

**APPLICATION OF PORTER'S GENERIC COMPETITIVE BUSINESS
STRATEGIES AND THEIR EFFECT ON PERFORMANCE IN ZANZIBAR
HOTEL INDUSTRY**

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania a dissertation titled: *Application of Porter's Generic Competitive Business Strategies and their Effect on Firm Performance in Zanzibar Hotel Industry*", in partial fulfillment of the requirements for the Degree of Masters in Business Administration (MBA) of the Open University of Tanzania.

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DECLARATION

I, **Josephat Mutabuzi Justinian**, do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for similar or any other degree award.

Signature

Date

DEDICATION

This dissertation is dedicated to my dearest wife Mrs. Jenitha Josephat, my children-Avit, Jovin and Caren Josephat, my father Justinian Ndyahamkama Dickson, my mother Selestina Nyamwiza for their unconditional love and enthusiastic spirit that have made into what I am today.

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ABSTRACT

The increase of hotels in Zanzibar has caused high competition in the industry. For this reason the main objective of this study was to analyze the effect of application of Porter's generic competitive business strategies on firm performance in Zanzibar hotel industry with specific reference to 3 to 5 star hotels in Unguja. The sampling approach adopted in this study was convenience or accidental method and the sample size focused on General Managers of nine (9) hotels and customers in these hotels. The data was collected by the use of questionnaires which was then computed and analyzed by using Pearson Chi-square tests and linear regression model in SPSS to investigate the relationship between Porter's generic competitive business strategies and firm performance. The study established the effect of cost leadership on firm performance, determined how differentiation strategy affect firm performance and evaluated the effects of focus strategies. The study also confirmed that there is no significant relationship between the Porter strategies and firm performance taking customer satisfaction as an indicator. The findings did not strongly attribute the firm performance to the strategies adopted thus suggesting that pursuit of single generic business strategy as suggested by Porter, did not place a firm in a better strategic position and did not result in superior performance.

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LIST OF ABBREVIATIONS

| | |
|-------|--|
| GDP | Gross Domestic Product |
| MKUZA | Mpango wa Kukuza Uchumi Zanzibar |
| ROI | Return On Investment |
| SMEs | Small and Medium Enterprises |
| SPSS | Statistical Package for Social Science |
| ZCT | Zanzibar Commission for Tourism |
| USA | United States of America |

CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem

The hospitality industry which includes the restaurants, accommodation, entertainment and transportation business (Botherton, 1999; King, 1995) is facing fierce competition. This competition has forced hospitality management to seek sustainable competitive advantages in business (Olsen, West and Tse, 1998) as cited in Pimtung, (2009). Strategy researcher argue that the ability of the firm to utilize existing resources and its ability to accumulate new resources more efficiently and effectively relative to competitor enable it to achieve a competitive advantage (Mahoney and Pandian, 1992; Prahaland and Hamel, 1990) as cited in Pimtung, (2009).

The strategy field presents various typologies to describe the generic competitive strategies of firms and how firms compete in specific businesses or industries by exploiting their competitive advantages in order to realize their goals (Hambrick, 1983; Miles and Snows, 1990; Porter, 1980). These typologies all focus on a firm's relative emphasis on operational efficiency and low cost or uniqueness in the market.

This study focuses on Porter's (1980) typology of generic competitive strategy which is made up of cost leadership, differentiation and focus (cost or differentiation in a narrow market) for two reasons. First, Porter's typology overlaps with other competitive strategy typologies. For example, Porter's strategy of cost leadership resembles Miles and Snows (1990) defender strategy and Hambrick's (1983)

efficiency strategy. Porter strategy of focus is very much like Miller and Friesen's (1986) niche innovator strategy. Porter's differentiation strategy is also similar to Miles and Snows prospector strategy. Second, Porter typology has been linked to many organizational, environmental and performance related variables (Campbell-Hunt, 2000; Dess and Davis, 1984; Kotha and Vadlamani, 1995). Porter framework proposes that firms that pursue any of these competitive strategies would develop competitive advantage that would enable them to outperform competitors in their industry. However for a firm to earn superior profits and outperform its competitors it must make a clear choice between a cost leadership and differentiation strategy in order to avoid what he called getting stuck-in-the middle because of contradictions of different strategies (Porter, 1996).

Many authors have refined and conceptualized Porters differentiation strategy along several dimensions such as product differentiation, image differentiation, marketing differentiation, service differentiation and innovation differentiation strategies (Mintzberg, 1988; Kotha and Vadlamani, 1995; Beal and Yasai-Ardekani, 2000). This study uses cost leadership and differentiation because they are the commonly used strategy dimensions in the literature (Dess and Davis, 1984; Nayya, 1993). Furthermore, firms implementing the differentiation strategy do not focus on a single dimension but emphasize several dimensions such as image, gaining customer loyalty, quality, innovation and level of service at the same time (Kim et al, 2004).

Firms in Zanzibar hotel industry have increased year after year due to the deregulation of accommodation unit in which the door was made opened to state and private investors. However local and foreigner who constitute private investors seem

to have taken large market share. This growth has affected hotel industry profitability, environment etc, and forcing hotels to adopt a variety of business strategies. Porter (1980) suggest that for long term profitability the firm must make a choice among the generic strategies rather than end up being 'stuck in the middle'. A firm's ability to survive in an industry is largely influenced by the competitive strategies it adopts. The Zanzibar hotel industry which is no exception to the rest of dynamic and competitive business environment forms a good context for a study on application of Porter's generic business strategies.

In this study it is assumed to find hotels pursuing Porter's generic strategies in both mutually exclusive manners as well as in hybrid forms. Although various studies have examined the applications of Porter's generic strategies to different industries (Aunty and Thomas 1986; Kumar, Subramanian and Yauger, 1997; Hlavocka et al, 2005; Powers and Hahn, 2004; Allen et al, 2007; Allen and Helms, 2006), to the best of my knowledge no study has examined to what extent the various strategic type are prevalent in the Zanzibar hotel industry and their effect on performance. This study intends to analyze the application of Porter generic competitive business strategies and their effect on performance in Zanzibar hotel industry.

1.2 Statement of the Research Problem

Hotel firms in Zanzibar hotel industry have been increasing in the past 15 years; about 349 hotels have been registered with 7,009 rooms and 13,198 beds (ZCT, 2010). This has been the result of tourism development (MKUZA, pg 26), and Zanzibar adoption of tourism as a priority sector for its economic growth which accounts for over 51% of its GDP (Steck et al., 2010) as cited in Anderson, (2011).

This growth affects hotel industry profitability, environment etc and increase competition. In order to improve Zanzibar hotel industry profitability, hotel firms need to look at their business strategies they pursue. Porter (1980) proposed the framework of generic business strategies that firm can choose in order to have superior performance. In this study it is assumed to find hotels pursuing Porter's generic strategies in both mutually exclusive manners as well as in hybrid forms. Although various studies have examined the applications of Porter's generic strategies to different industries, to the best of my knowledge no study has examined to what extent the various strategic type are prevalent in the Zanzibar hotel industry and the performance of firms. This study aim to analyze the application of Porter's generic competitive business strategies and their effect on performance in Zanzibar hotel industry.

1.3 Objective of the Study

1.3.1 General Objective

To analyze the effect of application of Porter's generic competitive business strategies on firm performance in Zanzibar hotel industry.

1.3.2 Specific Objectives

The study will be guided specifically by the following objectives:

- (i) To establish the effect of cost leadership strategy on firm performance in Zanzibar hotel industry.
- (ii) To determine how differentiation strategy affect firm performance in Zanzibar hotel industry.

- (iii) To evaluate the effect of focus strategy on firm performance in Zanzibar hotel industry.
- (iv) To investigate the relationship between Porter's generic competitive business strategies and firm performance indicator (customer satisfaction-hotel cleanliness).

1.4 Research Questions

1.4.1 General Research Question

The general research question of this study is;

How is the effect of application of Porter generic competitive business strategies on firm performance in Zanzibar hotel industry?

1.4.2 Specific Research Questions

The study will be guided specifically by the following research questions

- (i) What are the effects of cost leadership strategy on firm performance in Zanzibar hotel industry?
- (ii) How does differentiation strategy affect firm performance in Zanzibar hotel industry?
- (iii) How is the effect of focus strategy on firm performance in Zanzibar hotel industry?
- (iv) How is Porter's generic competitive business strategies related with firm performance indicator (customer satisfaction-Hotel cleanliness)?

1.5 Significance of the Study

When this study is accomplished: It will reveal the reality of Zanzibar hotel industry in the competitive strategy use. It will be very useful to the hotel managers in Zanzibar hotels especially in identifying the ways managers make use of the strategies they implement. It will be used by students taking hotel management course in the area of strategic management.

1.6 Scope of the Study

The study was about Porter generic competitive business strategies. The study focused on the application of Porter's generic competitive business strategies (i.e. cost leadership, differentiation focus and stuck-in-the middle strategies) and their effects on firm performance in three to five star-rated hotel firms in Unguja-Zanzibar hotel industry. The study involved collecting information from managers of hotels, owners and customers.

1.7 Organization of the Study

The study is organized into five chapters. After the first chapter, basing on the existing literature, the literature review was discussed followed by identification of knowledge gap and the presentation of conceptual and theoretical frameworks which would guide the study. Chapter three presents the research methodologies within which the research was conducted. Chapter four presents the analysis and the findings with regard to the objective and discussion. Lastly chapter five presents the in summary the summary of the findings, implications of the findings, conclusion on the obtained data and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a theoretical review of the Porter's generic strategies with the purpose of discussing strategic typologies according to Michael Porter. The rationale of this review was to give the background of these strategies. The chapter also presents the empirical review on the topic and the related topics. The idea is to give a background that shows the applicability of these strategies and the performance of firms in industries.

The section also involve definitions of the variables as used in the study framework the review consists of various sources of information, both international and local, published and unpublished works and the documented case studies carried out so far in the Porter's generic strategies. The different sources of information that have been used are Jester, Emerald, essay and internet.

2.2 Conceptual Definitions

There are many definitions of the concepts in this study. However the concepts in this study have taken the definitions from the literature as follows:

Hotel refers to large house, run for the purpose of giving travelers food, lodging and other ancillary services. Porter generic competitive business strategies refer to the generic strategies proposed by Porter (1980) that is overall cost leadership, differentiation focus and stuck-in-the middle strategies.

According to the definition from investorword, firm performance is the result of activities of an organization or investment over a given period of time (www.investorwords.com).

Stuck-in-the middle strategy refers to the combination of more than one strategy of differentiation and cost leadership (Porter, 1980).

Strategies refer to methods or plans chosen to bring about a desired future, such as achievement of a goal or solution to a problem (www.businessdictionary.com).

Performance refers to the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed (www.businessdictionary.com). Business strategies refer to a long term plan of action designed to achieve a particular goal or a set of goals or objectives (www.rapid-business-intelligence-success.com)

2.3 Theoretical Literature Review

This section basing on the literature reviews, discusses Porter's framework and the concepts in the framework. In addition it discusses the combination strategies, the organizational performance and performance measures (i.e. customer satisfaction, service quality) that was used to measure firm performance in Zanzibar hotel industry.

2.3.1 Porter's Framework

Porter's (1980) framework proposes that firm must choose whether to serve broad or narrow market segments and whether to seek advantages through lower cost or

perceived uniqueness (differentiation). Firm choosing to serve broad markets and to derive advantage through lower costs are termed “cost leaders” while those that seek to derive advantages through uniqueness are termed “differentiators”. Firms may also pursue “focus” strategies by targeting narrow market segments and by emphasizing either low costs (cost focus) or uniqueness (focused differentiation). Porter framework is given in the following diagram.

Table 2.1: Porter Framework

| Competitive Advantages | | | |
|-------------------------------|---------------|-------------------|-------------------------|
| Competitive | | Lower cost | Differentiation |
| | Broad target | Cost leadership | Differentiation |
| Scope | Narrow target | Cost focus | Focused Differentiation |

Source: Porter's (1980) model of generic strategies

According to Porter (1980), some firms do not pursue viable business strategy, and he labels these firms “stuck in the middle”. According to Porter, firms become stuck in the middle for one or two reasons. First they might fail to pursue successfully any of the generic business strategies. For example, a firm might fail to differentiate itself from its competitors, but it may also fail to develop the capabilities and resources needed to be a successful cost leader. Porter has also suggested that firms can stuck in the middle by trying to pursue more than one generic strategy simultaneously.

A major stream of strategy research examines the relationship between strategy type and firm performance (Carter et al, 1994; Desks and Davis, 1984; Fahey and Christensen, 1986; Kim and Lim, 1988; Miller, 1987; Mc Dougall and Robinson,

1990. cited in Eonsoo et al, 2004). These strategy types sometimes called generic strategies (Porter, 1980); simplify myriads of possible strategies into a limited set of strategy types.

2.3.2 The Cost Leadership Strategy

The main emphasize of cost leadership strategy is that a firm competitive advantage can be generated when it achieves low cost within its industry (Allen and Helms, 2006; Bouer and Colgan, 2001; Davidson, 2001; Hyatt, 2001; Porter, 1980, 1985). Numerous approaches by which firms can achieve cost leadership have been suggested by researchers and scholars in the field of marketing and strategic management. These include using mass production techniques, achieving economies of scale, adopting new technologies, achieving mass distribution and effective product design, reducing input costs, achieving at capacity utilization of resources, outsourcing and improving access to raw materials (Akan et al., 2006; Campbell-Hunt, 2000). Lewis and Chambers, (1989) noted that a cost leadership strategy is effective in the Hotel industry when a hotel has a distinctive competency in the management of the materials and production process. The examples they provide are economy hotel chains that have successfully implemented a cost leadership strategy through efficient cost saving hotel designs and effective operational cost reduction.

2.3.3 The Differentiation Strategy

The purpose of pursuing a differentiation strategy is to offer unique products or services to customers so as to obtain a price premium. This facilitates a firm erection of entry barriers and reduces buyers bargaining power through customer loyalty and

price elasticity (Porter, 1980). In other words by implementing differentiated customized services or personalized products a firm can build its customer loyalty when substitute products or services are unavailable in the market (Allen and Helms, 2006; Miller, 1988; Porter, 1980, 1985, 1996). These characteristics of product and services in this industry enable firm to charge their customers a higher price than their rivals based on the cost of the delivery system, service quality and the distribution channels involved in creating or producing their unique products and services (Akan, et al, 2006; Miller and Friesen, 1986).

Miller, (1986) further categorizes differentiation strategies into product innovation and market differentiation. He also explained that in a product-innovation differentiation strategy a firm aim to outperform its competitors by emphasizing the production of creative, up-to-date and attractive products as well as service quality, efficiency, new product development, design innovations, and fashion or style (Campbell-Hunt, 2000; Nayyar, 1993). There are few obvious examples in the Hotel industry such as designer hotels and boutique hotels.

Marketing differentiation uses marketing tools to establish a unique image for its product and services through marketing practices such as market segmentation, prestige pricing, branding, advertising and product or service promotion (Akan, et al., 2006). In the hotels industry a market differentiation strategy has been widely adopted. It is hard to find a successful hotel that does not employ price fences, segmentation, or branding.

2.3.4 The Focus Strategy

Focus strategy gives attention to a narrow market segment or niche market (Porter, 1980). Firms pursuing this strategy are either focusing on cost advantage or differentiation of product or service, Hence the strategy has two variants-cost focus and differentiation focus (Hill and Jones, 2004).

Table 2.2: Summarized Analysis of each Generic Strategy in Relation to the Ways of Achieving each one and the Resources and Organizational Requirements for them

| Generic strategy | Key strategy elements | Resources and organizational requirements | Ways to achieve the strategy |
|------------------|--|---|--|
| Cost leadership | Control of overheads. R&D. Avoidance of marginal customer accounts. Sustained capital investment & access to capital. | Access to capital. Tight cost control. Structured organization & responsibilities. Incentives related to quantitative targets. Intense supervision of labor. Low cost of distribution systems. Frequent detailed control reports. Incentives based on meeting strict quantitative targets. | Size and economics of scale. Simplification of design. Labour effectiveness. Tight cost control in all business activities. Close relationships with suppliers. Cost linkages. Integration. Timing. Use of technology for cost reduction. |
| Differentiation | Emphasize on branding and Brand advertising. Design, Services Quality. Corporate reputations for quality and technological leadership. Long tradition in the industry or unique combination of skills drawn from other businesses. Innovation. Promotional activity. | Strong marketing abilities. Product engineering skills. Creative flair. Strong capabilities in basic research. Strong co-operation from channels. Strong co-operation among functions in R&D, product development, and marketing. Subjective measurements & incentives instead of quantitative measures. Amenities to attract high skilled labour, creative people. | High service level. Greater flexibility. Effective distribution. Extensive product range. Additional features and functionality. Focused relationship building. Differentiation linkages. Quality. Integration. Timing. Use of technology for differentiation advantage. |
| Focus | Combination of the above strategic elements directed at the particular segment. | Combination of the above policies directed at the particular target. Strong understanding of market segments and buyer behaviour | Concentration on one or small segment. Creation of a specialist reputation. |

Source: Porter (1980, 1985)

The main elements of cost leadership or differentiation strategies apply to the focus strategy as well. However the scope of the market is smaller for the company pursuing this strategy. The company pursuing focus strategy serves certain niche market which has a potential and is interested in it. Regardless of the two variants, the focus strategy provides the same defense against the five competitive forces as would the respective industry wide cost leadership or differentiation strategies.

The Table 2.2 shows a summarized analysis of each generic strategy in relation to the ways of achieving each one and the resources and organizational requirements for them. Each strategy is unique and thus according to Porter (1980, 1985) there are differences in terms of their key elements.

2.3.5 The Combination (Hybrid) Strategy

Porter (1980, 1985) has often argued against the simultaneous pursuit of low cost leadership and differentiation strategies (pure strategies) on the ground that each one of them involves a different set of resources and organizational arrangements. In other studies the authors have shown that low cost and differentiation may be compatible approaches to dealing with competitive forces (Allen and Helm, 2006; Miller, 1992; Spanos, et al. 2004) and postulated the pursuit of what has been termed 'hybrid' 'mixed' 'integrated' or 'combination' strategies (Kim et al. 2004; Spanos et al. 2004). These hybrid strategies are the one which combine low cost leadership and differentiation elements (Gopalakrishna and Subramanian, 2001; Proff, 2000).

Porter (1980) argues that some firms find themselves pursuing what he called “stuck in the middle” strategy by failing to pursue either cost leadership or differentiation strategy. A combination competitive strategy involving high level emphasis on both

cost leadership and differentiation strategies simultaneously should be distinguished from 'stuck-in-the middle' strategy where a firm fails to successfully pursue both cost leadership and differentiation (Acquaah and Ardekani, 2006).

From a theoretical point of view, the argument for adoption of hybrid strategies stem from some problems associated with pure strategies (Miller, 1992). Thus hybrid strategies may address customer needs better, they may be difficult to imitate, and they may generate a more flexible wider view. The pursuit of hybrid competitive strategies may help obtain several sources of advantage and thus make it possible to achieve higher performance levels (Beal and Yasai-Ardekani, 2000).

2.3.6 Organizational Performance

Lusch and Laczniak (1989) define business performance as the total economic result of the activities undertaken by an organization. Walker and ruekert (1989) found primary dimensions of business performance could be grouped into three categories of effectiveness, efficiency, and adaptability. But there is little agreement as to which measure is best. Thus any comparison of business performance with only these three dimensions involve substantial trade-offs because good performance on one dimension often means sacrificing performance on another (Donaldson, 1984).

In many research situations it is impractical or impossible to access objective measures of organizational performance. Even if such measures were available it would not guarantee the accuracy of the performance measurements. For example when a sample contains a variety of industries, performance measurements and comparisons can be particularly problematic. What is excellent performance in one

industry may be considered poor performance in another industry. If researchers limit themselves to a single industry, the performance measure may be more meaningful, the generalizability of the findings to other industry is problematic.

The literature has remained largely at the conceptual level in discussing the link between the generic strategies and firm performance. Scholar agrees it should and must exist, but researchers have not determined which specific strategic practices within the generic strategy framework best achieve organizational performance goals. It seems some combination of practices is more effective than others, but propositions on strategic practices have remained largely untested and there is a recognized need for empirical work in this area.

2.3.7 Organizational Performance Measures

It has been argued that in the service industry, non-financial measures such as customer satisfaction and service quality provide better indicators of organizational performance than doe's financial performance (Ittner and Larcker, 2003). The primary reason behind this argument is that non financial measures are more valuable in evaluating and motivating managerial performance, which complements short-run financial figures as an indicator of progress toward a service firms' long term goals and is more reflective of the overall corporate strategy.

As part of service sector, the hospitality industry also inherits the unique characteristics that service is an inseparable product (Bowie and Buttle, 2004). Hence a successful hotel is not only limited to delivery services and products to its customers, but must also strive hard to maintain and increase customer satisfaction

and to provide quality service that ensures the long lasting survival and improvement of profitability (Ramsaan-Fowdar, 2007)

2.4 Empirical Literature Review

The empirical analysis discusses the researches on the application of Porter's generic strategies and their effect on performance and other related studies which has been done globally, Africa, Tanzania mainland, and Zanzibar the area where the study will be conducted.

2.4.1 Empirical Literature Reviews Worldwide

The drivers of firm performance and the sources of sustained competitive advantage have been at the core of strategic management research for many years in the world, but with only a limited consensus as to what works best (O'egan et al, 2011) as cited in El sahn, et al, (2013). Porter's (1980) generic strategies provided a framework for examining firm's strategies and how they affect organizational performance. He argues that firms which do not pursue any particular strategy, i.e. "stuck in the middle" will have lower performance than that pursuing cost leadership, differentiation or focus strategies. Empirical evidence has not been consistent as to effect of different strategies on performance.

Some studies support Porters theory. For example, Kim and Lim, (1988) examined Porters four generic strategies in Korea; they report that firms without a clear-cut-generic strategy perform less than those with a generic strategy. O'Farrell et al., (1993) report that firm that are stuck in the middle do not perform as well as those companies adopting a differentiation or focus differentiation strategy. Katobe et al.,

(2000) findings suggest that cost-based strategies enhance export performance in developed country markets and differentiation strategies enhance performance in other developing country.

Powers and Hahn (2004) note that banks considered to be stuck-in-the middle emphasize only 'following the actions of the competitors' as the strategic approach, with none of the cost or differentiation competitive methods normally associated with banking success. Only banks that pursued a cost leadership strategy realizing a statistically significant performance advantages when compared to the stuck-in-the middle group. Whereas banks that pursued a broad differentiation, customer service differentiation, or focus strategy did not realize a statistically significant performance advantages.

Hybrid strategies were found to be superior to pure strategies in a number of studies. Campbell-Hunt (2000), base on a Meta analysis of the strategy-performance relationship, supports the idea that stuck in the middle strategies may be superior to strategic specialization. Spanos et al (2004) Provide support for the superiority of hybrid over pure forms of competitive advantages in Greek firms. They also confirm that the more generic strategy dimensions that are included in the strategy mix, the more profitable the strategy is, provided that one of the key components is low cost. Chan and Wong (1999) report that Hong Kong banks adopting a multi-strategic approach outperformed their single strategy rivals. They also noted that banks can combine apparently incompatible value creating activities in a synergistic way to achieve integrated flexibility.

Kim et al, (2003) find that for firms using click and brick and click approaches, integrated strategies that combine elements of cost leadership and differentiation will outperform strategies consisting only of cost leadership or differentiation. A number of researchers note that 'stuck-in-the middle' may not describe a single type of company.

Within the stuck-in-the-middle group, there are companies that deliberately combine traditional low cost production and differentiation (i.e. follow a hybrid strategy), companies that change their strategy, and companies that have no strategy (Leitner and Guldenberg, 2010). Firms pursuing a Hybrid strategy have a dual emphasize: they seek both efficiency (low costs) and differentiation. Even Porter (1985) notes that firms pursuing a differentiation strategy should have cost parity with competitors, and firm having low cost leadership should also have differentiation parity with competitors. Such parity reflect to a great extent the idea of combined or hybrid strategies.

Otherwise being stuck-in-the-middle would produce no competitive advantages at all, with a high position and a low level of differentiation (Pertusa-Ortega et al., 2009). Leitner and Guldenberg, (2010) found that small and medium enterprise (SMEs) that pursue a combination strategy achieve equal or greater financial performance than SMEs with cost efficiency or differentiation strategies. Firms following a hybrid strategy also outperform companies with no generic strategy in terms of profitability and growth. Pertusa-Ortega et al., (2009) also provide empirical evidence that hybrid strategies are related to higher firm performance levels, regardless of the industrial sector to which they belong. They add that innovation

differentiation has become one of the most important dimensions in terms of firm competitiveness.

Dess and Davies (1984) note that the strategy performance relationship depends on the performance indicators used. They used cluster analysis to identify the pattern of intended strategies in a fragmented industry. Companies pursuing a low cost strategy were the best to those sales growth, companies pursuing focus strategies had the highest performance followed by low cost, the differentiation, and finally stuck-in-the-middle.

Teeratansirikool et al., (2013) examined the mediating role performance measurement plays in the relationship between competitive strategies and firm performance. The study finds that generally all competitive strategies positively and significantly enhance firm performance through performance measurement. Specifically, firm's differentiation strategy not only has a direct and significant impact on firm performance but also it has indirect and significant impact on firm performance through financial measures. Cost leadership strategy that firm pursue does not directly affect performance. However, it does so indirectly and significantly through financial performance measures.

Hlavacka et al., (2001) examined the use of Porter's generic strategies and their effect on firm performance, in the context of the Slovak hospital industry. Using mail survey the study first identified the natural taxonomy of four strategic types of Slovak hospitals, based on their use of Porter's generic strategies in pure and in combination. Next the study whether different strategic types were associated with

different levels of organizational performance while controlling for such variables as size and location, which has been argued to influence the hospital performance. The finding indicate that hospitals which follow a “stuck-in-the middle” strategy in general, have superior performance on all used performance measures, While hospitals that place only low emphasis on cost leadership, differentiation and focus, labeled “wait and see” in study, performed the poorest.

Cortes et al., (2012) examined the characteristics of organizational structure that relate to hybrid competitive strategy that is such strategies seek to obtain higher performance level by simultaneously emphasizing highest differentiation and low cost level in large Spanish firms. Their findings revealed that hybrid strategies influence firm performance positively and the organizational complexity and the existence of formalization positively influence hybrid competitive strategy, where as centralization has a negative influence. Organizational structure does not exert a direct influence but as indirect one through competitive strategy. Beal (2000) indicate that superior performance result in condition where managerial functional experiences are congruent with the requirements of particular generic or hybrid strategies.

Caroline and Juan (2008) investigated various types of marketing strategies work by examining the effects of both pure and dual strategies on financial performance for domestic versus foreign firms and across different market concentration levels in China emerging economy. The study finds that the impact of both cost and dual strategies on financial performance are stronger for foreign firms than for domestic firms. Although cost leadership and dual strategies are less effective in less

concentrated markets than in more concentrated ones, the effect of a differentiation strategy is stronger when the level of market concentration is low rather than high.

Gopalakrishna (2001) examined the use of Porter (1980), generic strategy of overall cost leadership and differentiation in their pure and hybrid forms and their effect on performance in the context specific setting of a developing country viz. India. The result indicated that those organizations that followed a combination of cost leadership strategy and differentiation strategy “hybrid” in general had the best performance of all groups in a variety of performance measures.

Marilyn et al., (1997) investigated the competitive strategies and business performance in the fragmented industry- the adhesives and sealants industry in USA. The results of the investigation suggested that business unit which competes with low the low cost strategy and differentiation strategy have higher Return on Investments (ROIs) than enterprises which compete with low costs only or differentiation only. Prajogo (2007) examined individual impact of differentiation and cost leadership as well as their interaction effect on quality performance. The findings indicated that product quality was predicted by differentiation strategy, but not cost leadership strategy. However the effect of differentiation on quality was moderated by cost leadership where by the higher the cost leadership the stronger the effect.

Yoo et al., (2006) explored which of Fayol's principles can be matched to Porters cost leadership or differentiation strategy in terms of strategy implementation. The study finds that the principles of division of work, authority and responsibility, unity

of command, unity of direction and scalar chain are useful in the implementation of a cost leadership strategy but other, modern alternative principles apply for differentiation strategy. Likewise the three principles of tenure of personnel, initiative and esprit de corps applies to the implementation of differentiation strategy, but not to cost leadership, where, again alternative principles apply.

The remaining six principles of discipline, subordination or individual interests to the general interest, remuneration, centralisation, order and equity are applicable to implementation of both. Yamin et al., (1999) examined the relationship of generic strategy and organizational performance in Australian manufacturing companies participating in the “Best practice program in Australia”. The result suggests that there are significant performance differences across generic types. The result suggests that these combination strategies under certain circumstances are more successful than those organizations dedicated to single strategic thrust.

M.A. Koseoglu et al., (2013) investigated linkages among business strategy, uncertainty and performance in an emerging economy, the hotel sector in Turkey's hospitality. The findings indicate that overall defender /cost leadership and Prospector/focus strategy appear to be the best options for Turkish hotels. Also hotels in Turkey seeking to combine low cost and differentiation approaches are likely to end up “stuck in the middle”. Lo (2012) examined the relationship between the generic strategies of differentiation and cost leadership and hotel organizational performance in the Chinese hotel industry. The results suggest that differentiation is the only significant generic strategy that influences customer satisfaction. Studies on customer satisfaction have been done. Previous research has shown that customer

satisfaction and service quality have positive influences on improved market share, return on investment, and lower production cost (Garvin, 1983; Mueller and Bedwell, 1993; Philips, Chang and Buzzell, 1983; Reichheld and Sasser, 1990). Thus customer satisfaction is the conerstone of a hotel's success and is perceived as the key factor in acquiring and sustaining competitive advantages (Hampton, 1993; Ramsaran-Fowdar, 2007; Sheardon, 1988).

The results of previous empirical studies in the hotel and service industry (Garvin, 1983; Hampton, 1993; Mueller and Bedwell, 1993; Philips et al., 1983; Reichheld and Sasser, 1990; Sheardon, 1988) have found that customer satisfaction plays a positive role in achieving customer loyalty and hence, a hotel's profitability.

Anderson et al., (1994); Luo and Homburg (2007) show that customer satisfaction may have direct and indirect impact on business results by concluding that customer satisfaction positively affect business profitability. Customer satisfaction has emerged as one of the most important factors for the financial success of hospitality and tourism industry (Lacobusci et al., 1994). As suggested by others, Gursory (2009) found that level of customer satisfaction plays a significant role in a company's financial performance.

The studies suggest that the higher the level of customer satisfaction the better the financial performance. Gursory (2009) also suggests that employee satisfaction is one of the significant determinants of customer satisfaction and employee satisfaction indirectly influences financial performance. Jones and Sasser (1995) indicate that the link between satisfaction and loyalty is non-linear. They measured

loyalty as the customer's state of intent to purchase; they found that moving customers to a higher level of satisfaction helps to develop long term loyalty. Olsen and Johnson (2003) found a positive relationship between satisfaction and loyalty and found that equity had a mediating effect on loyalty.

They defined loyalty as a behavioral intentions construct. Studies by Anderson, Fornell and Lehmann (1994) found satisfaction to be a leading factor in determining loyalty. Shamdasani and Balakrishnan (2000) examined the determinants of relationship of quality and loyalty of personalized services. They found that trust and satisfaction significantly influence loyalty to particular service provider. Mc Alexander, Kim and Roberts (2003) investigated the impact of customer satisfaction on customer loyalty. Their empirical survey results indicate that satisfaction is a key driver of loyalty.

In a service organization the assessment of the quality of a service is made during the actual delivery of the services, usually an encounter between the customer and a service person. Parasuraman et al., (1988) identified the following five generic dimensions of service quality (SERVQUAL) that must be present in the service delivery in order for it to result in customer satisfaction: Reliability- the ability to perform the promised service dependably and accurately. Responsiveness – the willingness to help customers and provide prompt service. Assurance -the knowledge and courtesy of employees as well as convey trust and confidence. Empathy- the provision of caring, individualized attention to customers. Tangibles- the appearance of physical facilities, equipment, personnel's and communication materials.

2.4.2 Empirical Literature Reviews in Africa

Several studies have been conducted in Africa, focusing directly or indirectly on generic strategies. For example Yasai-Ardekani and Acquah (2008); Mutindi et al., (2013); Mwombota et al., (2013); Afande (2013) and Olondwe (2012).

Acquaah and Yasai-Ardekani (2007) examined the performance implications of implementing generic competitive strategies and whether the implementation of a combination competitive strategy yields an incremental performance benefits over a single generic competitive strategy using data from Ghana, a sub-Saharan Africa economy implementing economic liberalization policies. Their findings provide support for viability and profitability of implementing coherent generic competitive strategies of cost leadership, differentiation and the combination of singular strategy.

Mutindi et al., (2013) examined the effect of competitive strategic positioning on the performance of hotels in Kenya coast. Their result concludes that there is a significant effect of strategic competitive positioning on organizational performance.

Mwambota et al., (2013) examined the contributions of cost leadership and differentiation strategies on customer satisfaction Mombasa water supply and sanitation company Kenya. They proved that with efficient application of strategic management principles of cost leadership and differentiation, the desired customer satisfaction can be achieved and enhanced at the Mombasa water supply and Sanitation Company.

Afande (2013) examined the relationship of strategic management practices and firm performance in Kenya Post office Saving Bank. The determined the competitive

strategies adopted by postal bank and established the relationship between the competitive strategies used by Kenya postal bank and its performance. The study show that strategies adopted by Post bank so as to cope with the competitive environment include vigorous pursuit of cost reduction, providing outstanding customer services, improving operational efficiency, controlling quality of products/services, intense supervision of frontline personnel, developing brand or company name identification, targeting a specific market niche or segment and providing specialty products/services.

These strategies indicate that the Postal Bank pursue hybrid strategy of cost leadership and differentiation. The findings also show a significant relationship between the strategies adopted and their respective performances with respect to the following objective performance indicators: total revenue growth, total asset growth, net income growth, market share growth and overall performance or growth.

Olwonde (2012) examined the application of Porter's generic Business strategies by Pharmaceutical wholesalers in Kenya and how these strategies have impacted firm performance. The study finds that to a great extent differentiation strategy and focus strategy were the main strategies used by multinational pharmaceutical firms in Kenya. The study also attributed the performance of firms which ranged between 41% up to 60% to the strategies pursued.

Kinyuira (2014) assessed the effects of Porter's generic competitive strategies adopted by Saccos in Munang'a County on their performance. The study found significant positive effects of cost leadership, differentiation and focus strategies on

performance of Saccos. The study concluded that Saccos that pursue generic strategies can achieve superior performance compared to those that do not.

2.4.3 Empirical Literature Reviews in Tanzania

One study related to the topic has been conducted in Tanzania on competitive strategies. Rutihinda (2009) explore competitive strategies of foreign ventures in underdeveloped countries with the particular case study of Tanzania. Result of this study find that successful firms were relatively independent from the control of their parent company, and tend to offer highly differentiated products at premium prices with more emphasis on promotions and many channels of distribution. Unsuccessful firms were found to be highly controlled by their parent companies with a tendency to offer lower prices with less emphasis on promotions.

2.5 Knowledge Gap

The review of literature shows a knowledge gap that in Zanzibar to the best of my knowledge there are no studies on the applicability of Porter generic competitive strategies and their effect on hotel performance.

The above review of mentioned literature indicated the knowledge gap that existed and needed to be researched in the applicability of Porter generic competitive strategies and their effect on hotel performance. This study opens the window and insights on the applicability of Porter generic strategies in Zanzibar hotel industry. The study addresses the strategy types in the Zanzibar hotel industry, the link of the strategies employed with performance indicators (i.e. customer satisfaction and service quality), how they affect firm performance, in Zanzibar hotel industry. Hence this filled the gap identified in the literature.

2.6 Conceptual Framework

The conceptual framework in the figure (figure 2.1) shows that there is a direct relationship between Porter generic competitive business strategies (cost leadership, differentiation, and focus) and firm performance indicator (ie customer satisfaction).

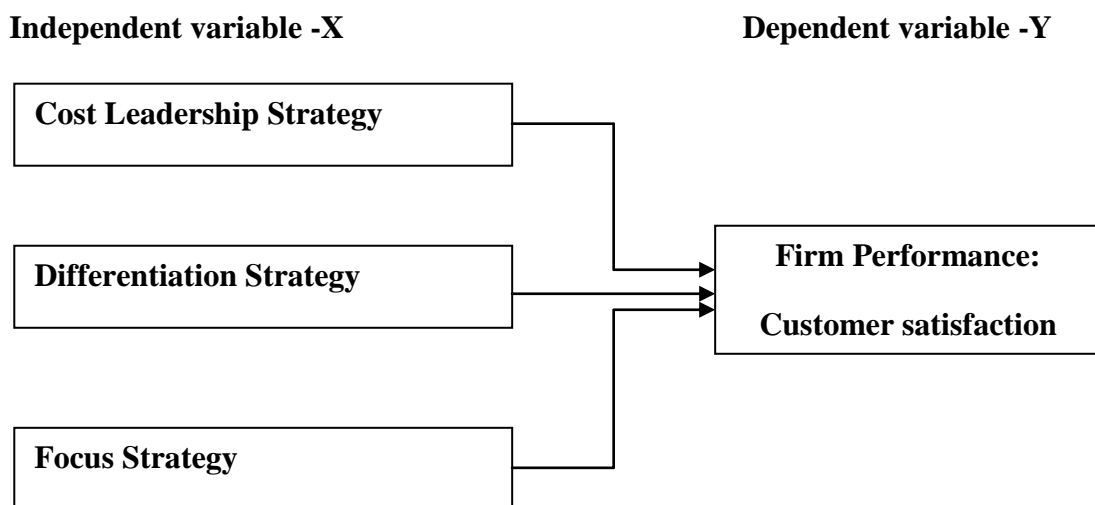


Figure 2. 1: Conceptual Framework

2.7 Theoretical Framework

The theoretical framework is the generic strategy stream in competitive strategy. The generic business strategy framework drawn from the theory of industry and competitive analysis (Porter 1980; 1985) argue that the failure to choose one of the generic strategies in the strategy space of potential competitive strategies can result in inferior performance (Campbell-Hunt, 2000). In this study firm performance was examined by drawing upon industry/market based competitive strategies.

Since the context of the empirical study is the Zanzibar hotel industry, an important source is the strategies in hotel industries and other industries. The literature review thus consists of industry level generic business strategy theory and strategy-

performance link in industries, which together provides the basis for examining the linkages between industry level strategic configurations and firm performance in attempting to explain performance differences among firms. Basing on the conceptual framework (Figure 2.1) the literature shows that with efficient application of strategic management principles of cost leadership and differentiation the high level of customer satisfaction can be achieved (Mwambota et al, 2013). This high level of customer satisfaction leads to better performance (Gursory, 2009).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the conceptual structure within which the research was conducted. It covers the research design, research strategies, survey population, area of conducting the research, methods of data collection, sampling techniques, variables and measurement process, data reliability and validity, data processing and analysis, research activities and schedule, work plan and estimated research budget.

3.2 Research Design

A research design is the structural framework of a study that guides the researcher in the planning and implementation of the study. It organizes all the components of the study in such a way that is more likely to lead to valid answers to the research questions. It spells out the strategies that the researcher adopts to develop information that is accurate, objective and interpretable (Uys and Basson, 2000; Buns and Gove, 2001). This study employed a descriptive research design. This design is usually used when the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Descriptive study was used not only for the purpose of description but also for the determination of relationships between variables at the time of study. This design fits the study of this nature since the researchers looked at the effects of the independent variables (Porter generic strategies) on the dependent variables (hotel performance).

3.3 Area of the Study

The study was conducted in Unguja Zanzibar. It involved three to five star-rated hotels which are located in this area. These hotels are Serena Inn, Mashariki Palace hotel, Mbweni Ruins Development, Tembo house hotel, Mazsons Hotel limited and Zanzibar Palace. The hotels have been selected because they receive large number of customers in almost all seasons and also have reported good performance for the past three years.

3.4 Target Population

Neumann (2000) defines a research population as the specific pool of cases, individuals or group(s) of individuals which the researcher was investigating. The target population in the study was the hotel owners, managers, executives and customers in Zanzibar hotels whose number is not pre-determined.

3.5 Sample Size and Sampling Design

3.5.1 Sampling Design

The sampling approach which was adopted in this investigation was convenience or accidental method. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher (Neumann, 2000). Subjects were selected just because they are easiest to recruit for the study and the researcher did not consider selecting subjects that are representative of the entire population. In all forms of research, it is ideal to test the entire population, but in most cases, the population is just too large that it is impossible to include every individual. This is the reason why most researchers will

rely on sampling techniques like convenience sampling. Many researchers prefer this sampling technique because it is fast, inexpensive, easy and the subjects are readily available (Neumann, 2000).

3.5.2 Sample Size

The sample in Zanzibar hotels in the study was limited to 3 up to 5 star rated hotels in Unguja Zanzibar. The sample of hotels was drawn from the finite population of 64 hotels (ZCT website). The sample size of hotels n was determined from the following information: acceptable error was kept at $e = 3$, $z = 1.96$ for a 95% confidence level, $D = 64$, standard deviation $d = 4.8$, by the formula: $n = t^2 D d^2 / [d^2 t^2 + e^2 (D - 1)]$, to get $n = 9$; since the hotels are in three classes, stratified sampling was applied to get the following Table 3.1.

Table 3.1: Selected Sample of the Study

| STRATA | Number of hotels in each stratum | Sample size of hotels in each stratum | Managers | Customers | Respondents |
|--------------|-------------------------------------|--|----------|-----------|-------------|
| 3-Star | 24 | 4 | 4 | 28 | 32 |
| 4-Star | 11 | 2 | 2 | 14 | 16 |
| 5-Star | 24 | 3 | 3 | 21 | 24 |
| Total | 64 | 9 | 9 | 63 | 72 |

Source: www.wisenet.co.tz

From the sample size of 9 hotels, the sample for the study was drawn as follows: 9 managers of the hotels and 63 customers (7 customers from each hotel) in the nine hotels, making a total of 72 respondents.

3.6 Data Collection Methods

Two categories of data sources were applied in this study namely primary and secondary data.

3.6.1 Primary Data

According to Ivy (2002), primary data is collected for a specific research purpose. For the purpose of this research, self-administered questionnaires was used as the major data collection instrument for this kind of data; questions were presented in three sections; section II, was answered by managers, executives, and hotel owners; section III, was answered by customers, however for ease of collection of data, the web site www.tripadvisor was used because most of customers usually give their satisfaction of the hotel in which they stayed mostly on value, location, sleep quality, rooms, cleanliness and services; and section I, was for both respondents.

3.6.2 Secondary Data

Secondary data involved literature reviewing from different document in the ministry of trade and industry and Zanzibar Commission for Tourism (ZCT).

3.7 Data Collection Tools

Primary data was collected through questionnaires. Secondary data was through reviewing documents from the responsible ministry and ZCT.

3.7.1 Questionnaire

The objective of a questionnaire is to elicit the data relevant to the research questions, which support the study objectives, thus it is necessary to articulate

questions to achieve data flows relevant to the research questions. The researcher should consider a number of aspects to develop a viable questionnaire, beginning with the questionnaire's relevance to the research (Rea and Parker, 2005; Punch, 2003). As the questionnaire and its supporting documentation are directly or indirectly related to the study objectives, the responses and therefore the data outcomes from the questionnaire must be quantifiable. Next, the clarity of the questions is addressed, with the wording of the questionnaire simple and straightforward (Oppenheim, 1992).

The focus of this study's questionnaire was the stakeholders' perceptions of the applicability of Porter generic competitive business strategies and their effect on hotel performance. This questionnaire was constructed from research findings and recommendations. The questions, or in this case the statements, were written in an unambiguous style to facilitate reading, understanding, and completion of the questionnaire. Moreover, the reference to previous questionnaires for this study increases its reliability and validity, whilst supporting the methodology and allowing greater comparison with extant research (Rea and Parker, 2005). As part of the questionnaire's supporting material, a brief explanation of Porter generic strategies and their effects on hotel performance was provided for clarity and to ensure that participants understand the terms before expressing their views.

3.7.1.1 Question Format

In a study on research projects based on questionnaires, Bell (2005) states that the more structured a question, the easier it will be analyzed. Two question formats are normally considered for any study project based on questionnaires- closed-ended and

open-ended (Rea and Parker, 2005), and a closed-ended format was selected for this study because of the nature of the study and advantages of the format, as discussed in the following sub-section.

Closed-ended Format Closed-ended format questions, or structured format questions, state the question (statement) and provide participants with optional responses. The use of a closed-ended question format improves the response rate as it reduces the time required from that of an open-ended questionnaire. Thus, most researchers prefer closed-ended format questions (Alreck and Settle, 2004). An open-ended question format, or unstructured questions, doesn't depend on a selection of responses and participants create their own (Alreck and Settle, 2004). This study used closed-ended question format.

3.7.2.2 Questionnaire Structure

Outcomes from a questionnaire can be significantly affected by the order of questions or statements (Rea and Parker, 2005), and the researchers present a practical guide for sequencing questions to make the questionnaire clear to participants and reduce the chance of biased responses.

In this questionnaire, therefore, introductory questions were used to encourage participant continuation and completion of the survey. Demographic questions, which may raise sensitivities in participants, was placed at the beginning of the questionnaire to avoid controversy and gain some useful data. Related questions on given issues were placed in sections to facilitate focus and concentration on a single matter.

3.8 Reliability and Validity of Data

To produce high quality research, two important measurement criteria are required, reliability and validity (Clark-Carter, 2004; Cozby, 2007). Whilst validity concerns the relevance of the matters being measured, reliability concerns the accuracy of the measure. Punch (1998) describes reliability and validity as the psychometric characteristics of an instrument. Thus, high quality research calls for good research design that reflects reliable and valid measurements.

3.8.1 Reliability

Reliability refers to consistency, stability, or repeatability (Punch, 1998). Reliability measurement implies the ability to obtain the same result on repeated events (De Vaus, 2002), which includes a consistent and stable result when repeating the same study. Thus, the methodology used to obtain a reliable measurement is crucial to the research and the research results.

As part of its reliability, a questionnaire must also meet standards of clarity and comprehension for the reader. In this study, reliability was enhanced by use of a set of statements to measure each variable (DeVaus, 2002). Reliability of the instrument through reliability of components or internal consistency (Rosnow and Rosenthal, 2005) can be tested by evaluating internal consistency to ensure that the participants' responses follow a line of reasoning throughout the questionnaire.

Techniques to test for internal consistency of a set of items include split half techniques, the Kuder-Richardson formulas, and coefficient alpha (Cronbach's alpha) (Punch, 2003). Coefficient alpha, frequently employed in this type of research,

determines through common correlations that each of a set of questions measures the same concept. The higher the coefficient, the more reliable is the set of questions (Velde et al., 2004).

3.8.2 Validity

A quantitative research methodology, using data to be measured or quantified, was employed in this study; thus, the researcher focused on its objectives to arrive at its achievements; maximizing validity by ensuring that the objectives and the measures are appropriate (De Vaus, 2002). Validity is therefore a standard for the research instrument because the purpose of any research includes accuracy (Marczyk, DeMatteo and Festinger, 2005) and to control for the effects of extraneous influences and variables. Validity techniques for any research are of three types: external validity; internal validity, and construct validity (Cozby, 2007; Rosnow and Rosenthal, 2005; Marczyk et al, 2005; De Vaus, 2002; Punch, 1998), and these are discussed as follows:

3.8.2.1 External Validity

External validity refers to the degree to which the conclusions in the research can be generalized to the population (Marczyk et al, 2005), that is, whether the research results hold for other people, settings, times, or places (Calder, Phillips and Tybout, 1981). External validity risk for behavioral research can be classified into two areas (Clark-Carter, 2004). The first area relates to specific conditions of the study, such as the time when the data was collected, and the setting in which the study took place, whilst the second area concerns aspects of the participants.

Internal Validity According to Clark-Carter (2004), refers to the degree to which a design successfully demonstrates that changes in a dependent variable are caused by changes in an independent variable. However, according to quantitative research methodologists, the cause-and-effect relationships can only be tested in experimental research (Onwuegbuzie, 2000).

3.8.2.2 Construct Validity

The concept of construct validity has evolved to be the basis for all test validation, adding that construct validity means doing good science in the sense of understanding both predictor and performance domains. Construct validity refers to the operational definitions of variables, which must be of a standard to meet the true theoretical meaning of these variables (Cozby, 2007). Accordingly, construct validity exists with measurement of the theoretical or conceptual variable.

3.9 Data Analysis

The statistical Package for social science (SPSS) was used as an aid in the analysis because of its ability to cover a wide range of the most common statistical and graphical data analysis. The collected data the questionnaire and secondary sources were systematically organized in a manner to facilitate analysis. For the purpose of the study, the data pertaining to the profile of the respondents were analyzed by using measure of central tendency and dispersion. In order to determine the relationship between Porter's generic strategies and firm performance, correlation and regression analysis was undertaken and frequency table was used in the presentation of results. In addition, Bar charts, pie charts and graphs were also used. The information were presented and discussed as per objectives.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The research objective was to analyze the effect of application of Porter's generic competitive business strategies on firm performance in Zanzibar hotel industry. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The data was collected from six (6) hotel general managers (i.e. N=6) and 49 customers (i.e. N=49) who visited the hotels in November and December 2015 making a total of N=55 altogether. The findings are presented in frequency tables, percentages, statistical mean and standard deviations.

4.2 General Information

4.2.1 Response Rate

A total of 72 questionnaires were issued out. 9 questionnaires to the General Managers of the hotels and 63 questionnaires to customers. Out of 9 questionnaires issued to general managers seven were returned, of which one was answered in section I only and six (6) were answered in sections I and II. Out of 63 questionnaires issued to customers 49 were returned.

The completed questionnaires represented a response rate of 66.7% for general managers, 77.8% for customers and overall rate 76.4% which was considered adequate for analysis. Figure 4.1 indicates the overall response rate that 76.4% of the respondents returned the complete filled questionnaires and 23.6% of the respondents either did not complete filling the questionnaires or did not return the questionnaires at all.

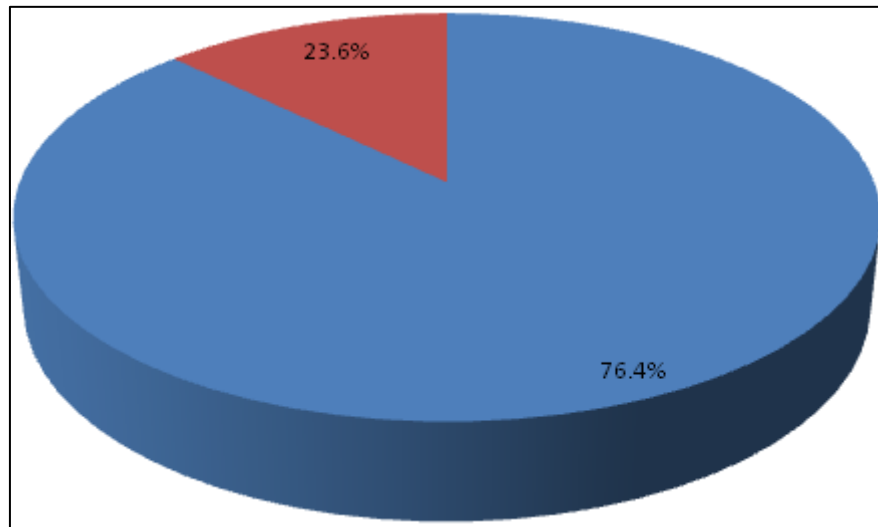


Figure 4.1: Overall Response Rate

Source: Primary data

4.2.2 Distribution of Respondent Hotels by Ownership

The findings in Table 4.1 indicate that 50.0% of respondent hotels were predominantly owned by foreigners, 33.3% were owned by local and 16.7% were balanced owned by local and foreigners.

Table 4.1: Hotel Ownership

| Attribute | Frequency (N) | Percentage (%) |
|------------------------------------|---------------|----------------|
| Predominantly foreign | 3 | 50.0 |
| Predominantly local | 1 | 16.7 |
| Balanced between local and foreign | 2 | 33.3 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.3 Distribution of Respondent Hotels by Hotel Star Rate

The findings in Table 4.2 indicates that 50.0% of the respondent hotels were three star hotels, 33.3% were four star hotels and 16.7% were five star hotels

Table 4.2: Hotel Star Rate

| Attributes | Frequency (N) | Percentage (%) |
|-------------------|----------------------|-----------------------|
| Three star hotel | 3 | 50.0 |
| Four star hotel | 2 | 33.3 |
| Five star hotel | 1 | 16.7 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.4 Distribution of Respondent Hotels by Type of Hotels

As shown in table 4.3 most of respondent hotels (50.0%) were luxury hotels, 33.3% were budget hotels and 16.7% did not respond to the question.

Table 4.3: Type of the Hotel

| Attributes | Frequency (N) | Percentage (%) |
|-------------------|----------------------|-----------------------|
| Budget hotel | 2 | 33.3 |
| Luxury hotel | 3 | 50.0 |
| Total | 5 | 83.3 |
| No Response | 1 | 16.7 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.5 Distribution of Respondent by the Length the Hotels had been in Operation

The findings in table 4.4 indicate that 50.0% had a period between 3years to 7years, 50.0% had a period between 13years and above.

Table 4.4: Period the Hotel had been in Operation

| Attributes | Frequency (N) | Percentage (%) |
|---------------------------|----------------------|-----------------------|
| Period 3 to 7 years | 3 | 50.0 |
| Period 13 years and above | 3 | 50.0 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.6 Distribution of the Respondent Hotels by the Number of Employees

The findings in Table 4.5 indicates that 33.3% of the respondent hotel had between 51 to 60 employees, 16.7% had between 61 to 80 employees, 33.3% had above 81 employees and 16.7% did not respond to the question.

Table 4.5: The Number of Employees in the Hotel

| Attributes | Frequency (N) | Percentage (%) |
|-------------------|----------------------|-----------------------|
| 51 to 60 | 2 | 33.3 |
| 61 to 80 | 1 | 16.7 |
| 81 and above | 2 | 33.3 |
| Total | 5 | 83.3 |
| No Response | 1 | 16.7 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.7 Distribution of Respondent General Managers by the Age Group

The findings in Table 4.6 indicates that 16.7% had the age between 21years to 30 years, 16.7% had between 31years to 40years, 16.7% had between 41years to 50years and 33.3% had between 51 years to 60 years and 16.7% did not respond to the question.

Table 4.6: Age Group

| Attributes | Frequency (N) | Percentage (%) |
|-------------------|----------------------|-----------------------|
| 21 to 30 years | 1 | 16.7 |
| 31 to 40 years | 1 | 16.7 |
| 41 to 50 years | 1 | 16.7 |
| 51 to 60 years | 2 | 33.3 |
| Total | 5 | 83.3 |
| No Response | 1 | 16.7 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.8 Distribution of Respondent General Managers by Gender

Table 4.7: Gender

| Attributes | Frequency (N) | Percentage (%) |
|-------------------|----------------------|-----------------------|
| male | 4 | 66.7 |
| Female | 1 | 16.7 |
| Total | 5 | 83.3 |
| No Response | 1 | 16.7 |
| Total | 6 | 100.0 |

Source: Primary data

As shown in Table 4.7, 66.7% of general managers who responded were male, 16.7% were female and 16.7% did not respond. The study shows that most of the general managers in Zanzibar hotel industry are male, which means that female are not given opportunity to take the post of GM as it requires more time in the hotel. The study also suggests that there are no female who have required qualities such as education, hotel management skills and so on, for the post of GM.

4.2.9 Distribution of Respondent General Managers by Level of Education

The finding in table 4.8 indicates that 33.3% had college diploma, 33.3% had graduate degree, 16.7% had post-graduate degree and 16.7% did not respond.

Table 4.8: Level of Education

| Attributes | Frequency (N) | Percentage (%) |
|----------------------|----------------------|-----------------------|
| College diploma | 2 | 33.3 |
| Graduate degree | 2 | 33.3 |
| Post graduate degree | 1 | 16.7 |
| Total | 5 | 83.3 |
| No Response | 1 | 16.7 |
| Total | 6 | 100.0 |

Source: Primary data

The study shows that most of the general managers of in Zanzibar hotel industry are college diploma and graduate degree. The study suggests that there are few people who have hotel management skills to the level of postgraduate degree. Table 4.8 also suggests that some hotel managers have not reached the levels of College diploma, Graduate degree and Postgraduate degree, which this study observed.

4.2.10 Distribution of Respondent General Managers by the Number of Years in Hotel Industry

The findings in Table 4.9 indicates that 16.7% had between 1 year to 5 years in hotel industry, 33.3% had between 11 years to 15 years and 50.0% had above 16 years in hotel industry. The study shows that there is linear relationship between the number

of years in the hotel industry and the general manager post, that is the more the number of years one have worked in the hotel industry the higher the possibility of becoming the GM of the hotel. This means experience matters a lot for one to become the GM in Zanzibar hotel industry.

Table 4.9: Number of Years in Hotel Industry

| Attributes | Frequency (N) | Percentage (%) |
|--------------------|----------------------|-----------------------|
| 1 to 5 years | 1 | 16.7 |
| 11 to 15 years | 2 | 33.3 |
| 16 years and above | 3 | 50.0 |
| Total | 6 | 100.0 |

Source: Primary data

4.2.11 Distribution of Respondent General Managers by Number of Years in their Position

The findings in table 4.10 indicates that 33.3% of the respondent general managers had between 1 year to 5 years, 16.7% had between 6 years to 10 years and 50.0% had between 11 years to 15 years. Table 4.10 suggests that most of the GM in Zanzibar hotel industry have worked for hotels as GM between 11 to 15 years followed by those who have worked between 1 to 5 years.

Table 4.10: Number of Years in Current Position

| Number of years | Frequency (N) | Percentage (%) |
|------------------------|----------------------|-----------------------|
| 1 to 5 years | 2 | 33.3 |
| 6 to 10 years | 1 | 16.7 |
| 11 to 15 years | 3 | 50.0 |
| Total | 6 | 100.0 |

Source: Primary data

4.3 The effect of Cost Leadership Strategy on Firm Performance in Zanzibar Hotel Industry

The findings answers the specific question posed to general managers of hotels to establish the effect of cost leadership strategy on firm performance in Zanzibar hotel industry. . The range was “very high effect” (5) to “Not at all” (1). The scores of very high effect and high effect have been taken to present a variable which had high effect (H.E) (equivalent to a mean score of 3.5 to 5.0 on the continuous Likert scale ($3.5 < H.E < 5.0$)).

Table 4. 11: The Effect of Cost Leadership on Firm Performance

| Competitive methods | N | Mean | S.D |
|---|----------|-------------|------------|
| Pricing below competitors | 6 | 3.1667 | 1.16905 |
| continuing overriding concern for lowest cost per unit | 6 | 2.8333 | .98319 |
| Major expenditure on technology based systems to lower costs | 6 | 3.0000 | 1.26491 |
| Economies of scale achieved through merger or consolidation | 6 | 3.1667 | 1.47196 |
| outsourcing functions or entering into joint ventures to control cost | 6 | 2.6667 | 1.50555 |
| Developing economies of scale | 6 | 3.6667 | 1.03280 |
| Efficient cost saving hotel designs | 5 | 4.0000 | 1.00000 |
| Effective operational cost reduction | 6 | 3.6667 | .81650 |
| Tight cost in all business activities | 6 | 4.3333 | .51640 |
| Valid N (list wise) | 5 | | |

Source: Primary data

The scores of “moderate effect” have been taken to represent a variable that had a moderate effect (M.S) (equivalent to a mean score of 2.5 to 3.5 on the continuous Likert scale ;($2.5 < M.E < 3.5$). The scores of both “low effect” and “not at all” have

been taken to represent variables that had Low effect (L.E) (equivalent to a mean score of 0 to 2.5 on a continuous Likert scale; $0 < L.E < 2.5$). A standard deviation of >0.9 implies a significant difference on the effect of the variable among respondents.

The findings in Table 4.11, indicates that Tight cost in all business activities (mean of 4.3333), developing economies of scale (mean of 3.6667), efficient cost saving hotel designs (mean of 4.0000) and effective operational cost reduction (mean of 3.6667) were the effect of cost leadership strategy on firm performance in Zanzibar hotel industry. However there was a significant difference on the variables; developing economies of scale (standard deviation of 1.03280) and efficient cost saving hotel designs (standard deviation of 1.0000).

On a moderate extent, Pricing below competitors (mean of 3.1667), continuing overriding concern for lowest cost per unit (mean of 2.8333), major expenditure on technology based systems to lower cost (mean of 3.0000), Economies of scale achieved through merger or consolidation (mean of 3.1667) and outsourcing functions or entering into joint ventures to control cost (mean of 2.6667) were the effect of cost leadership on performance in Zanzibar hotel industry. However there was a significant difference on the variables; outsourcing functions or entering into joint ventures to control cost (standard deviation of 1.50555), Economies of scale achieved through merger or consolidation (standard deviation of 1.47196), Major expenditure on technology based systems to lower costs (standard deviation of 1.26491), continuing overriding concern for lowest cost per unit (standard deviation of 0.98319) and Placing below competitors (standard deviation of 1.16905).

4.4 The Extent to which Differentiation Strategy Affect Firm Performance in Zanzibar Hotel Industry

The findings in this section answer the question “how does differentiation strategy affect firm performance in Zanzibar hotel industry?” The range was “very high” (5) to “Not at all” (1). The score of very high and high have been taken to present a variable which had high extent (H.E) (equivalent to mean score of 3.5 to 5.0 on the continuous Likert scale, $(3.5 < H.E < 5.0)$). The scores of “moderate” have been taken to represent a variable that had a moderate extent (M.E) (equivalent to a mean score of 2.5 to 3.5 on the continuous Likert scale $(2.5 < M.E < 3.5)$). The scores of both “low” and “not at all” have been taken to represent a variable that had small extent (S.E) (equivalent to a mean score of 0 to 2.5 on a continuous Likert scale $0 < S.E < 2.5$). A standard deviation of >0.9 implies a significant difference on the variable among respondents.

From Table 4.12, the findings indicates that, extremely strict service / product quality control expenditure (mean of 4.3333), collective effort to build the hotels reputation within the industry (mean of 4.4000), Following the action of competitor (mean of 4.0000) building hotel name identification (mean of 4.8333), major expenditures on technology to differentiate services / products (mean of 3.6667), extensive customer service capability (mean of 4.6667), innovation in marketing techniques and methods (mean of 3.6667), broad services / product range (mean of 4.0000), new services / products development (mean of 3.5000), Emphasis on the marketing of specialty services /products (mean of 3.8333), Emphasis on training, education and institutional learning (mean of 4.1667), services / products offered in higher priced

market segments (mean of 3.8333) and products / services providing many features (mean of 3.6667) affect firm performance in Zanzibar hotel industry to a high extent. However, innovation in marketing techniques and methods (standard deviation of 1.03280), products / services providing many features (standard deviation of 1.03280) and following the action of competitor (standard deviation of 1.26491) indicate that the score are widely spread, which could mean that these competitive methods does not affect firm performance to a high extent.

Table 4.12: The Extent to which Differentiation Strategy Affects Firm Performance

| Competitive methods | N | Mean | S.D |
|--|----------|-------------|------------|
| Developing and refining existing service/product offerings | 6 | 4.5000 | .54772 |
| Extremely strict service/product quality control expenditures | 6 | 4.3333 | .51640 |
| Specific effort to ensure a pool of highly trained/experienced personnel | 6 | 3.3333 | .51640 |
| Collective effort to build the hotel's reputation within the industry | 5 | 4.4000 | .54772 |
| Following the action of competitor | 6 | 4.0000 | 1.26491 |
| Building hotel name identification | 6 | 4.8333 | .40825 |
| Promotion/advertising expenditures above the industry average | 6 | 3.1667 | .75277 |
| Major expenditures on technology to differentiate services/products | 6 | 3.6667 | .81650 |
| Extensive customer service capability | 6 | 4.6667 | .51640 |
| Innovation in marketing techniques and methods | 6 | 3.6667 | 1.03280 |
| Broad services/product range | 6 | 4.0000 | .89443 |
| New services/product development | 6 | 3.5000 | .83666 |
| Emphasis on the marketing of specialty services /products. | 6 | 3.8333 | .75277 |
| Emphasis on training, education and institutional learning | 6 | 4.1667 | .75277 |
| Services/products offered in higher priced market segments | 6 | 3.8333 | .75277 |
| Products/services providing many features | 6 | 3.6667 | 1.03280 |
| Valid N (list wise) | 5 | | |

Source: Primary data

On the other hand; promotion / advertising expenditures above the industry average (mean of 3.1667) and Specific effort to ensure a pool of highly trained/experienced personnel (mean of 3.3333) to a moderate extent affect firm performance in Zanzibar hotel industry.

4.5 The Extent of Effect of Focus Strategy on Firm Performance

The findings in this section answers the question “How is the effect of focus strategy on firm performance in Zanzibar hotel industry? The range was “very high extent” (5) to “Not at all” (1). The score of very high extent and high extent have been taken to present a variable which had high extent (H.E) (equivalent to mean score of 3.5 to 5.0 on the continuous Likert scale, $(3.5 < H.E < 5.0)$) The scores of “moderate” have been taken to represent a variable that had a moderate extent (M.E) (equivalent to a mean score of 2.5 to 3.5 on the continuous Likert scale $(2.5 < M.E < 3.5)$). The scores of both “low extent” and “not at all” have been taken to represent a variable that had small extent (S.E) (equivalent to a mean score of 0 to 2.5 on a continuous Likert scale $0 < S.E < 2.5$).). A standard deviation of >0.9 implies a significant difference on the variable among respondents.

Table 4.13: The Extent of Effect of Focus Strategy on Firm Performance

| Competitive methods | N | Mean | S.D |
|--|----------|-------------|------------|
| narrow, limited range of services/products | 6 | 3.3333 | 1.63299 |
| Only serve specific markets | 6 | 2.8333 | 1.16905 |
| Emphasis on the marketing of specialty services /products. | 6 | 3.8333 | .75277 |
| Services/products offered in lower priced market segments | 6 | 3.3333 | 1.03280 |
| Valid N (list wise) | 6 | | |

Source: Primary data

From Table 4.13 the findings indicates that emphasis on the marketing of specialty services / products (mean of 3.8333) was the variable which had the effect on firm performance in Zanzibar hotel industry to the high extent. Narrow, limited range of services (mean of 3.3333), only serve specific markets (mean of 2.8333) and services / products offered in lower priced market segments (mean of 3.3333) had the effect on firm performance in Zanzibar hotel industry to the moderate extent. However there was a significant difference in the three variables; narrow, limited range of services/products (standard deviation 1.63299), only serve specific markets (standard deviation 1.16905) and services/products offered in lower priced market segments (standard deviation 1.03280).

4.6 Firm Performance Based on Customer Satisfaction

In order to meet the fourth objective of the study “to investigate the relationship between Porter’s generic competitive business strategy and firm performance indicator (customer satisfaction)” The respondents were asked to indicate the level of satisfaction on hotel attributes; room, sleep quality, location, services, value for money and cleanliness. The range of levels of satisfaction was very satisfied (5) to Dissatisfied (1). The findings are summarized in Tables 4.14 to 4.19.

Table 4.14: Rooms in the Hotels

| Levels of Satisfaction | Frequency (N) | Percentage (%) |
|-------------------------------|----------------------|-----------------------|
| dissatisfied | 1 | 2.0 |
| somewhat dissatisfied | 1 | 2.0 |
| neutral | 7 | 14.3 |
| satisfied | 20 | 40.8 |
| very satisfied | 20 | 40.8 |
| Total | 49 | 100.0 |

Source: Primary data

With respect to rooms in the hotel (Table 4.14), 42.5% of the respondents indicate that they are satisfied with the rooms in the hotels, 37.5% of the respondent indicated that they are very satisfied with the rooms in the hotels, 15% of the respondent indicated that they are neutral the rooms in the hotels, 2.5% of the respondent indicated that they are somewhat dissatisfied the rooms in the hotels and 2.5 % of the respondent indicated that they are dissatisfied with the rooms in the hotels.

Table 4.15: The Sleep Quality in the Hotel

| Levels of customer satisfaction | Frequency (N) | Percentage (%) |
|--|----------------------|-----------------------|
| dissatisfied | 1 | 2.0 |
| somewhat dissatisfied | 2 | 4.1 |
| neutral | 6 | 12.2 |
| satisfied | 21 | 42.9 |
| very satisfied | 19 | 38.8 |
| Total | 49 | 100.0 |

Source: Primary data

With respect to the sleep quality in the hotels (Table 4.15), 2.5% of the respondents indicate that they are dissatisfied with the sleep quality in the hotels, 5% of the respondent indicated that they are somewhat dissatisfied with the sleep quality in the hotels, 10% of the respondent indicated that they are neutral with the sleep quality in the hotels, 45% of the respondent indicated that they are satisfied with the sleep quality in the hotels and 37.5% of the respondent indicated that they are very satisfied with the sleep quality in the hotels.

Table 4.16: The Location of the Hotel

| Levels of customer satisfaction | Frequency (N) | Percentage (%) |
|--|----------------------|-----------------------|
| dissatisfied | 1 | 2.0 |
| neutral | 12 | 24.5 |
| satisfied | 10 | 20.4 |
| very satisfied | 26 | 53.1 |
| Total | 49 | 100.0 |

Source: Primary data

With respect to the location of the hotels (Table 4.16), 2.5% of the respondents indicate that they are dissatisfied with the location of the hotels, 22.5% of the respondents indicate that they are neutral with the location of the hotels, 25% of the respondents indicate that they are satisfied with the location of the hotels and 50% of the respondents indicate that they are very satisfied with the location of the hotels.

Table 4. 17: The Service in the Hotel

| Levels of customer satisfaction | Frequency (N) | Percentage (%) |
|--|----------------------|-----------------------|
| dissatisfied | 2 | 4.1 |
| neutral | 6 | 12.2 |
| satisfied | 15 | 30.6 |
| very satisfied | 24 | 49.0 |
| Total | 47 | 95.9 |
| No Response | 2 | 4.1 |
| Total | 49 | 100.0 |

Source: Primary data

With respect to the services in the hotels (Table 4.17), 5% of the respondents indicate that they are dissatisfied with the services in the hotels, 10% of the respondents indicate that they are neutral with the services in the hotels, 51.5% of the respondents indicate that they are satisfied with the services in the hotels, 45% of the respondents indicate that they are very satisfied with the services in the hotels and 2.5% of the respondents indicate that they did not respond.

Table 4.18: The Value for Money

| Levels of customer satisfaction | Frequency (N) | Percentage (%) |
|--|----------------------|-----------------------|
| dissatisfied | 1 | 2.0 |
| neutral | 8 | 16.3 |
| satisfied | 18 | 36.7 |
| very satisfied | 22 | 44.9 |
| Total | 49 | 100.0 |

Source: Primary Data

With respect to the value for money (Table 4.18) 2.5% of the respondents indicate that they are dissatisfied with the value for money, 15% of the respondents indicate that they are neutral with the value for money, 45% of the respondents indicate that they are satisfied with the value for money and 37.5% of the respondents indicate that they are very satisfied with the value for money.

Table 4.19: The Cleanliness of the Hotel

| Levels of customer satisfaction | Frequency (N) | Percentage (%) |
|--|----------------------|-----------------------|
| dissatisfied | 1 | 2.0 |
| somewhat dissatisfied | 1 | 2.0 |
| neutral | 8 | 16.3 |
| satisfied | 12 | 24.5 |
| very satisfied | 26 | 53.1 |
| Total | 48 | 98.0 |
| No Response | 1 | 2.0 |
| Total | 49 | 100.0 |

Source: Primary data

With respect to cleanliness of the hotels (Table 4.19) 2.5% of the respondents indicate that they are dissatisfied with the cleanliness of the hotels, 2.5% of the respondents indicate that they are somewhat dissatisfied with the cleanliness of the hotels, 15% of the respondents indicate that they are neutral with the cleanliness of the hotels, 25% of the respondents indicate that they are satisfied with the cleanliness of the hotels, 52% of the respondents indicate that they are very satisfied with the cleanliness of the hotels and 2.5% of the respondents did not respond.

The summary for the results of levels of customer satisfaction is shown in table 4.20. The table indicates that the rooms in the hotel have mean of 4.1633, the sleep quality in the hotel have mean of 4.1224, the location of the hotel have the mean of 4.2245, the services in the hotel have the mean of 4.2553, the value for money have the mean of 4.2245 and the cleanliness of the hotel have the mean of 4.2708.

Table 4.20: Summary of Levels of Customer Satisfaction

| | | The rooms in the hotel | The sleep quality in the hotel | The location of the hotel | The service in the hotel | The value for money | The cleanliness of the hotel |
|-------------|---------|------------------------|--------------------------------|---------------------------|--------------------------|---------------------|------------------------------|
| N | Valid | 49 | 49 | 49 | 47 | 49 | 48 |
| | Missing | 0 | 0 | 0 | 2 | 0 | 1 |
| Mean | | 4.1633 | 4.1224 | 4.2245 | 4.2553 | 4.2245 | 4.2708 |

Source: Primary data

4.7 Regression and Correlation Analysis

The study used regression and correlation analysis to come up with the relationship between firm performance (cleanliness) and Porter's generic competitive business strategies used by Zanzibar hotel industry. The results were as shown in Tables 4.21, 4.22 and 4.23.

4.7.1 Correlation Analysis

Table 4.21: Pearson Correlation

| | | 1 | 2 | 3 | 4 | 5 |
|---|---------------------|-------|-------|-------|-------|-------|
| Promotion/advertising expenditures above the industry average (1) | Pearson Correlation | 1 | .343 | -.294 | -.086 | -.171 |
| | Sig. (2-tailed) | | .506 | .572 | .872 | .745 |
| | N | 6 | 6 | 6 | 6 | 6 |
| Innovation in marketing techniques and methods (2) | Pearson Correlation | .343 | 1 | -.343 | .125 | .250 |
| | Sig. (2-tailed) | .506 | | .506 | .813 | .633 |
| | N | 6 | 6 | 6 | 6 | 6 |
| Services/products offered in higher priced market segments (3) | Pearson Correlation | -.294 | -.343 | 1 | .343 | .171 |
| | Sig. (2-tailed) | .572 | .506 | | .506 | .745 |
| | N | 6 | 6 | 6 | 6 | 6 |
| Services/products offered in lower priced market segments (4) | Pearson Correlation | -.086 | .125 | .343 | 1 | .125 |
| | Sig. (2-tailed) | .872 | .813 | .506 | | .813 |
| | N | 6 | 6 | 6 | 6 | 6 |
| Tight cost in all business activities (5) | Pearson Correlation | -.171 | .250 | .171 | .125 | 1 |
| | Sig. (2-tailed) | .745 | .633 | .745 | .813 | |
| | N | 6 | 6 | 6 | 6 | 6 |

Source: Primary data

Table 4.22: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .356 ^a | .126 | .023 | .95093 | .126 | 1.216 | 5 | 42 | .318 |

a. Predictors: (Constant), Tight cost in all business activities, Services/products offered in lower priced market segments, Promotion/advertising expenditures above the industry average, Services/products offered in higher priced market segments, Innovation in marketing techniques and methods.

Source: Primary data

The model summary (Table 4.22), explains the overall significance of the multiple regression equation.

4.7.2 Regression Equation

Table 4.23: Coefficients^a of Regression Equation

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 11.604 | 4.936 | | 2.351 | .024 |
| Promotion/advertising expenditures above the industry average | -.333 | .634 | -.085 | -.526 | .602 |
| Innovation in marketing techniques and methods | .167 | .513 | .058 | .325 | .747 |
| Services/products offered in higher priced market segments | -1.333 | .689 | -.340 | -1.936 | .060 |
| Services/products offered in lower priced market segments | .333 | .457 | .117 | .729 | .470 |
| Tight cost in all business activities | -.667 | .914 | -.117 | -.729 | .470 |

a. Dependent Variable: The cleanliness of the hotel

Source: Primary data

The established multiple regression equation becomes

$$Y = 11.604 - 0.333X_1 + 0.167X_2 - 1.333X_3 + 0.333X_4 - 0.667X_5$$

Elasticity

$b_1 = -0.333$, shows that one unit increase in application of promotion/advertising expenditures above the industry average results in -0.333 decrease in firm performance(customer satisfaction/cleanliness), holding other factors constant.

$b_2 = 0.167$, shows that one unit increase in application of Innovation in marketing techniques and methods results in 0.167 increase in firm performance(customer satisfaction/cleanliness), holding other factors constant.

$b_3 = -1.333$, shows that one unit increase in application of Services/products offered in higher priced market segments result in -1.333 decrease in firm performance (customer satisfaction/cleanliness), holding other factor constant.

$b_4 = 0.333$, shows that one unit increase in application of services/products offered in lower priced market segments results in 0.333 increase in firm performance(customer satisfaction/cleanliness), holding other factors constant.

$b_5 = -0.667$, shows that one unit increase in application of tight cost in all business activities results in -0.667 decrease in firm performance (customer satisfaction/cleanliness), holding other factors constant.

4.8 Discussion of the Findings

In order to have a better understanding of the effect of Porter generic competitive business strategies on firm performance in Zanzibar hotel industry, the following ideas arise from the findings of the study.

This study shows that the effects of cost leadership are tight cost in all business activities, developing economies of scale, efficient cost saving hotel designs and effective operational cost reduction. Other effects include pricing below competitors, continuing overriding concern for lowest cost per unit, major expenditure on technology based systems to lower, economies of scale achieved through merger or consolidation and outsourcing functions or entering into a joint ventures to control cost. Tight cost in all business activities and effective operational cost reduction have very high effect in almost all hotels in Zanzibar, this is evident in their means and standard deviations (table 4.11). This could have been caused by the high competition in the industry in which most of the hotels are cost conscious in the hotel operations. The study suggests that in Zanzibar hotel industry there is a significant use of cost leadership strategy, which relate with the study of Powers and Hahn (2004) who found that only banks that pursued a cost leadership realized a statistically significant performance.

The study shows that most of the means range between 3.5 and 5.0 (table 4.12) except the low mean of specific effort to ensure a pool of highly trained / experienced personnel. In Zanzibar hotel industry most of the workers come from outside especially Tanzania mainland, Kenya and so on. These workers in one reason or another they are not competent enough to deliver as expected by the employers and when they are competent the low salary which they are paid cause high turnover of workers. The high means indicate that these competitive methods affect performance to the high extent, in a nut shell differentiation strategy affect firm performance through these methods. These findings relate to some of the previous

studies such as Kim and Lim, (1988), O'Farrell et al, (1993) and Katobe et al, (2000), who suggested that differentiation strategies enhance firm performance in developing countries.

The findings in Table 4.13 indicate the competitive methods which have high extent of effect on firm performance. The large mean for the competitive method, emphasis on marketing of specialty services / products is probably due to the proper practices of this method which in turn have produced high performance of the hotels. The study also suggests that in some hotels the competitive methods are properly used and in other the competitive methods are not used properly or hotels give low emphasis on this strategy. This is evident from the standard deviations and the means for those competitive methods. Generally the study indicates that the effect of focus strategy is not significant, due to the tendency of hotels not targeting specific customers or the niche markets. This study relate with the study conducted by Hlavacka et al, (2001) in the context of the Slovak hospital industry which found that focus strategy performed poorest. The reason is probably the same as in Zanzibar hotel industry i.e. low emphasis of the focus strategy.

The study results indicate that the customers are satisfied with rooms, sleep quality, location of the hotels, and value for money and cleanliness. This is evident in the tables of results (i.e. table 4.14, table 4.15, table 4.16, tables 4.17, 4.18 and 4.19). Then regression and correlation analysis was undertaken to investigate the relationship of Porter's generic competitive business strategies and firm performance (cleanliness).

A correlation matrix was used to check on multi-collinearity that is if there is a strong correlation between two predictor variables. A factor of 0.5 was used to check for collinearity. In a situation where two predictor variables have a correlation coefficient of more than 0.5, then one of them must be dropped for the model their p values. The findings in Table 4.21 show that none of the predictor variable is strongly correlated with each other. All of them had coefficient less than 0.5, thus a model of five predictor variables could be used in forecasting firm performance (customer satisfaction / cleanliness).

The model summary (Table 4.22), explains the overall significance of the multiple regression equation. The coefficient of determination (R^2) equals (0.126) that is 12.6% of the variation in firm performance (customer satisfaction / cleanliness) can be explained by the changes in promotion / advertising expenditures above the industry average, services/products offered in higher priced market segments, innovation in marketing techniques and methods, tight cost in all business activities, and services/products offered in lower priced market segments, leaving 87.4% unexplained. The p-value of 0.318 > 0.05 indicates that the model of firm performance (customer satisfaction/cleanliness) is not significant. The study suggests that the strategies pursued do not influence customer satisfaction. This result differs from the result of the study of Lo (2012) which suggested that differentiation is the only significant generic strategy that influences customer satisfaction in the Chinese hotel industry.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, implications of the findings conclusions on the obtained data and recommendation to address the identified gap on the application of Porter generic competitive business strategies in Zanzibar. The general objective and purpose of this study was to analyze the application of Porter generic competitive business strategy and their effect on performance in Zanzibar hotel industry. Due to time constraints only hotels in Unguja Zanzibar were considered in this study. The selection of the study area was mainly because of researcher's familiarity and conveniences in collection of data.

5.2 Summary of the Main Findings

The objective of the study was to analyze the application of Porter's generic competitive business strategies on firm performance in Zanzibar hotel industry. It involved establishing the effect of cost leadership strategy, determining how differentiation strategy affect firm performance and evaluating the effect of focus strategy on firm performance. The respondents were managers and customers who had good experiences with Zanzibar hotel industry, for instance about 83% of the manager who had responded to the questionnaire had been in this industry for more than 11 years. This indicates that the information obtained would be reliable and suitable for generalization in the context of the Zanzibar hotel industry.

In answering the question "what are the effects of cost leadership strategy on firm performance in Zanzibar hotel industry?" The study established the following effect

of cost leadership strategy on firm performance in Zanzibar hotel industry; developing economies of scale, efficient cost serving hotel designs, effective operational cost reduction and tight cost in all business activities.

The study also established that pricing below competitors, continuing overriding concern for lowest cost per unit together with major expenditure on technology based system to lower cost, Economies of scale achieved through merger or consolidation and outsourcing functions or entering into joint ventures to control cost are the effects of cost leadership on firm performance in Zanzibar hotel industry to a moderate extent.

In answering the question “how differentiation strategy affects firm performance in Zanzibar Hotel industry?”, the study determined the following practices as affecting firm performance to a high extent; namely extremely strict service/product quality control expenditure, collective effort to build the hotel reputation within the industry, building hotel name identification, major expenditures on technology to differentiate services/products, extensive customer service capability, innovation in market technologies and method, broad service / product range, emphasis on the marketing of specialty services /products, emphasis on training, education and institutional learning, new services / product development, services / products offered in a higher market segment and products / services providing many features. Other strategies which the study find out as affecting firm performance to a moderate extent includes specific effort to ensure a pool of highly trained/experienced personnel, promotion and advertising expenditures above the industry average.

The study in answering the question “how is the effect of focus strategy on firm performance in Zanzibar hotel industry” the study found that marketing of specialty services / products have to the high extent the effect on performance in Zanzibar hotel industry. Also the study identified that limited range of services, only serve specific markets and services / products offered in lower priced market segments have low effect on performance in Zanzibar hotel industry.

In answering the question “How is Porter’s generic competitive business strategies relate with performance indicator (customer satisfaction)”. Using the hotel attributes (rooms, sleep quality, location, services, value for money and cleanliness), the study investigated the level of customer satisfaction in order to know the performance of the hotels, then the study used correlation and regression analysis to come up with the relationship between firm performance (i.e. hotel cleanliness) and Porter’s generic competitive business strategies used by hotel industry in Zanzibar. The study found the following levels of customer satisfaction with respect to rooms in the hotels; 2.5% are dissatisfied with the rooms in the hotels, 2.5% are somewhat satisfied with the rooms in the hotels, 15% are neutral with the rooms in the hotels, 42.5% are satisfied with the rooms in the hotels and 37.5% are very satisfied with the rooms in the hotels.

In the case of sleep quality in the hotels, the study found the following levels of customer satisfaction with respect to sleep quality in the hotels; 2.5% are dissatisfied with sleep quality in the hotels, 5% are somewhat satisfied with sleep quality in the hotels, 10% are neutral with the sleep quality in the hotel, 45% are satisfied with the sleep quality in the hotels and 37.5% are very satisfied with the sleep quality in the

hotels. With respect to the location of the hotels; 2.5% are dissatisfied with the location of the hotels, 22.5% are neutral with the location of the hotels, 25% are satisfied with the location of the hotels and 50% are very satisfied with the location of the hotels. With respect to services in the hotels; 5% are dissatisfied with the services in the hotels, 10% are neutral with the services in the hotels, 51.5% are satisfied with the services in the hotels, 45% are very satisfied with the services in the hotels and 2.5% did not respond.

With respect to value for money; 2.5% are dissatisfied with the value for money, 15% are neutral with value for money, 45% are satisfied with the value for money and 37.5% are very satisfied with the value for money. Lastly with respect to the cleanliness of the hotels; 2.5% are dissatisfied with cleanliness of the hotels, 2.5% are somewhat dissatisfied with the cleanliness of the hotels, 15% are neutral with the cleanliness of the hotels, 25% are satisfied with the cleanliness of the hotels, 52% are very satisfied with the cleanliness of the hotels and 2.5% did not respond.

The study also find that the variables; tight cost in all business activities, services/products offered in lower priced market segments, promotion/advertising expenditures above the industry average, services/products offered in higher priced market segments and innovation in marketing techniques and methods were not strongly correlated to each other because they had coefficient less than 0.5. These variables were used in the model of five predictor variables to forecast firm performance (customer satisfaction/hotel cleanliness). The finding of the study indicated that the model was not significant for forecasting the firm performance

(customer satisfaction/hotel cleanliness). This was demonstrated in the part of the regression analysis where R^2 for the association was 14.7%.

5.3 Implications of the Findings

The research findings have a number of implications; the first implication on hotels which employ cost leadership in Zanzibar hotel industry is that the effects of employing this strategy are: developing and refining existing service / product offering, developing economies of scale, influencing distribution channels, with efficient cost serving hotel designs, emphasizing on training, with education and institutional learning, other includes pricing below competitors, continuing overriding concern for lowest cost per unit, major expenditure on technology based system to lower cost and effort to ensure a pool of highly trained experienced personnel.

The second implication for hotels which employ differentiation strategy in Zanzibar hotel industry is that in order have good performance they should use the following methods: strict service / product quality control expenditure, collective effort to build the hotel reputation within the industry, building hotel name identification, major expenditure on technology to differentiate services / products, extensive customer service capability, innovation in market technologies and methods, broad service / product range, new service / product development. Other includes services offered in a higher market segment and products / services providing many features, outsourcing functions or entering joint venture to control cost, promotion and advertising expenditures above the industry average and economies of scale achieved through merger or consolidation.

Thirdly, for the hotels which employ focus strategy in Zanzibar hotel industry, they should insist on the usage of marketing of specialty services / products, limited range of services, serving specific markets and services / products offered in lower priced market segment.

The fourth implication is that the application of Porter generic competitive business strategy in Zanzibar Hotel industry has caused satisfaction in the following hotel attributes: rooms, sleep quality, location, value for money and cleanliness. However the satisfaction on these hotels attribute could be caused by other factors.

5.4 Conclusion of the Study

The first objective aimed at establishing the effects of cost leadership on firm performance. The study shows that the following are the effects of cost leadership: developing economies of scale, efficient cost saving hotel designs, effective operational cost reduction, and tight cost in all business activities. Others include pricing below competitors, continuing overriding concern for lowest cost per unit together with major expenditure on technology based system to lower cost, economies of scale achieved through merger or consolidation and outsourcing functions or entering into joint ventures to control cost.

The second objective aimed to determine how differentiation strategies affect firm performance. The study shows the following practice affect firm performance to a high extent that extremely strict services / products quality control expenditure, collective effort to build the hotel reputation within the industry, building hotel name identification, major expenditure on technology to differentiate services / products,

extensive customer service capability, innovation in market, technologies and methods, broad service / product range, emphasis on the marketing of specialty services / products, emphasis on training, education and institutional learning, new services / products offered in a higher market segment and products / services providing many features.

The study also show that specific effort to ensure a pool of highly trained / experienced personnel and promotion and advertising expenditures above the industry average affect performance to a moderate extent. The third objective aimed to evaluate the effect of focus strategies on firm performance. The study shows that emphasis on marketing of specialty products / services, narrow limited range of services and serve specific markets, services / products offered in lower priced market segment have high effect on firm performance.

The fourth objective aimed to investigate the relationship between Porter's generic competitive business strategies and firm performance. From the findings and data analysis the relationship between Porter's generic competitive business strategies (represented by Tight cost in all business activities, Services/products offered in lower priced market segments, Promotion/advertising expenditures above the industry average, Services/products offered in higher priced market segments, Innovation in marketing techniques and methods and firm performance (represented by customer satisfaction-hotel cleanliness) was summarized by the multiple linear regression equation:

$Y = 11.590 - 0.333X_1 + 0.167X_2 - 1.333X_3 + 0.333X_4 - 0.667X_5$, Where Y represents the cleanliness of the hotel, $X_1, X_2, X_3, X_4, \text{ and } X_5$ represents Promotion/advertising

expenditures above the industry average, Innovation in marketing techniques and methods, Services/products offered in higher priced market segments, Services/products offered in lower priced market segments, and Tight cost in all business activities respectively. The study model of five predictor variables was not significant for forecasting the firm performance. This was demonstrated in part of the analysis where R^2 for the association was 14.7%. Respondents in the study did not strongly attribute their firm performance to the strategies adopted thus suggesting that pursuit of one generic business strategies as suggested by Porter, did not place a firm in a better strategic position and did not result in superior performance.

5.5 Recommendations

5.5.1 Hotel managers in Zanzibar Hotel Industry

The study indicates that managers of hotels in Zanzibar hotel industry apply Porter's generic competitive strategy. However more need to be done in order to gain competitive advantages. To achieve these strategies the researcher recommends the managers to look at the ways they use to implement them. So they should make appropriate changes in their ways to enable the hotels gain more competitive advantages as well as superior performance.

5.5.2 Students of Hotel Management

The applications of Porter's generic competitive business strategies enable the firm to gain competitive advantage and achieve superior performance. The survival of the hotels in the current competitive environment requires the managers who are competent enough to meet these challenges. The researcher recommends the students

to read more about the ways of achieving these strategies and they should identify what is missing in the current usage of the strategies in the industry. Through these efforts they will be able to rectify the problems when they are employed as managers in the industry.

5.6 Limitations of the Study

Whenever a research is undertaken, there are resources constraints to be encountered and this study was no exceptional. The following constraints were faced during the study:

- (i) Financing this study posed some difficulties, but all efforts were made to make it successful.
- (ii) Literature addressing strategic management in Zanzibar hotel industry as well as Tanzania in general is scanty and there is a severe lack of statistical information from local authorities and central government offices.
- (iii) Some potential respondents were not willing to respond for interview during the study progress, hence failure to some extent to gather all necessary primary data.

5.7 Suggested Area for Further Studies

It is hoped that the findings of this study will contribute to the scanty existing body of knowledge and form a basis for future researches. The following areas of further research are thus suggested: Where the current study focused on Porter's generic competitive business strategies and firm performance in Zanzibar hotel industry; future studies should seek to establish whether or not the same strategies are

applicable to other sectors of the economy. Further studies should also focus on the challenges faced in implementation of the Porter's generic competitive business strategies and the possible mechanisms that should be employed to overcome the challenges.

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APPENDICES

Appendix 1: Questionnaire A

To be completed by General Managers

QUESTIONNAIRES FOR ZANZIBAR HOTEL INDUSTRY GENERAL MANAGERS / DIRECTORS OF HOTELS

The purpose of this questionnaire is to collect data for Application of Porter Generic strategies and their effect on performance. Please feel free and give maximum cooperation. The information you volunteer to give is confidential and will be used for the purpose of this study only.

SECTION I: General (Demographic) information.

1. Hotel name.....

2. Location.....

3. Indicate the type of ownership in your hotel

(I) predominantly local ()

(ii) Predominantly foreign ()

(iii) Balanced between local and foreign ()

4. Indicate the type of your hotel-star rate (tick one)

(i) Thee star ()

(ii) Four star ()

(iii) Five star and more ()

5. Indicate the type of your hotel (tick one).

(I) Budget hotel ()

(ii) Luxury hotel ()

6. Indicate how long your hotel has been in operation

(i) Period 3 to 7years ()

(ii) Period 8 to 12 years ()

(iii) Period 13years and above ()

7. Indicate the number of employees in your hotel

(i) 51 to 60 ()

(ii) 61 to 80 ()

(iii) 81 and above ()

8. Indicate your age group.

(i) 21 to 30years ()

(ii) 31 to 40 years ()

(iii) 41 to 50 years ()

(iv) 51 to 60 years ()

(v) 61 years and above ()

9. Indicate your gender.

(i) Male ()

(ii) Female ()

10. Indicate the level of education (Please tick one that match your level of education)

- (i) Secondary school ()
- (ii) College Certificate ()
- (iii) College Diploma ()
- (iv) Graduate degree ()
- (v) Post Graduate degree ()

11. Indicate how long you have been in hotel industry

- (i) 1 to 5 years ()
- (ii) 6 to 10 years ()
- (iii) 11 to 15 years ()
- (iv) 16 years and above ()

12. Indicate your position in the hotel.

- (i) Owner / Director ()
- (ii) General Manager ()
- (iii) Finance manager ()

13. Indicate number of years in the current position.

- (i) 1 to 5 years ()
- (ii) 6 to 10 years ()
- (iii) 11 to 15 years ()

SECTION II: The application of Porter's generic competitive business strategies in Zanzibar hotel industry.

14. The effect of competitive methods practiced on firm performance in Zanzibar hotel industry

Listed below are possible competitive methods used by organizations. With respect to your hotel, indicate the extent of effect to each of the listed competitive methods is used (Tick as appropriate)

| Competitive methods | | Responses | | | | |
|---------------------|--|----------------|-----------|---------------|----------|-----------------|
| | | Very high 5 | High 4 | Moderate 3 | Low 2 | Not at all 1 |
| CM1 | Pricing below competitors. | | | | | |
| CM2 | Continuing overriding concern for lowest cost per unit. | | | | | |
| CM3 | Narrow, limited range of services/products. | | | | | |
| CM4 | Developing and refining existing service/product offerings. | | | | | |
| CM5 | Major expenditure on technology-based systems to lower costs | | | | | |
| CM6 | Economies of scale achieved through merger or consolidation. | | | | | |
| CM7 | Outsourcing functions or entering into joint ventures to control cost. | | | | | |
| CM8 | Extremely strict service/product quality control expenditures. | | | | | |
| CM9 | Specific efforts to insure a pool of highly trained / experienced | | | | | |

| | | | | | | |
|------|--|--|--|--|--|--|
| | personnel. | | | | | |
| CM10 | Collective effort to build the hotel's reputation within the industry. | | | | | |
| CM11 | Following the action of competitors. | | | | | |
| CM12 | Building hotel name identification. | | | | | |
| CM13 | Promotion / advertising expenditures above the industry average. | | | | | |
| CM14 | Major expenditures on technology to differentiate services / products. | | | | | |
| CM15 | Extensive customer service capability. | | | | | |
| CM16 | Innovation in marketing techniques and methods. | | | | | |
| CM17 | Broad services / product range. | | | | | |
| CM18 | New service / product development. | | | | | |
| CM19 | Only serve specific markets. | | | | | |
| CM20 | Emphasis on the marketing of specialty services / products. | | | | | |
| CM21 | Services / products offered in higher priced market segments. | | | | | |
| CM22 | Services / products offered in lower priced market segments. | | | | | |
| CM23 | Emphasis on training, education and institutional learning. | | | | | |
| CM24 | Developing economies of scale. | | | | | |
| CM25 | Products / services providing many features. | | | | | |
| CM26 | Powerful influences on | | | | | |

| | | | | | | |
|------|--|--|--|--|--|--|
| | distribution channels. | | | | | |
| CM27 | Efficient cost-saving hotel designs. | | | | | |
| CM28 | Effective operational cost reduction. | | | | | |
| CM29 | Tight cost control in all business activities. | | | | | |

Appendix 2: Questionnaire B

To be completed by customer

SECTION I: General information.

1. Hotel name.....

2. Location.....

SECTION II: Firm performance based on customer satisfaction.

Please indicate your level of satisfaction on the following hotel attributes:

15. How satisfied were you with the value for money?

(i) Dissatisfied. ()

(ii) Somewhat dissatisfied. ()

(iii) Neutral. ()

(iv) Satisfied. ()

(v) Very satisfied. ()

16. How satisfied were you with the cleanliness of the hotel.

(i) Dissatisfied. ()

(ii) Somewhat dissatisfied. ()

(iii) Neutral. ()

(iv) Satisfied. ()

(v) Very satisfied. ()

17. How satisfied were you with the rooms in the hotel.

(i) Dissatisfied. ()

(ii) Somewhat dissatisfied. ()

(iii) Neutral. ()

(iv) Satisfied. ()

(v) Very satisfied. ()

18. How satisfied were you with the sleep quality in the hotel.

(i) Dissatisfied. ()

(ii) Somewhat dissatisfied. ()

(iii) Neutral. ()

(iv) Satisfied. ()

(v) Very satisfied. ()

19. How satisfied were you with the location of the hotel.

(i) Dissatisfied. ()

(ii) Somewhat dissatisfied. ()

(iii) Neutral. ()

(iv) Satisfied. ()

(v) Very satisfied. ()

20. How satisfied were you with the services in the hotel.

(i) Dissatisfied. ()

(ii) Somewhat dissatisfied. ()

(iii) Neutral. ()

(iv) Satisfied. ()

(v) Very satisfied. ()