending on their influence to the overall cost of LGL operations.

<table>
<thead>
<tr>
<th></th>
<th>Very Low degree</th>
<th>Low degree</th>
<th>Somewhat Low degree</th>
<th>Average</th>
<th>Somewhat High degree</th>
<th>High degree</th>
<th>Very High degree</th>
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<tr>
<td>a) Inefficiency in processes</td>
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<td>b) Dining services</td>
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<td>c) Casual labor</td>
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<td>d) Conferencing services</td>
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<td>e) Meals offered</td>
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<td>f) Accommodation</td>
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<td>g) Repairs and maintenance</td>
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<td>h) Procuring services</td>
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<td>i) Transport</td>
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<td>j) Lack of standardization of products and services</td>
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74
9) In your opinion, what are the three most prominent ways that has LGL guarded itself from the bargaining power of suppliers?
   a) Multiple sourcing
   b) Bulk purchases
   c) Reliable relationships
   d) Low costs incurred when switching from one supplier to the other
   e) Being a key customer
   f) Market leader

10) How would you describe the different cost-cutting strategies in LGL?
    a) Sustainable
    b) Unsustainable

11) Please rate the following statements

<table>
<thead>
<tr>
<th>What uniqueness is LGL known for?</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>No Comment</th>
</tr>
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<tbody>
<tr>
<td>Unique product features e.g. teambuilding facility</td>
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<td>Technology features of the product e.g. use of state of the art technology/ wi-fi</td>
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<td>Has reliable relationships with its dealers or traders</td>
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<td>Customer service</td>
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<td>LGL has strong capability in basic market research</td>
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<td>LGL has corporate reputation for quality and technical leadership</td>
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<td>LGL has amenities to attract highly skilled labour and creative people</td>
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</table>
12) How known is LGL in the hospitality industry in terms of its affordability of its products and services?
   a) Not Known at all  
   b) Not Known  
   c) Tends to be Known  
   d) Averagely Known  
   e) Known  
   f) Quite Known  
   g) Extremely Known

13) Evaluating the product, market and company characteristics to evaluate LGL, how would you rate the following?

<table>
<thead>
<tr>
<th>What Characteristics does LGL have?</th>
<th>Very poor</th>
<th>Poor</th>
<th>Somewhat Poor</th>
<th>Average</th>
<th>Good</th>
<th>Very Good</th>
<th>Excellent</th>
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<tr>
<td>Upscale/chic/fashionable facilities</td>
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<td>Is highly accessible and conveniently located</td>
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<td>It meets the needs of different clientele</td>
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<td>How do you rate the organizational values, culture and the specific style of operating?</td>
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<td>Capabilities and skill of the staff to deliver customized service to clients</td>
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<td>Adaptation to change in the hospitality industry</td>
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<td>Its capability to develop new products and services</td>
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<td>Fast response to customer needs</td>
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<td>Employee care programmes</td>
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14) Which of the below does LGL focus on in its operations to meet client needs:
   a) The product  
   b) The service  
   c) The value chain (sequential set of activities that LGL performs to turn inputs into value-added outputs for clients)
15) LGL specializes in:
   a) Appealing to a wide fraction of customers
   b) Appealing to a certain geographical area
   c) certain fraction of customers

16) What LGL more inclined to:
   a) A low-cost strategy that focuses on a particular buyer group or geographic market and attempts to serve only this niche
   b) Providing products to a particular customer segment that are clearly different from competitors who may be targeting a broader group of customers.

17) Any other information you consider useful?

_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

Thank you for taking time to participate in this survey. Your feedback is valuable!