Focus Strategy: A Dimension of Response Strategy in Influencing the Performance of Star-Rated Hotels in Kisumu County, Kenya

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ABSTRACT

Environmental turbulence such as the political upheavals, epidemics of diseases, terrorist attacks and natural calamities constitute to a significant economic threat to the hotel industry, the travel advisories brought about the reduction of number of visitors, resulting in massive effects on the performance of the hotels such as sagging sales, revenue loss, hotel shut downs, dwindling occupancy rate and reduction in customer satisfaction. This therefore emphasis the need for management to seek proper strategies for the hotels to recover and improve its performance. This study sought to assess how focus strategy affected performance of star-rated hotels within Kisumu County, Kenya. This study was anchored on Michael Porter Generic Competitive Strategies model. There was adoption of the descriptive research design, and where 10 star-rated hotels were targeted and 80 senior managers formed the sample size. The response rate was 85% as 68 managers filled and returned the questionnaires. The qualitative and quantitative data was analyzed through descriptive, inferential and content approaches. The association was strong based on the r values of 0.819 and focus strategy at beta coefficient of β =0.745, $p < 0.05$ showing a strong and positive effect to performance of the hotels. The study concluded that focus strategy contributed to the improved performance of the hotels. It was recommended that hotels concentrate on a small segment of the market, adopt strategies to manage costs, innovatively develop new products and services and expand the customer and market base.

Keywords: Focus Strategy, Positioning, Niche Marketing, Innovation, Performance

INTRODUCTION

Background of the Study

Turbulence in the external and internal environments for businesses demands for response strategies. Ding and Li (2021) shared that survival and success depends on the ability of the enterprises to align their strategies to turbulent environments and market conditions. The approaches and actions implemented by hotels as responses can be reactive after the incidence has already occurred or proactive where plans are projected to future occurrences. Villalobos, Chan, Chen and Donaldson (2020) noted that the performance of businesses is dependent upon the organizational adaptability in responding to the internal and external environmental changes. For instance, the coronavirus pandemic has affected all industries and peoples of the world, but the hospitality and travel industries were the worst hit (Muragu, Nyadera & Mbugua, 2021). As travel restrictions, social distancing and lockdowns were enforced, the hotel industry suffered a lot as some hotels had to operate at a fraction of their capacity or close-down operations (Albers & Rundshagen, 2020). Hotels just like other businesses make alternative strategies to reverse the declining performance.

In periods of calamities, organizations shift their strategies to respond to the challenge and continue operating. Commonly used approaches include the response strategies that has been used in the past; for instance, during the 2003 SARS virus outbreak, Hao, Xiao and Chon (2020) noted that Chinese hotel industry recovered after implementing response strategies. In the USA, survival of railroad industries was based adapting differentiation strategy and acquisition of skilled and experienced employees (Pettus, *et al.,* 2018). Adim and Ekpa (2020) noted that organizational survival for the Dana Air in Nigeria was based on crisis response strategies and effective

communication. In Uganda, Isabirye (2021) revealed that during the economic crises, the firms responded in three ways; retrenchment, investment and ambidextrous responses. In addition, Kathenya, Ndegwa and Oringo (2020) revealed that public universities had taken using modern technologies, entering new markets, cutting operational cost as part of the response to the declining performance.

This study considered these response strategies including focus strategy by considering design and production line, the service and delivery for the products. There is need to seek out a niche market and develop products to satisfy the markets as well as customers. The focus strategy considered positioning the brand in the different markets, expanding the marketing tactics and developing new specialized products and services (Akintokunbo, 2018). In this study the reviewed strategies include focus strategy that has indicators such as positioning of the organization and its different product brands. It also involves niche marketing to target efforts and resources of the marketing team to a specific market. Focus strategy is also about innovativeness in service delivery as an influencing factor to improvement of performance outcome.

Focus strategy adaptation sought to improve performance in the hotels. As such, performance in the hotel industry is a measure using financial/non-financial metrics. One of the metrics is the sales volume in terms of average occupancy rates, revenue per room and customer satisfaction by checking the service and product reviews and guest comment cards. The performance also includes earned revenues from consumption of hotel facilities and services within a financial year. It is also about market share command and growth from one financial session to another. Abdala (2022) shared that quality of services as performance measurement aspect is paramount especially in service-based industries like the case of the hotels. On internal business perspective, performance involve the number of new products, the average time taken for service delivery to check on competency and efficiency of the staff, the system and processes at the hotel. It is also an element of customer complaints and its magnitude as it impacts on loyalty and repeat business for the hotel (Mjongwana & Kamala, 2018).

In the hospitality sector, Kariru and Ndungu (2021) used average occupancy rates and revenues collected from each available room to measure performance. While Villalobos *et al.* (2020) conceptualized performance as customer satisfaction and retention, market share, timely delivery of quality service and earning high revenues through talented staffs. Performance in the service-based industry is about efficient, timely and quality services, high revenue earnings and satisfaction of products leading to command of the markets. Muragu, *et al.* (2021) noted that attaining high performance is associating with executing plans that enable the firms maneuver in turbulence in the marketplace. The performance of hotels in Kisumu City County was measured by financial metrics like revenue growth, average occupancy rate and non -financial metrics like customer satisfaction and customer retention.

Problem Statement

The Kenyan hotel industry suffers the greatest during political upheaval, insecurity from terrorist attacks and instability causing travel advisories. Between 2012 to 2016 the terror attacks reduced tourist arrivals in the country. Buigut (2018) report that by 1% of fatalities from terror attacks reduced tourist arrivals by 0.082% or approximately 2.487 visitors causing a ksh.155.8 million annual loss. The shutdown of hotels 2019/20 during covid-19 led to \$5million in revenue losses and loss of 67% of jobs. The researchers Kariuki (2018) and Buigut and Masinde (2022) noted that uncertainties and conflicts during the general elections in Kenya had a negative impact on performance of the hotels. Njilu (2023) reported low customer satisfaction with products and service of the hotels, causing a shift to Air-BnB as a preference for accommodation for most people. Additionally, the hotel industry has witnessed reduction in occupancy rates and revenue earnings (Masago, *et al.,* 2020). Different strategies have been adopted to respond to the challenges facing the hotels, including competitive, restructuring and turnaround strategies (Abdille, Mwenda & Egondi, 2020). The paper concentrated on focus strategy in seeking to improve performance of the star-rated hotels.

Study Objective

The study was guided by this objective and question:

Objective: To determine the influence of focus strategy on performance of star-rated hotels in Kisumu County, Kenya

Question: What influence does focus strategy have on performance of star-rated hotels in Kisumu County, Kenya?

LITERATURE REVIEW

Theoretical Literature Review

Michael Porter Generic Competitive Strategies Model

Michael Porter (1980) is acknowledged for its development with interest in adopting four elements that through utilization it will lead to realization of firm profitability. These four elements cover cost leadership strategy, differentiation strategy, cost focus and differentiation focus strategy that if adopted by firms it will improve profitability rates and in the long run gain sustainable competitive advantage. To gain competitive advantages, the firm can either use low cost or differentiation and these two aspects can be combined to create a third element in focus that can be on costs or differentiation.

Cost leadership, Pulaj, *et al.* (2015) revealed that enterprises seek to gain competitiveness through reduction of costs and plowing the saved funds for expansion and growth. In essence, the hotels can reduce its costs through use of efficient systems, technologies and installation of cost control measures in the facility. Furthermore, use of low-priced inputs and raw materials, recycling and reuse of some materials can reduce operational costs and push for faster recovery of an industry after experiencing external turbulence and crises.

Differentiation, the firms seek means of making their products and services unique, attractive and of quality. Superior quality of services and products can attract the market and retain customers who ensure continuous business (Fathali, 2016). The hotels in Kisumu City County can seek ways of differentiating their facilities, amenities and services to stand-out and attract more clients. This will enable the hotels to regain their market positioning and revert back to its revenue generation ways. Use of innovation, unique branding methods and positioning and niche marketing that informs the market on what is new and gain more customers. Differentiation can allow the hotels expand their market reach and increase market share.

Focus strategy will need segmenting the market and creating niche markets and aggressively pore efforts to improve the enterprises' presence in that market. Anwar (2016) shared that it can also involve lowering costs of operations with the aim of improving performance outcomes. The hotels can seek to focus on specific market segments by targeting their marketing and advertising efforts to increase customer numbers and sales volume. Diversifying services can help the hotels to cater for a wide-range of customers like children, elderly and those living with different disabilities.

Empirical Literature Review

There was research done on customer focus strategy and effect on performance of SACCOs in Kenya by Kavulya, *et al.* (2018) The researchers used cross-sectional descriptive research design and targeted 181 authorized deposit- taking SACCOs in Kenya and collected data from its staffs who filled the questionnaire. Correlation analysis was conducted by the researchers and revealed that customer focus strategy was positively and significantly associated with performance of the SACCOs in Kenya. Customer focus strategy had a significant relationship to performance of the SACCOs. Furthermore, improving performance would entail having an effective customer-management relationship and charging a reasonable fee to the customers.

Research was done on influence of focus strategy on performance of insurance agencies located in Nairobi County by Kemunto (2019). The main focus of the study was to assess the relationship between focus strategy and performance of insurance brokers in Kenya. The study adopted the use of descriptive research design and sampled 90 insurance brokers. Data was collected from the managers using structured questionnaires and revealed that workers compensation insurance was handled by few insurances brokers accounting for only 40%. The descriptive analysis results showed that developing products for specific market segments, affordable products and strong customer relationships was strongly agreed by the respondents to positively influencing performance of the insurance companies. Thus, focus strategy adopted by the insurance brokers improved performance. The regression analysis findings showed that 64.5% of change in performance amongst the insurance brokers was caused by focus strategy.

Research done on the role that focus strategy plays on performance of the NHIF accredited hospitals in Kenya was done by Ochodo, *et al.* (2020). The researchers shared that the mandate of NHIF is access to quality and affordable healthcare services and the accredited hospitals will help in attaining that goal. The study considered 100-bed capacity hospitals only and records showed there were 150 hospitals in that category. The CEOs were interviewed and hospital administrators filled a questionnaire where the data collected was both qualitative and quantitative. The findings showed that focus strategy through niche markets and targeting specific market segments led performance of the hospitals.

A study done on focus strategy and how it affected outcomes for telecom companies in Port Harcourt was done by Akintokunbo (2018). The study was done on the management staff in four telecommunication companies in Port Harcourt. Quantitative data was collected from 93 employees and analyzed using descriptive and correlation analysis. The findings indicated that market focus strategy was positively correlated to performance of the telecommunication companies. Market focus strategy entailed lowering costs of products and services below the competition in each market niche and segment. Lowering costs resulted in higher sales, market share and firm competitiveness and niche markets helped in market penetration and market development. The study concluded that market focus strategy led to improved performance.

Research was done by Demba, *et al.* (2019) on differentiation focus strategy effect on performance of selected car rental, with case of businesses in Nairobi City County, Kenya. The study used cross-sectional descriptive design and purposive sampling of 15 car rental businesses to recruit respondents. Primary data was collected using structured questionnaires and data analyzed using descriptive, regression and correlation analysis. The findings revealed that differentiation focus strategy was statistically insignificant in affecting performance of the car rental businesses. The findings also showed lack of correlation between differentiation focus strategy and improvement of performance. The study concluded that null hypothesis is accepted since differentiation focus strategy had no effect on performance.

Conceptual Framework
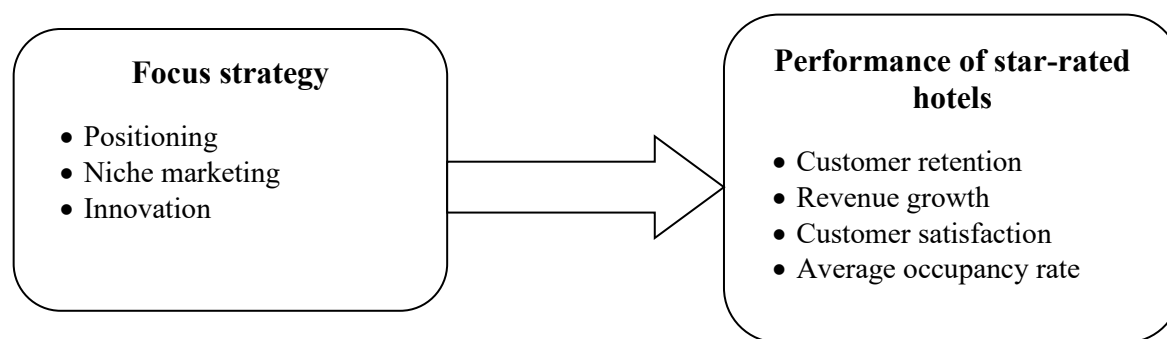
Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The research design for the study is the overall strategy that will be able to integrate all the various components of the study in a logical manner (Bloomfield & Fisher, 2019). The adopted strategy was effective in responding to the research problem and find valid answers. There was use of descriptive research design that is ideal in collecting data on the what, where and how of the research phenomenon.

Population entails the entire group of elements that have similar identifiable characteristics that are of concern to the study and covers all hotels in Kisumu City County. The targeted population included 10 star-rated hotels and respondents working in the hotel formed the unit of observation. The respondents were 80 senior managers holding managerial role in the eight key hotel departments namely Front Office, Housekeeping, Sales and Marketing, Food and Beverage, Production, Accounts, Human Resource and Maintenance.

The targeted population was stratified according to the department they work in the star-rated hotels. Additionally, simple random sampling was also used in selecting the respondents who took part in the research. Since the population was small (less than 200 elements) census was adopted, which Singh and Masuku (2014) noted is ideal because there is no generalization of findings.

These respondents filled the semi-structured questionnaire that contained quantitative and qualitative sections. The structured questions applied the five-point likert scale, with rating scale ranging from 1-5 where 1= Not at all; 2 = Little Extent; 3= Moderate Extent; 4= Large Extent and 5= Very Large Extent. There were also open-ended questionnaires that allowed the respondents to explain their view using their own words. Clark and Vealé (2018) revealed that questionnaires are sufficient for use when the volume of data is a lot and its relatively cheap cost. Therefore, good in collection of data from managers of the star-rated hotels in Kisumu City County.

The data collection exercise adopted by the researcher involved dropping the questionnaires and allowing the respondents a one-week period to fill it before coming back to collect the tool. Once all the data was collected, the quantitative data was coded and entered into SPSS for analysis. The analysis consisted of descriptive and inferential statistical methods, where means, standard deviation, frequencies and percentages was obtained for the initial approach. The inferential statistics included correlation and regression in seeking the strength, direction and closeness of association between variables.

FINDINGS

The findings are informed by the conducted descriptive, correlation and linear regression analysis conducted and presented as below:

Descriptive Analysis

Table 1: Descriptive Analysis Results

Statement	NA	LT	ME	LE	VLE	Mean	Std. Dev
	F- %	F-%	F-%	F-%	F-%		

The hotel targets specific market segments	4	3	10	23	29	4.06	1.077
	5.9%	4.4%	14.7%	33.8%	42.6%		
The hotel products and services are positioned to attract customers	0	2	6	26	34	4.35	0.768
	0%	2.9%	8.8%	38.2%	50%		
Services are delivered in an innovative manner	1	5	12	24	26	4.01	0.999
	1.5%	7.4%	17.6%	35.3%	38.2%		
The marketing activities are directed to an identified niche	1	5	13	24	25	3.99	0.999
	1.5%	7.4%	19.1%	35.3%	36.8%		
The adopted niche marketing helps in penetrating new markets	2	4	7	25	30	4.13	1.021
	2.9%	5.9%	10.3%	36.8%	44.1%		
Innovative service delivery has improved customer satisfaction rates	0	3	8	19	38	4.35	0.859
	0%	4.4%	11.8%	27.9%	55.9%		
Average						**4.15**	**0.954**

The results indicate an aggregate mean score of 4.15 and standard deviation of 0.954, inferring that most of the respondents largely agreed that focus strategy through segmentation, positioning of products to attract a niche market helps to penetrate new markets. Offering innovative services and products also improved customer satisfaction which implies better performance outcomes in the star-rated hotels in Kisumu County.

Correlation Analysis

Table 2: Correlation Analysis Results

		Performance	Focus Strategy
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	68	
Focus Strategy	Pearson Correlation	.813	1
	Sig. (2-tailed)	.000	
	N	68	68

The findings in Table 2 show a strong relationship between focus strategy and performance of the star-rated hotels. This assertion is confirmed by the r values of 0.819 imply there is strong association between the objectives as shared by Kothari (2014) that interpreted r values as between 0 – 0.2 is considered weak, 0.3 -0.4 showing moderate association, 0.5 -0.7 strong and 0.8 -1.0 as very strong correlation between variables.

Regression Analysis Results

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802[a]	.643	.624	.322608

a. Predictors: (Constant) Focus Strategy

Findings show that Adj. r squared of 0.624, imply that 62.4% variation in performance of star-rated hotels in Kisumu County was influenced by the adopted focus strategies. Additionally, there is a resultant effect of 31.6% of other strategies excluded in this study that contributed to performance in the hotels in Kisumu.

Table 4: Anova Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1.	Regression	26.347	4	6.586	5.425	.000[b]
	Residual	76.459	63	1.214		
	Total	**102.806**	**67**			

From the conducted analysis of variance test, the findings show that the relationship is statistically significant as 0.000 <0.05 in anticipating how focus strategies affected performance. The F critical value calculated at 5% significance level is 5.425. Thus, F critical at Df (4, 63) at 5.425 demonstrate that the adopted regression model is fit. It demonstrates that the regression model between the variable is significant in assessing its relationship to performance at assessed hotels in Kisumu, Kenya.

Beta Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.856	.581		1.473	.000
	Focus Strategy	.745	.439	.442	1.697	.000
a.	Dependent Variable: Performance					

The beta coefficient was determined to show how the model comprehends and forecasts future events and association of the variables. The results produced the regression equation as:

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$ becomes the below resultant equation: $Y = 0.856 + 0.745 X_1$

Where: X_1 = Focus strategy

The resultant regression effect is at constant, the performance of the star-rated hotels is at 0.856. The results also show that focus strategy led to improvements on outcomes in the hotels by 0.745 ($\beta = 0.745$, $p < 0.05$). This echoes the findings by Kavulya, *et al* (2018) that showed that customer focus strategy significantly improved performance of the deposit- taking SACCOs in Kenya. At the same time, Akintokunbo (2018) found adoption of focus strategy led to improved performance in the telecommunication companies in Port Harcourt.

CONCLUSIONS AND RECOMMENDATIONS

The study established that focus strategy had a substantial and beneficial influence to the performance of the hotels, based on beta coefficient values of ($\beta = 0.745$, $p < 0.05$). It also found that through innovative service delivery, positioning products and services to attract customers, adopting niche marketing concept and targeting a specific market segment; such that the hotels can attract more customers, earning more and improving its performance. The results also shared that the respondents agreed on services in the star-rated hotels being delivered in an innovative manner resulting in higher customer satisfaction rates. Therefore, research demonstrated that focus strategy was impactful in improving performance in the star-rated hotels located in Kisumu City County, Kenya.

The study concludes that responding to turbulent business environment and challenges that entailed adopting and implementing focus strategy. These star-rated hotels focused on certain products, services, processes and projects that have been innovatively developed to attract and retain customers. There was focus on specific target markets, identified market niches, and innovatively crafted products and services. This is important in attracting new client base, while also retaining the regular customers of the star rated hotels.

Recommendations are such that the management should focus their efforts, staff numbers and resources towards a specific market segment or niche. This will ensure the hotel is guaranteed of income generation from that specific segment. This is important for continuous operations even amidst turmoil and turbulence in the business environment.

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