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Competitive Strategies and Performance of Star-Rated Hotels in Nairobi City County, Kenya

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Abstract
The Covid-19 epidemic and the fierce rivalry in the hospitality sector have both had a pivotal role in Kenya's hotel sector's performance decrease. Further, with continuous lockdowns and scaling down of operations the hotel industry in Kenya it's expected to continue facing challenges. This study strived to examine the effects of competitive strategies on the performance of star-rated hotels in Nairobi County, Kenya. The research was based on the resource-based view theory. The research study used a descriptive research design. The target population was the 83 registered star-rated hotels in Nairobi City County Kenya. The study employed a census sampling method. The study utilized on primary research data with a structured research questionnaire being administered in the study. The collected research data was analyzed with the use of SPSS 25. The survey was able to obtain 81% of the responses from the management team within the hotels. The study concluded there is a positive and statistically significant effect of competitive strategies on the performance of star-rated hotels in Nairobi County. The findings led to the conclusion that innovative strategies, differentiation strategies and market development strategies have a positive and significant effect on the performance of the hotels. The study recommends that the hotels develop new and fresh ways of leveraging new market opportunities. This can be utilized by employing market segmentation and niche market approaches. The hotel should further set to achieve objectives such as being able to focus target clients much more effectively which will lead to customer satisfaction, customer retention and market share.

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Introduction

Organizations today operate in a highly competitive business environment (Tanwar, 2013). Cornett, Erhemjamts, and Tehranian (2019) observed that almost all industries, including the arts and education, have observed a considerable rise in competitiveness during the past three decades, consequently, every business requires a strategy for growing its clientele and customer base. Given the highly competitive market, organizations must develop strategies for performance that they can seek to sustain, quickly seize opportunities, react to challenges, and outwit their competitors to survive and prosper (Aboyassin & Abood, 2013). Adopting the best competitive strategy brings in the element of flexibility and a capacity to adapt to the unpredictable, turbulent, and complex business environment, this often leads to an integrated ambidextrous organization (Mutinda & Mwasiaji, 2018). Firms have to respond strategically to competition to perform better than their rivals in securing customers. Core capabilities that provide the business with long-term advantages constitute the foundation of sustainable performance (Banker, Mashruwala, & Trimpathy, 2015). Effective implementation of competitive strategies enhances the performance of an organization (Gomes, Najjar, & Yasin, 2018). Thus, it is argued that in a dynamic and uncertain environment, competition is unavoidable and therefore, since business strategies have been discovered to have a direct impact on the firm's productivity and competitiveness, a company desiring to stay competitive should adopt appropriate strategies (Hassan, Mugambi, & Waiganjo, 2017). The last decade has seen an increase in the adoption of competitive strategies in the hotel industry as an essential component in gaining a competitive advantage through comprehensive hotel brand management and segmentation techniques (Wang, Yang, & Yang, 2019). In Argentina, Alvarez, Sensini, Bello and Vazquez (2021) reported that hotels' underperformance was contributed to by a lack of managerial skills, adequacy of qualified human resources, and lack of adequate financial resources. AlKahtani, et al. (2021) reported that hotel industry performance in Pakistan was limited by low job satisfaction and commitment among employees. The study demonstrated how empowering employees improved the employees' satisfaction with work and increased their commitment. The hotel sector is very service-focused because clients generate impressions about the services, they receive in hotels based on their experiences and competing offerings. As a consequence, a hotel's outstanding performance may arise from providing high service quality standards (Bukirwa, 2017). The study ascertained that star-rated hotels have to develop unique competitive strategies to achieve strategic goals and maintain a competitive edge. Nzisa, Gitahi and Kiprop (2021) also report increased competition for a reduced number of consumers as an emerging challenge for firms in the service industry, hailing the importance of determining hotels' strategic readiness for technological change. WTCC (2020) reported that the hotel industry's reliance on foreign tourists and visitors has resulted in huge losses in revenue, low investor confidence, low liquidity and job losses, which has significantly impacted the firms in the sector. The report asserts that recovering in the industry will not be easy. Kenya has developed a strong reputation in the hotel sector, which comes in second in terms of the country's foreign exchange earnings behind agriculture (Hassan, Gunkevych, & Rismani, 2018). In Kenya, Nairobi County has the largest number of star-rated hotels, with five star -rated hotels having a market share of approximately 9.3% as at end of December 2017 (Kenya National Bureau of Statistics, 2018). This signifies their importance to the hospitality industry. Hotels that can provide new services for the hospitality sector are more likely to draw in, satisfy, and keep customers than businesses that do not adopt that strategy (Magablih & Muheisen, 2013). Kenya has benefited greatly from the rising worldwide competition among destinations. However, the hotel industry in the country has been experiencing a steady drop in occupancy rates. The rate was 40.3% in 2011, 36.4% in 2012, 36.1% in 2013, 31.6% in 2014 to 29.1% in 2015, with a reported expansion in 2017 and 2018, at 30% and 32.5 %. The drop resumed in 2019, standing at only 30.8 % (Gitongu, 2021).

The CIEC (2020) report affirms that Kenyan hotels' occupancy rates are below average and significantly vary by location of the nation. This calls upon the Kenya's tourist industry and the organizations within the hotel sector help create or modify their competitive strategy so they may compete successfully on a local and global level (Bukirwa, 2017). There have been multiple studies carried out investigating star-rated hotels' performance in Kenya over the last two decades (Bukirwa, 2017; Kipyesang, 2019; Muli, 2019; Wawira, 2016). Success factors identified vary significantly, and they include the provision of excellent services, good relationship management, information technologies integration, proper brand positioning, and efficient training and employee empowerment. Musembi and Ragui (2021) called for hotel management to adopt competitive strategies to address the challenges associated with low occupancy rates and reduced income. In Kenya, star-rated hotels are classified and regulated by the Tourism Regulatory Authority (TRA). The research examined on the 83 hotels operating within Nairobi County that are star-rated by the authority (Tourism Regulatory Authority, 2021).

Statement of the Problem

According to the economic survey report of 2018, the growth rate of the hotel business in Kenya has been steadily declining, falling from 18.1 percent in the final quarter of 2016 to 12.1 percent at the end of 2017 (Kenya National Bureau of Statistics, 2018). Further, Lamptey (2017) affirmed that due to globalization, the locally based hospitality industry is being phased out by international firms and thus a remedy has to be identified. In addition, Muli (2019) indicated that the poor performance among these star-rated hotels is an issue of concern and research shows stiff competition is one of the causes of consistent business failure. However, there has been a minimal empirical examination of the performance of star-rated hotels hence this study sought to ascertain the effect of competitive strategies on the performance of star-rated hotels. The Kenyan hotel business needs to be adaptable enough to handle pressure to compete at levels that are unmatched in the past if it is to survive (Muli, 2019). Nyawira (2016) found that the use of marketing methods improved the performance of hotels. According to Hassan's (2018) research, strategic management techniques significantly influenced how well the hotel business performed. Murimi and Wadongo (2021) reported that better management of revenues would improve the performance of star-rated hotels, while Ndunda (2021) established a strong nexus between customer relationship management practices and customer loyalty. Gitongu (2021) evidenced the influence of employee training on hotels' performance. The relationship between competing tactics and the performance of star-rated hotels in Kenya has received little documented research, particularly given the unstable operating climate brought on by the impacts of Covid-19. Hence this study examined on filling this empirical research gap by ascertaining the impact of competitive strategies on the performance of star-rated hotels in Nairobi County, Kenya. Specifically, the survey looked at; the effect of market development strategies on the performance of star-rated hotels in Nairobi County, Kenya; the effect of differentiation strategies on the performance of star-rated hotels in Nairobi County, Kenya; and the effect of innovative strategies on the performance of star-rated hotels in Nairobi County, Kenya.

Theoretical Literature Review

Resource-Based Theory traces its origin to Penrose (1959). Barney (1991) is among other authors credited for linking firms' performance to competitive advantage. The theory, that has been employed to evaluate how organizations distribute their finite resources to acquire and employ combative skills, is viewed as a theory of the firm's competitive advantage (Bromiley & Rau, 2016). The resource-based view theory by Barney (1991) explains how businesses can be able to adapt and strategically position themselves in the competitive environment (Barney, 2001). Lockett, Thompson, and Morgenstern (2009) assert that a company should have useful internal resources, uncommon, unique, and incomparable. A company should take care of and safeguard the resources it has recognized as having these evaluations since doing so can boost organizational performance (Karyani & Rossieta, 2018). The resource-based view has frequently come under fire for failing to explain how businesses should build and use these resources in the changing settings in which they operate (Kull, Mena, & Korschun, 2016) however, the theory continues to be a significant theoretical framework for improving comprehension of how competitive capabilities (strategies) might influence an organization's success. RBV theory is thus pertinent to this study because it clarifies the significance of discovering uncommon, non-imitable, and non-substitutable competitive tactics that may be important to enhancing organizational performance with star-rated hotels in Kenya.

Empirical Literature

Abdul-Hamid (2019) examined the sustainability market orientation and business performance of Star Rated Hotels in Ghana. The study was grounded on a positivism research philosophy with research data collected from 225 star-rated hotels in the country. The study employed panel least-squares in the analysis and the findings demonstrated a favorable and substantial correlation between hotel performance in Ghana's hotel industry and sustainability market orientation. The study showed that sustainable technology did not mediate the effect of market orientation on the performance of the hotels. Further, it was established that the competitive edge of the hotels was key to their performance. The study is conducted in Ghananian hotels while the current study examines the performance of star-rated hotels in Kenya. Asadi, Pourhashemi, Nilashi, Abdullah, Samad, Yadegaridehkordi, and Razali (2020) studied how green innovation affected the performance of sustainability in the Malaysian hotel business. The study was quantitative with data collected from 183 hotels within the country. The data analysis used the partial least squares model. The findings indicated that green innovation procedures had a beneficial effect on the environmental and economic performance of the hotels. The study showed that shifting to green practices and innovations within the hotels can be key to driving sustainability which is vital to maintaining the performance of the hotels. The research was only targeted the green innovations and does not expand into other innovative strategies and how they influence hotel performance. This was considered in the current study. Xuhua, Spio-Kwofie, Udimal, and Addai (2018) reviewed the adoption of entrepreneurial innovation strategies to drive the small hotels' growth in Ghana. The study population was derived from 2,915 small-scale hotels with random sampling employed in the course of gathering data. The study applied correlation and regression techniques in the analysis. The study indicated that entrepreneurial innovation strategies positively improved the efficiency and growth of the hotels. The study noted that the adoption of service, process, management, and marketing innovations can be critical to driving the growth of the hotels. Furthermore, incorporating innovation strategies into the strategic plans of the hotels will directly contribute to the patronage and growth of the hotels. The study however does not incorporate the BSC perspectives in analyzing the performance of the star-rated hotels. Wawira (2016) did a research on the effectiveness of marketing tactics for big hotels in Nairobi County. The research was descriptive with 30 five-star and four stars hotels within the county considered in the population. The findings showed that penetration pricing was the most dominant strategy with niche marketing, product development, and promotional strategies also being utilized. The study showed that product development, market development, and penetration strategies had a favorable impact on the hotels' performance. The study noted that pricing strategies were not a significant predictor of hotel performance. The research only focussed on marketing strategies, while this study expanded and cover innovative and differentiation strategies within star-rated hotels. Odhiambo (2015) carried out research on the impact of the marketing mix on performance and found that retail stores in Kenya's footwear industry employed a pricing strategy that included premium pricing, price promotions, and discounts. This led to higher sales and more market penetration for retail outlets. The study further indicated that the marketing mix had a considerable and favourable impact on the retailers' performance. The research was premised on the retail industry in Kenya whereas the current study examined the performance of hotels in Kenya. Chege (2016) revealed that by pursuing the differentiation strategy, Small and Medium-Sized Enterprises (SMEs) in Kenya improved their efficiency and performance by offering customers products that stood out from their competitors due to their quality, value, packaging, and personalized service. The attributes and features enhanced customer satisfaction, built brand loyalty, limited the threat of substitutes, and protected the SMEs from their rivals. The research however is focused on how differentiation strategy affects customers in SMEs while this study reviews differentiation strategy's effect on firm performance. In a study in the local banking industry, Ngari and Bichanga (2017) showed that financial institutions in Kenya have adopted the differentiation strategy which majorly enhances customer satisfaction and hence the need for other commercial banks to build market teams to handle different market niches, promote innovation which ensures they offer highly differentiated products and services for specific customer needs. The research is however limited only to differentiation strategy while the current study examined on how competitive strategies impact the performance of star-rated hotels in Kenya.

Methodology

This research utilized a descriptive research design. This research design ensures the collection of data that is quantitative and this enhances quantitative analysis of the collected data using either inferential or descriptive statistics. This research design was anchored on a quantitative descriptive research design which supported the examination of the study variables in the present context. Furthermore, the design supported the utilization of quantitative analysis techniques. According to TRA (2021), there are 83 registered star-rated hotels in operation in Nairobi City County. The study targeted the 83 star-rated hotels in Nairobi County Kenya. The study examined on the managing directors who was selected for this study as they are responsible for the development of strategic plans and policies, they also know the performance of the hotels and can provide information on the competitive strategies and performance of the hotels. The research utilized a census sampling thus ensuring an equal chance of participation. The sample size for the study was 83 participants drawn from the registered star-rated hotels in Nairobi County. A structured research questionnaire was used by the study to collect data. The research questionnaire was developed as guided by the empirical studies and the operationalization of the study variables. Demographic data was gathered in the first phase of the questionnaire, and remarks on competitive tactics was included in the second phase using a Likert scale (market development, differentiation, and innovative strategies). The study used a quantitative approach in the analysis of the collected research data using SPSS 25. Descriptive statistics such as frequency means and standard deviation was employed in presenting a summary of the research responses. The inferential analysis was done to establish the relationship amongst the variables. The strength of the relationship between the variables was tested using multiple linear regression analysis that produced the Analysis of Variance (ANOVA) which aids in estimating the statistical significance of the relationship.

Results and Discussion

The study sought to obtain survey data from a pool of 83 managers drawn from the star-rated hotels recognized by the TRA (2021) directory. The survey was able to obtain 81% (n= 67) responses from the management team within the hotels with only 19% of the participants not able to respond within the required time period. The response was deemed adequate and suitable for the conduct of the quantitative analysis as it was beyond the required 60% standard as shown in figure 4.1

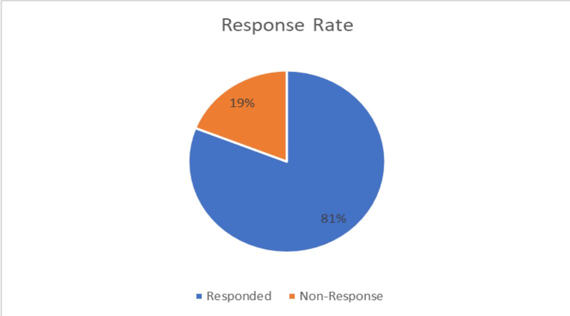

Figure *1.1 Response Rate*

Length of Period as Managing Director

The study reviewed how long the respondents have held their management position and the responses obtained were analyzed and presented in Table 4.2

Table 1.1 Period as Managing Director

	Frequency	Percent
1-3 years	2	3.0
4-6 years	19	28.4
7-10 years	19	28.4
10+ years	27	40.3
Total	67	100.0

The analysis showed that most of the respondents 40% (n = 27) have worked for over 10 years in the hospitality industry, 28% (n = 19) were in the industry for between 4-6 years and 7-10 years respectively. The results implied that the management team have diverse experience in the hotel industry which is critical to provision of responses which can reliably be utilized in answering the study problem.

Year of Hotel in Operations

The study examined how long the hotels have been in operation within the country and the analysis is presented in Table 1.2

Table 1.2 Length the Hotel has been in Operation

	Frequency	Percent
0-10	2	3.0
11-20	13	19.4
21-30	41	61.2
30+ years	11	16.4
Total	67	100.0

The above analysis revealed that 61% (n = 41) of the hotels have operated for 21-30 years, 19% (n = 13) have existed for atleast 11-20 years with 16% being in operation for over 30 years. The findings demonstrate that the diverse years in existence are key to providing responses on how various competitive strategies have affected the organization performance of the hotels in Nairobi County.

Correlation Results

The research was interested in determining the relation between the study variable and Spearman correlation was deemed appropriate due to the nature of the research data collected.

Table 1.3 Correlation Findings

			Organization Performance	Market Development	Differentiation Strategies	Innovative Strategies
Spearman's rho	Organization Performance	Correlation Coefficient	1.000			
		Sig. (2-tailed)	.			
		N	67			
	Market Development	Correlation Coefficient	.658**	1.000		
		Sig. (2-tailed)	.000	.		
		N	67	67		
	Differentiation Strategies	Correlation Coefficient	.378**	.500**	1.000	
		Sig. (2-tailed)	.002	.000	.	
		N	67	67	67	
	Innovative Strategies	Correlation Coefficient	.792**	.561**	.312*	1.000
		Sig. (2-tailed)	.000	.000	.010	.
		N	67	67	67	67

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The first objective of the survey focused on analysing the effect of market development strategies on the performance of star-rated hotels in Nairobi County, Kenya. The test results above indicated that market development strategies have a strong positive and significant relation with organization performance $r (67) = .658^{**}$, $p = .000 < .05$. Consistent with our survey, Akaba (2015) showed adoption of new marketing strategies such as website and social media marketing significantly led to better performance. Abdul-Hamid (2019) survey showed that market orientation and competitive marketing were critical to better performance within hotels. The second objective sought to establish the effect of differentiation strategies on the performance of star-rated hotels in Nairobi County, Kenya. The test results above indicated that differentiation strategies have a weak positive and significant relation with organization performance $r (67) = .378^{**}$, $p = .000 < .05$. The findings are in line with Adimo (2018) contends that differentiation through customer service, innovation, better marketing approach and branding is vital to enhancing firm performance. Dirisu, Iyiola, and Ibidunni (2013) found out that differentiation led to better profitability, customer satisfaction and service offering within organizations. The third objective focused on establishing the effect of innovative strategies on the performance of star-rated hotels in Nairobi County, Kenya. The test results above indicated that innovative strategies have a strong positive and significant relation with organization performance $r (67) = .792^{**}$, $p = .000 < .05$. These results are in line with Nuskiya (2018) who showed that adoption of new technologies was critical to the productivity of employees within the firm. Hernández- Rakhmadi (2019) concluded that effective utilization of new technological systems was better for institutional outcomes.

Regression Results

The study adopted a multiple linear regression analysis to estimate the effect of competitive strategies on the performance of star-rated hotels in Nairobi County, Kenya. The overall regression findings are shown in Table 4.11

Table 1.4 Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.845[a]	.713	.700	2.87554	1.555

a. Predictors: (Constant), Innovative Strategies, Differentiation Strategies, Market Development
b. Dependent Variable: Organization Performance

The regression analysis output shows a coefficient of determination $R^2 = .713$. This statistic indicates that holding other factors constant, the competitive strategies determine 71.3% of the variations in the organization performance of star-rated hotels in Nairobi County. This shows that other factors not considered in the model account for 28.7% of changes in the performance. Muli (2019) also recognized competitive strategies as a key factor that significantly leads to better performance within institutions.

Table 1.5 ANOVA Summary

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1295.549	3	431.850	52.227	.000[b]
	Residual	520.929	63	8.269		
	Total	1816.478	66			

a. Dependent Variable: Organization Performance
b. Predictors: (Constant), Innovative Strategies, Differentiation Strategies, Market Development Strategies

The ANOVA tests above yielded a F-value = 52.227, Sig = .000<.05. This implies there is a statistical significance between the two variables. The study thus showed there is a positive and statistically significant effect of competitive strategies on the performance of star-rated hotels in Nairobi County. Below are the coefficients yielded from the regression analysis;

Table 1.6 Regression Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-7.801	3.818		-2.044	.045
	Market Development Strategies	.449	.166	.277	2.702	.009
	Differentiation Strategies	.043	.021	.025	2.047	.004
	Innovative Strategies	1.089	.149	.649	7.295	.000

a. Dependent Variable: Organization Performance

$$\mathbf{Y = -7.801 + .449X_1 + .043X_2 + 1.089X_3 + 3.818}$$

The findings on the first objective on market development strategies showed β_1 **=** .449 was significant as shown by Sig = .009>.05. The analysis revealed that changes in the level of market development strategies will contribute to the organization performance of star-rated hotels by a factor of .449. Odhiambo (2015) study revealed that application of various marketing mix practices was vital to providing better performance within firms. The second objective findings focused on the differentiation strategies which resulted in a β_2 = .043 was significant as shown by Sig = .004>.05. The analysis revealed that changes in the level of differentiation strategies will contribute to the organization performance of star-rated hotels by a factor of .043. Chege (2016) affirmed that differentiation strategies led to better efficiency and performance within firms. Ngari and Bichanga (2017) showed that differentiation strategies through niche marketing, innovative marketing and customer management led to improved performance. The results on the third objective analyzed the innovative strategies and it yielded a coefficient β_3 = 1.089 was significant as shown by Sig = .000>.05. The analysis revealed that changes in the level of innovative strategies will contribute to the organization performance of star-rated hotels by a factor of 1.089. Asadi, et.al. (2020) research led to the conclusion that innovative practices have helped firm in expanding their sustainability and performance metrics. Xuhua, et.al. (2018) research affirmed that adoption of service, process, management, and marketing innovations can be critical to driving the growth of the hotels.

Conclusions

The study concluded there is a positive and statistically significant effect of competitive strategies on the performance of star-rated hotels in Nairobi County. There is need to ensure that hotel operations increase in efficiency in order to meet the set efficiency benchmarks set for provision of services and products. The findings also suggest that the mechanisms put in place to continuously retain the customer base and meet the hotels goals are still not working as expected. Further, the study concludes that the control system developed by the hotels to enhance the attainment of the quality dimensions is also not working as required. The study further concluded that more emphasis should be added on enhancing and maintaining the organization's customer values. The study also concluded that the deteriorating customer satisfaction can be improved and sustained by routinely reviewing the hotels' service/product offering. Market development strategies were reported to strongly affect the organization performance. This implies that management had been able to successfully operate through the ever-changing hotel environment specifically by continuously reviewing the various available marketing channels. The study concludes that differentiation strategies had a positive and significant effect on organizational performance. A moderate positive relationship was also established between innovative strategies and organization performance. The study findings showed that most hotels are actively involved in the use of emerging technologies to spur improvements in their product and service offering.

Recommendations

The study recommends that the hotels develop new and fresh ways of leveraging new market opportunities. This can be utilized by employing market segmentation and niche market approaches. This will ensure that the hotels target specific markets and develop their products and services for the needs of those markets thereby increasing the customer base. The study further recommends increasing of marketing channels by the hotels to increase revenue. This may be achieved by developing occasional package offers and any other offers to expand into new markets and gain new customers. The research and development will lead to products and services prices being competitive than other competitors due to cost leadership advantage leading to overall hotel financial performance improvement, been able to differentiate better products and thus retaining customers due to the strategic capabilities and effectively anticipating market performance. The study further recommends that the hotels invest more in financial innovation by adopting better accounts management that ensures managing and storage of the customer data effectively. Further, introduction of seamless and diverse payment solutions can be beneficial to the hotels.

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