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## EFFECT OF DIFFERENTIATION STRATEGIES ON SUSTAINABLE COMPETITIVE ADVANTAGE OF FIVE STAR HOTELS IN NAIROBI, KENYA

<sup>1</sup> Clement Miano & <sup>2</sup> Dr. Lucy Wamalwa

<sup>1</sup> & <sup>2</sup> School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

Corresponding Author Email: [Clementmiano@gmail.com](mailto:Clementmiano@gmail.com)

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### ABSTRACT

The present corporate climate is one marked by continual change, bureaucratic procedures, and competition across all sectors, a scenario that has forced the use of various strategies as one of the mitigating elements toward achieving long-term competitive advantage. This study interrogated the effect of differentiation strategies namely service, pricing, brand image difference and personnel differentiation on the competitive advantage of Kenyan Five-Star hotels based in Nairobi, County. The research was founded on four theoretical frameworks: resource-based perspective, dynamic capability theory, strategic balance theory, and Porter's Five Forces Model. A descriptive study approach was used in this research. The target population for the study was a total of 469 senior management workers from the 22 hotels based in Nairobi, County. A structured questionnaire was used to gather data which was analyzed through descriptive and regression methods. The study findings established that in majority of five-star hotels in the country, differentiation strategy had been implemented to a moderate extent.



The study findings further demonstrated that service differentiation, price differentiation, brand image differentiation and personnel differentiation both had a positive and significant effect on competitive advantage of the Five-Star hotels investigated (P-value < 0.05). This implies that pursuing differentiation strategy had a significant effect on competitive advantage of the hotels. Based on the findings, the study recommended that five-star hotels in the country should focus on devoting more resources research and development with an aim of establishing the best differentiation strategies that will boost competitive advantage of the hotel. The study also recommended a need to have more efforts inclined towards personnel differentiation since human capital is responsible for implementing all the differentiation strategies. The management of the five-star hotels should consider recruiting a team of staff that is differentiated in regard to skills, level of education, personality and experience level.

**Keywords:** *Differentiation strategies, Sustainable competitive advantage, Service differentiation, Price differentiation, Brand image differentiation, Personnel differentiation*

## BACKGROUND OF THE STUDY

The present corporate climate is one that is marked by rapid change, complicated business operational procedures, and intense competition across all industries, a scenario that has forced the use of various strategies as one of the mitigating elements in achieving long-term competitive advantage. A company's future competitiveness under dynamic and complicated economic conditions depends on forward thinking strategies capable of creating distinctive differences between what a firm produces and what other competitors provide, according to Si, Liu and Takala (2010, p. 6). The same point was earlier on noted by Porter (1990) that with the changing business environment that is characterized by short product life cycle, the sustainability of business units has become quite unpredictable and that the organizations need to develop appropriate strategies that will provide it with necessary competitive advantage. Differentiation of an organization products and services is one such strategy that can be pursued by companies, with a potential to enhance its market performance as well as sustained competitive advantage.

A number of authors have discussed the need of coming up with appropriate differentiation strategies. In the developing countries of the South America, Barin, Boehe and Ogasavara (2015) suggests that, for the firms to enter the international market and realise necessary competitive advantage, they need to come up with strategies that are unique to the various markets. They note that for the Brazilian firms for example, innovation capabilities, brand name and quality differentiation significantly influence their level of competitiveness in the foreign market. The need for both internal resources and capabilities as a source of organization competitiveness was further expounded by Brenes, Montoya and Ciravegna (2014) who argued that the key difference for firms implementing differentiation among the Latin America countries include; service quality, marketing skills and managerial quality. The presence of these factors was highlighted to influence the competitiveness of firms that produces for the local as well as for the foreign market.

Dirisu, Oluwole and Ibidunni (2013) while investigating the differentiation strategies adopted by Uniliver Nigeria in the West African, they highlighted the need for both multinational and local firms in the continent to differentiate their products and services since proximity to an area alone is no longer. In South Africa construction industry, Matsa (2009) highlight that the sources of sustained competitive advantage for these firms is attributed to the available resources and capabilities in their operations since it is viewed that internal resources are of great significance to their profits. As Barney (1991) argues, since organizations resources are immovable, they are bound to be heterogeneous and therefore



create value for a long time before they can be imitated. Similarly, Ogot, Awino and Aosa (2018) note that the sustained competitive advantage among large manufacturing firms in Nairobi is also dependent upon their core capabilities which is defined by internal technological adoption and available skills

As shown by the growing number of hotels in the same category, Kenya's five-star hotels continue to experience strong competition from new enterprises in Nairobi's metropolitan centers and peri-urban areas. Nairobi had 24 five-star hotels in 2010, but at the end of 2018, it had 23 five-star hotels and 36 four-star hotels (KTB, 2018). This figure is projected to rise in the future years due to the addition of over 18 new businesses. With this degree of competition, a hotel's ability to compete is determined by a variety of factors, including its branding, service quality, product, and pricing techniques. Further, with the COVID-19 having a direct hit in the hotel sector in Kenya, the ability to differentiate itself during this period in terms of being able to attract clients – whenever there is no restriction, would improve the hotel sustainability. Through introduction of flexi-rates and allowing guests to move booking to a later date would help in reducing cancellation of the businesses. Similarly, under such pandemic operating environment, being able to lower prices that would facilitate sustenance and not closure will help in keeping the business afloat. In this context, it is imperative to investigate how the various differentiation strategies adopted by the hotels influence the sustainable competitive advantage. Consequently, the understanding of how differentiation strategies, including product differentiation, service quality, price differentiation and brand differentiation will come in handy in seeking to enhance sustainable competitive advantage of four- and five-star hotels.

### **STATEMENT OF THE PROBLEM**

The Kenyan hotel and hospitality sector is becoming increasingly competitive as a result of a variety of organizational and environmental factors, including globalization, deregulation, increased global and local competition, and new technology. Under such an operating environment, players in the market will come up with appropriate strategies that will cover it against the market challenges and the adoption of appropriate strategies is expected to change the performance position in the long-term horizon. Elia, Petruzzelli and Ciscitello (2016) support this position by suggesting that that under such circumstance, all strategies to be employed by a firm should aim at improving its performance. However, the reality in the market is that different firms face different market condition and there is need therefore to select appropriate strategies that are differentiated to match prevailing operating challenges facing the particular firm (Al Shobaki & Naser, 2017). Because they pursue types of uniqueness that customers do not appreciate, businesses are frequently distinct but not distinguished. This means that an organization's differentiation tactics must respond positively from the perspective of the consumer.

As one of the most significant components of tourism, and therefore one of Kenya's most potential sectors, hotel industry requires solid regulations in order to achieve the country's economic objectives. Generally, the number of hotels in Kenya has grown; the Kenya Tourism Board (2018) reports that there were 3,673 hotels in 2017, up from 2,492 in 2010. Hoteliers' service offerings have become increasingly competitive as a result of the expanding number of hotels and competition from other hotels in the region, affecting the average occupancy rate. In addition, the average occupancy rate fluctuated but finally settled at 47.4% in 2018, up from 40.3 percent in 2011. As a result, in order to remain competitive, they must pay greater attention to consumer demands and wants, as well as internal variables, in order to enhance their occupancy rate. At the same time, hotels must embrace technology in areas such as hotel booking, mobile room keys, online reputation management, and room services.



The importance of differentiation strategies firm competitive advantage or performance has attracted the interest of many scholars and managers. Gebauer, Gustafsson, and Witell (2011) aimed to establish, using 332 manufacturing firms in European nations, the relationship between differentiation strategies and organization performance, Daud (2013) looked at the effect of differentiation strategy on fast moving consumer goods in India dealing with ingredient branding, and Zehir, Can and Karaboga (2010) looked at the role of differentiation strategy on innovation performance. In Kenya, Anyim (2012) looked at service differentiation methods in private hospitals in Nairobi, while Kamau (2013) looked into the impact of differentiation strategies on sales performance in 11 supermarkets in Nakuru. Granted that the concept of differentiation strategy and its perceived organization outcome has attracted interest from scholars, both at local and global scene, the context of the studies differs and in situation where the hotel sector has been investigated, the predictor variables have differed. To bridge the existing gap, this research sought to determine the effect of service, personnel, price and brand image differentiations on the sustainable competitive advantage of the five-star hotels in Nairobi, Kenya.

### **RESEARCH OBJECTIVES**

- i. To examine the effect service differentiation strategy on sustainable competitive advantage of five-star hotels in Nairobi, Kenya
- ii. To assess the effect price differentiation strategy on sustainable competitive advantage of five-star hotels in Nairobi, Kenya
- iii. To analyse the effect brand differentiation strategy on sustainable competitive advantage of five-star hotels in Nairobi, Kenya
- iv. To examine the effect personnel differentiation strategy on sustainable competitive advantage of five-star hotels in Nairobi, Kenya

### **THEORETICAL FRAMEWORK**

This section examines the underlying ideas of the study and provides recommendations for further research. On the basis of four theories, resource-based perspective, dynamic capability theory, strategic balance theory and the Porter's Five Forces Model were used to examine the influence of differentiation strategies on sustainable competitive advantage of five-star hotels in Nairobi, Kenya.

#### **Resource Based View Theory**

The Resource-Based View (RBV) is a method for achieving organizational competitive advantage that was developed in the 1980s and 1990s in response to Wernerfelt's (1984) initial concept. A firm, according to Barney (1991), is just a collection of abilities and resources that influence its strategy and performance. Because of the availability of a comparable pool of resources in the industry for the manufacturing of goods and the provision of services, there will be no competitive advantage realized in the market as a result of the production of identical goods and services. As a result, RBV believes that businesses with successful business operations will discover future competitiveness by effectively utilizing their unique and distinctive skills, which are often intangible or implicit in nature. Popescu (2015) goes on to argue that the primary sources and drivers of a company's improved performance and competitive advantage are inextricably linked to the quality of its skills and resources, which are difficult to copy and implement in different competing organizations.



As a result, it indicates that strategic resources are allocated differently among businesses, and that if various enterprises pool their resources together, they can generate synergy in operationalization of their operations. To preserve their distinct competitive advantage, Heracleous and Wirtz (2014) believe that businesses must fill gaps in competencies and resources in a cost-effective way in order to maintain their competitive edge. For the current study this theory probably applies, because the resources related to hotels' identification of appropriate differentiation strategies explain performance differences across firms and partnerships with alliance activities because such capabilities have an important influence over what mechanisms will exist in a partnership. As a result, in order to achieve high performance in comparison to other players in the sector, different hotels may require resources that differ from one organization to the next, which at least some may lack, and thus differentiation may be a valuable tool to achieve the required uniqueness in service offerings (Ireland, Hitt, & Vaidyanath, 2012).

### **Expectation-Disconfirmation Theory**

The Expectation-Disconfirmation Theory (EDT) was advanced by Oliver (1980) and proposes that a customer intention to seek a service again is primarily determined by the satisfaction that they get from the service quality (Hair, Sarstedt, Ringle & Mena, 2017). Customer satisfaction is co-determined by expectation disconfirmation, according to the model, which was generated from consumer behavior studies. A five-step process, according to Oliver (1980), leads to consumer satisfaction. The first step is initial expectations, followed by acceptance of using a product or service; the second step determines initial consumption, and then they form perceptions about performance based on the most important attributes; and, finally, after initial consumption, they form perceptions about performance based on their most important attributes (Mou, Shin & Cohen, 2017). In the third phase, those impressions are contrasted to original expectations, and based on the amount of disconfirmation, consumers acquire a sensation of pleasure or discontent. There is a moderate level of satisfaction with confirmation, which is heightened by positive disconfirmation, which reduces any discontent caused by negative disconfirmation. Happy consumers want to come back for more, whilst unhappy customers want to leave the product or service (Prudhomme & Raymond, 2013).

Customers' satisfaction and retention intentions may be determined by using the expectation disconfirmation theory (EDT) (Paechter et al., 2010). In addition to learning, motivation, decision-making, emotional reaction, and forecasting, customers' expectations play a part in social interaction. The customers expect the service performance to be efficient and effective in being able to be completed on time. A service's quality will be determined by factors such as reaction speed, relevancy, accuracy, and completeness of information supplied by the service provider. This means that having a service offering that satisfies the quality standards that the user expects is critical (Sarrab, Elbasir & Alnaeli, 2016).

According to this study's application of the Expectation-Disconfirmation Theory, hotel guests' happiness is determined by their pre-experience expectations and their post-experience confirmation/disconfirmation of expectations. Positive, zero, and negative disconfirmation, respectively, are the degrees to which an individual's performance exceeds, equals, or falls short of expectations (Bravo, Montes & Moreno, 2017). This means that the hotel should strive to offer services that exceed customer expectation if they have to come back and revisit the hotel establishment.



## Porters Theory of Competitive advantage

"Physiognomies" of an industry, according to Porter (1980), are responsible for the success of an organization in the market and in the industry as a whole. All sectors of the economy, according to Porter's way of thinking, are shaped and reshaped by five forces that build up laws that control both competition and the basis of productivity within a sector (Porter, 1996). A firm's competitive environment is considered to be shaped by five factors, including competitive rivalry, alternative goods, powerful suppliers, potential new entrants, and powerful purchasers. The final profit potential of the industry is determined by the strength of these factors in relation to each other. Companies' ability to maximize profits is affected by the degree of competition they encounter. As the conflict heats up, many stakeholders' attention is focused on the survival objective (Grant, 2005). Therefore, Porter highlights that the five forces model allows one to go beyond his direct opponents, but also helps define the industry in which intense competition takes place. Furthermore, Porter believes that after identifying the elements that determine a business's competitive position, the framework should specify the strategies that would enable a firm to achieve higher organizational performance.

Focus, distinctiveness, and cost leadership are examples of these tactics. Cost leadership denotes an alternative strategy that seeks to outperform competitors through effectiveness rather than service or product quality (Mou, Shin & Cohen, 2017). This strategy focuses on providing consumers with a competitively lower cost without sacrificing service or quality. One of the best examples of this is the management mechanism of cost reduction and expenditures in a firm's or organizational structure. In Porter's (1990), one of the goals of distinguishing a company's products and services is to acquire an industry-wide clientele that recognizes and values the provider's service or product as being outstanding and satisfying their needs. The focus approach expects a company to narrow its marketing strategy by targeting a certain geographic region, product line section, or buyer group. As a result, the approach allows businesses to concentrate on certain geographic regions, product line segments, or client groups (Brenes, Montoya & Ciravegna, 2014).

When evaluating the implementation of Porter's framework, Teece (2018) observes that many people only grasp the five forces framework and how to utilize it in a very basic way. As a result, there's a chance that the analysis will be incorrect, useless, and incomplete. It may lead to poor decision-making, misanalysis, and devastating organizational results at its worst. Porter (1996) also mentions the lack of quantitative techniques in the separate application of the five forces framework, as well as the decentralization of the study into a series of qualitative lists. These forms of evaluation of industrial circumstances are frequently subjective, and thus are poor substitutes for the uniformity required and defined by Porter.

## Miles and Snow Framework

Miles and Snow (1978) typology is one of the management frameworks developed for business organizations and presents how they need to co-align with their environments and respond. The notion is based on the idea that a corporate organization's structure and strategy must be adjusted in response to changing external conditions in order to achieve a strategic fit. Miles and Snow (1986) go on to say that an organization's strategy, philosophy, structure, and procedures must be aligned with environmental changes through an external and internal adaptation process. The first step in this process is to align the company with the market in order to satisfy current and future consumer demands.



Walker (2013) further reinforce that the Miles and Snow typology recognizes the relationships among the organization strategy, structure, and process to the point where entire organizations can be considered as integrated unit that is able to respond to the environmental changes swiftly. The relationship between an organization strategy, process, and structure with the environment is aligned by with a view to making them be a synergy to the prevailing circumstances (Gumusluoglu & Acur, 2016). However, since organizational circumstances differ, Miles and snow suggested four different companies, namely; prospectors, defenders, analyzers and reactors. Prospector businesses, according to Liu (2013), are a group of organizations that actively maintain a competitive position by expanding their product and service lines to find new market possibilities. Because of their innovation and increased product efficiency, these firms are often the forerunners of new goods and services. As a result, they tackle the market challenge by constantly diversifying the product market.

Defenders are firms who want to keep their current status quo, which means they want to keep their current range of products or services with a relatively limited focus and safeguard their domains (Block, Kohn, Miller& Ullrich, 2015). They generally work in stable sectors, not bothering to look for new possibilities in the market environment, instead focusing on efficiency and technology. Tan (2012) goes on to say that defender companies use customer-specific product lines. Despite the fact that this approach may be used in a variety of sectors, it is more likely to be found in stable industries since it may be difficult for businesses using this strategy to function in a dynamic business line. According to Bryson, Berry, and Yang (2010), companies that use the analyzers strategy fall somewhere between the defensive and prospective positions, and they operate on the basis of existing products and services with the goal of adding new products and services that have proven successful in other companies in the industry. These firms absorb and improve ideas from rivals' goods, making the technique excellent for ensuring product viability prior to release while also avoiding significant R&D costs. Organizations that adopt reactor plans, on the other hand, cannot be called a type of strategy, according to Miles and Snow (1994), since they lack a coherent plan to compete in the industry or methods and processes to adapt to the market. Rather, these businesses discover and respond to opportunities only when they are pushed to do so by competitive pressures in order to avoid losing significant clients and/or retain profitability (Damanpour, 2010).

## **RESEARCH GAPS**

According to the empirical literature review, there are a multitude of research that have focused on the influence of differentiation on business performance. As per the research, majority of organizations have used product differentiation as a strategy to gain a competitive edge. As a result, the resource-based perspective has been widely employed to shed more light on how businesses leverage their one-of-a-kind resource to create long-term competitive advantage.

The majority of the evidence in the research came from multinational studies conducted in the Western world, with little data from underdeveloped countries. The purpose of this study is to look at the impact of differentiation strategy on five-star hotels' long-term competitive advantage in Nairobi, Kenya. The findings also do not show conclusive evidence on the various differentiation strategy dimensions such as service and distribution differentiation strategies which this study aims to fill this gap.



## RESEARCH METHODOLOGY

This research utilized a descriptive study design. The 22 five-star hotels operating in Nairobi, Kenya served as the study's unit of analysis, with 469 hotel workers in top and middle management making up the study's population. Because the number of selected hotels is moderate, the researcher utilized a survey study technique. The data obtained was representative and closely represents the demographic characteristics, which is a benefit of survey design. Because the unit of analysis is small, the study relied on a census survey. The researcher chose at least three senior management workers and seven middle-level staff from each of the 22 five-star hotels using a simple random selection approach. The primary data was gathered using a structured questionnaire as the primary data collecting tool. The surveys were distributed through electronic mail or physical distribution to the relevant respondents – when this was permitted given the Covid -19 constraints.

All the questionnaires submitted to the respondents were collected, checked for precision, coded numerically and entered into SPSS prepared templates to calculate the response percentages, the mean, variance data and errors. The data collected from the field was analyzed using the Statistical Package for Social Sciences (SPSS) version 24. The study's findings were arranged and presented in accordance with the study's goals. Both descriptive and regression analysis were adopted. The regression took the following form;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \hat{\epsilon}$$

Where, Y = sustainable competitive advantage,  $\beta_0$  = Constant (Co-efficient of intercept),  $X_1$  = service quality;  $X_2$  = price differentiation;  $X_3$  = brand image differentiation,  $\hat{\epsilon}$  = Error Term,  $B_1 \dots B_3$  = Regression co-efficient of the four variables

When assessing if the regression was relevant, the researcher utilized F-test, while calculating the variance of Y that was explained by changes in X using the coefficient of determination (R square). In order to assess how much variance in Y is explained by X, an F-test was utilized. In addition, a correlation analysis will be performed to establish the direction of the relationship.

## RESEARCH FINDINGS AND DISCUSSION

The inferential part of statistical computation of the dataset was achieved through computation of regression analysis. The analysis was done using statistical software for social science (SPSS V26). The data values were coded numerically and entered in the software to ease analysis and interpretation. Regression analysis provides three major tables that were used to interpret the association of the variables. The three tables comprise of the model summary table, the ANOVA table and the regression coefficient tables.

### Regression Model Summary

The model summary of the regression analysis gives the coefficient of correlation (R), the coefficient of determination (R square), adjusted R square coefficient and the standard error of the estimate. However, the study will use the correlation determination coefficients for interpretation of the relationship of the variables. The correlation coefficient which normally ranges from -1 to 1 shows the degree and direction of the correlation of the dependent and independent variables. The coefficient of determination on the other hand provides information in regard to the variation experienced in the outcome variable attributed to the predictor variables.





**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.471	.222	.202	.95068

a. Predictors: (Constant), Personnel differentiation, Price differentiation, Brand image differentiation, Service differentiation

b. Dependent Variable: Competitive advantage

From the study findings in regard to the model summary of the regression analysis, it was found that the coefficient of correlation had a score of 0.471 while the coefficient of determination had a score of 0.222. This showed that differentiation strategies and sustainable competitive advantage are positively related though the relationship is weak. Additionally, the findings showed that differentiation strategies explain 22.2% of the overall competitive advantage of five-star hotels in Kenya. This implies that the contribution of differentiation strategies on sustainability of competitive advantage was still below par.

### ANOVA

The analysis of variance (ANOVA) table tests the significance of the model to fit the regression data. In addition, ANOVA table tests the null hypothesis that all the means of the data sets are not equal.

**Table 2: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.660	4	9.915	10.971	.000 <sup>b</sup>
	Residual	139.183	154	.904		
	<b>Total</b>	<b>178.843</b>	<b>158</b>			

a. Predictors: (Constant), Personnel differentiation, Price differentiation, Brand image differentiation, Service differentiation

b. Dependent Variable: Competitive advantage

The ANOVA table computed showed that the F statistic=variation between sample means / variation within the samples was 10.971 and the significance level was 0.000. this implied that the model of the statistically significance for the data and that the sample means of the dataset varied significantly.

### Regression Coefficients

Regression coefficients demonstrate the relationship between the predictor and the outcome variable on positivity or negativity aspect. The regression coefficient table also provides the extent of significance in each of the variables based on the significance values tested at 5% significance level.

**Table 3: Regression Coefficients**



Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.746	.385		7.136	.000
	Service differentiation	.282	.088	.400	3.209	.002
	Price differentiation	.199	.100	.155	1.993	.048
	Brand image differentiation	.285	.087	.352	3.285	.001
	Personnel differentiation	.377	.092	.461	4.096	.000

a. Dependent Variable: Competitive advantage

The study findings in relation regression coefficients indicated that holding service, price, brand image and personnel differentiation constant, sustainable competitive advantage will be constant with 2.746 units. However, enhancing strategies that improves differentiation with regard to service differentiation, price differentiation, brand image differentiation and personnel differentiation will have a combined outcome with factors as shown in the linear regression model;

$$Y = 2.746 + 0.282X_1 + 0.199X_2 + 0.285X_3 + 0.377X_4 + \epsilon$$

Which is also presented as;

$$\text{Sustainable competitive advantage} = 2.746 + 0.282(\text{service differentiation}) + 0.199(\text{Price differentiation}) + 0.285(\text{brand image differentiation}) + 0.377(\text{personnel differentiation}) + (\text{emerging errors})$$

Additionally, the findings further showed that significant effect of the predictor variables; service (0.002), price (0.048), brand image (0.001) and personnel differentiation (0.000) were statistically significant since they were below 0.05. While testing the relationship of each independent variable versus the dependent variable, it was established that service differentiation had a positive and significant effect on sustainable competitive advantage of five-star hotels in Kenya. This was evident by the fact that distinguishing characteristics in majority of five-star hotels in Kenya were perceived by customers as adding value. Further, the supporting argument established in the study was also that the services offered by the five-star hotels cannot easily be imitated by competitors as a result of service differentiation strategies.

These findings support the earlier findings by Arseculeratne and Yazdanifard (2014) that companies which adopt efficient differentiation of their services gain sustainable competitive advantage over their rivals and those differentiation strategies aim to develop basic distinctions in a range of aspects so that clients see a clear contract between one firm's services and those of its competitors. In relating price differentiation and sustainable competitive advantage of five-star hotels in Kenya, the study established that positive and significant relationship exists between the variables. This finding implied that additional efforts put in enhancing price differentiation result to increased customers which tend to increase competitiveness of the hotel. The study further established that premium priced services were accompanied by increased service quality as well as complementary services thus enabling customers to enjoy the value of their expenditure. These findings are consistent with those of Child, Kilroy, and Naylor (2015), who found that the value contributed by the product's uniqueness may allow the business to demand a higher price for it.

The study findings further established positive and significant relationship between brand image differentiation and sustainable competitive advantage of five-star hotels in Kenya. The findings indicated that as a result of brand image



differentiation, corporate social responsibility was exercised and that customers uniquely identified the hotel features due to unique branding techniques. The findings are consistent with the findings of a previous study by Mohammadian and Ronaghi (2010), who found that in situations where many products can be classified as being of the same type and are not significantly different from one another, brands are what cause important distinctions and a preference for one product over the other. These distinctions in brands are so essential that many industry leaders now use their brand as a way to build long-term competitive advantages.

The fourth specific objective of the study was to determine the impact of personnel differentiation on sustainable competitive advantage of five-star hotels in Kenya. From the analysis of the data, it was established that personnel differentiation plays a critical role in enhancing sustainability of competitiveness of five-star hotels in Kenya. The impact of personnel differentiation on competitive advantage of five-star hotels was found to be positive and significant as shown in the regression coefficient table. These findings therefore are in agreement with the findings of Kotler and Keller (2009) as well as Gajic (2012) that companies with differentiated and better-trained employees can acquire a competitive advantage. Competence, politeness, reliability, trustworthiness, responsiveness, and communication are all qualities of differentiated personnel strategy.

## **CONCLUSION**

The findings in relation to the effect of differentiation strategies on competitive advantage of five-star hotels demonstrated a positive relationship between the variables. With a positive and significant relation between service differentiation and competitive advantage of five-star hotels, it can be concluded that service differentiation at the hotels has been implemented effectively thus attracting customers and as a result, performance of the hotel is enhanced significantly causing increased competitiveness. In addition, pricing of hotel services is an important aspect that majority of customers value hotel services as premium. As a result, the study concludes that price differentiation had been exercised considerably in majority of the hotels while others have achieved moderate implementation. In order to still keep the existing customers after differentiating hotel prices, the study concluded that prices were differentiated in tandem with quality of services.

Additionally, the study makes a conclusion that brand image differentiation is an important aspect of differentiation in relation to sustainable competitive advantage. As a result, there was a positive and significant relationship between brand image differentiation and organizational competitive advantage. Similarly, personnel differentiation is as well an important construct of differentiation as far as competitive advantage is considered. The employees make good ambassadors of an organization and therefore having differentiated human capital in regard to skills, personality and expertise increases the quality offered to customers and thus enhances customer satisfaction which is important aspect of competitiveness.

## **RECOMMENDATIONS**

From the study findings, the study recommends on specific conclusions that will be favorable for theory and policy implementation. First, given the positivity of the effect of differentiation strategies on competitive advantage of five-star hotels in Kenya, is recommended that five-star hotels in the country should focus on devoting more resources research and development with an aim of establishing the best differentiation strategies that will boost competitive advantage of the hotel. 22.2% effect is a low effect on competitive advantage and therefore more strategic differentiation measures



should be implemented to enhance the overall effect of differentiation strategies on competitive advantage of the hotels. In addition, service differentiation, price differentiation, brand image differentiation and personnel differentiation are important constructs of differentiation. However, the study recommends that more efforts should be inclined towards personnel differentiation since human capital is responsible for implementing all the differentiation strategies. The management of the five-star hotels should consider recruiting a team of staff that is differentiated in regard to skills, level of education, personality and experience level. These have the possibility of changing the landscape of service delivery which may enhance customer satisfaction which is considered as an important aspect of a competitive organization.

### **CONFLICT OF INTEREST**

No potential conflict of interest was recorded by the authors.

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