COMPETITIVE STRATEGIES AND PERFORMANCE OF SELECTED
CAR RENTAL BUSINESSES IN NAIROBI CITY COUNTY, KENYA

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KENYATTA UNIVERSITY

FEBRUARY, 2019
DECLARATION

I declare that, this project is my own original work and to the best of my knowledge has not been presented for any award of any degree in any university.

Signature: ……………………………………         Date: …………………………………………

Demba, Rodgers Norman

D53/OL/KKA/26370/2015

This is to confirm that this research project has been submitted with my approval as the appointed university supervisor.

Signature: ……………………………………         Date: …………………………………………

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DEDICATION

I dedicate this research to all my dearest students (the former, current and future) out there, never look down on yourself keep looking up.

“We all face challenges in life and at times it can feel like those challenges may just beat you down but if you want something, you have to keep going. Do not let the idea of quitting enter your mind; stay strong. The people who win in life are the ones who do not quit” — Mufti Ismail Menk.
ACKNOWLEDGEMENT

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## ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of variance</td>
</tr>
<tr>
<td>SSPSS</td>
<td>Statistical Package for Social Studies</td>
</tr>
<tr>
<td>NACOSTI</td>
<td>National Commission for Science Technology and Innovation</td>
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OPERATION DEFINATION OF TERMS

**Competitive strategies:** These are formulated plans by car rental businesses to enhance their business performance and give them an edge over their rival.

**Cost leadership strategies:** These are practices by car rental businesses to lower the price of the services they offer to their clients at a cost that is lowest in the market compared to their competitors.

**Car rental business:** This is a type of business that involves hiring automobile for a period ranging from minutes, hours, days, weeks, months or within a year.

**Differentiation:** Is the ability of a car rental business to offer a unique service to their clients so as to attain competitive advantage over the competitor.

**Focus:** Entails targeting certain group of clients in the car rental business by either lowering the prices or offering unique service to attract and retain them.

**Performance:** Is whereby the car rental businesses set targets later measures the accomplishment realized over a given period of time.
ABSTRACT

Performance is the process of measuring action where us competitive strategies entails the management’s activities that enabling it to successfully challenge a competitor in the same business or industry. Car rental business has been on the rise in Nairobi City County with reports of good returns. Due stiff competition which has been observed among businesses in the car rental businesses, there is need for a firm to embrace competitive strategies to survive and remain operational. The purpose of this study was to determine the effect of competitive strategies and performance of selected car rental businesses in Nairobi City County, Kenya. Specific objectives was to determine the effects of cost leadership strategy on performance of selected car rental businesses in Nairobi City County, Kenya, to determine the effect of differentiation strategy on performance of selected car rental businesses in Nairobi City County, Kenya, to determine the effect of low-cost focus strategy on performance of selected car rental businesses in Nairobi City County, Kenya, and to determine the effect of differentiation focus strategy on performance of selected car rental businesses in Nairobi City County, Kenya. This study was aimed at providing insight on the competitive strategies adopted by the car rental business to achieve competitiveness and increase their performance considering there are many car rental businesses operating in Nairobi City County. This was a cross-sectional descriptive study design where purposive sampling technique was used to select fifteen (15) car rental businesses in Nairobi City County. In purposive sampling technique only the car rental businesses that met the inclusion criteria for this study were recruited and enrolled. Stratified and simple random sampling technique was employed in recruiting three categories of respondents. The three categories of staffs included, top level, middle level and bottom level management. Structured questionnaires were used to collect primary data which will be analyzed by Statistical Package for Social Science (SPSS) version 22. Descriptive statistics, regression and correlation analysis was used to give the results of the study. The findings of the study revealed that competitive strategies had no effect on performance of selected car rental businesses in Nairobi City County, Kenya and as a result, this study adopted the null hypothesis. The results of cost leadership strategy, differentiation strategy, low-cost focus strategy, and differentiation focus strategy on performance recorded a P value greater than 0.05 which was not statistically significant. In addition, there was a significant (P value less than 0.05) correlation between, cost leadership strategies, differentiation strategies, low-cost focus strategies, differentiation focus strategies and performance. In conclusion, competitive strategies adopted by the selected car rental businesses in Nairobi City County, Kenya had no effect on their performance. The study recommends that car rental businesses should consider using corporate social responsibility as a competitive advantage to enhance their performance.
CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Performance remains a fact of life which can be felt in work, play or any activity where monetary attention can be deduced if necessary (Paul., Jim and Harinder, 2007). Studies that have been done on performance have no borderlines, most are open to several understanding and its use could be of interests in business (Schechner, 1988). In a business framework, performance could possibly be that which is beneficial to a firm and in another context it could be playing out or mimicking the public at large (Conner, 1996).

Performance entails programmed parameters where us measurement is the capacity to monitor actions and movement in a useful way (Morgan, 2004). In an industrial facility performance can be described by dissimilar parameters where by each firm points out its strategy and vision, subject to exterior restrictions in their market (Lebas, 1995). Contributions, yields, transitional, end products, net effects, unachieved results relating to economy competence, efficiency, cost efficacy and evenhandedness describes performance (Wholey, 1996).

In business context, performance entails executing an action subsequently determining it on the grounds of the action as carried out (Paul, 2007). Performance by a firm plays an important function in the strategic research. The complexity of performance is perhaps the main factor that contributes to the utilization and measurement of the outcome (Tan and Litschert, 2001). Performance reflects the competency of the organization to transform and use the resources with its reach (Richard, Devinney, Yip and Johnson, 2009). The parameters that are used as indicators for performance includes revenue growth, customer satisfaction, market share growth, profitability and productivity (Otega, 2010). According to McKee, Varadarajan and William (2006),
Performance is a complex interrelationship of seven criteria in an organization, effectiveness, efficiency, products and or services, productivity, quality of work life, innovation and profitability. Performance is an indicator that measures how well an enterprise achieves their set objectives (Venkatraman and Ramanujam, 2006). Measurement of performance in an organization can be achieved through assessment of efficiency and effectiveness of goal achieved (Robbins and Coulter, 2002). Hancott (2005) noted that effectiveness and efficiency are synonyms which are interchangeable used performance.

1.1.1 Competitive strategies

The act of being in a competition necessitates a mixture of resources that are integral and molded as well as development that enhances transmission of these resources into monetary outcomes (Barnett, and Ghoshal 1989). Recently, it has been observed that financial environment changes quickly hence the need for flexibility and adaptableness to fluctuations for a business to achieve competitiveness (Barney, Wright, and Ketchen 2001). Competitive advantage results from matching core competence to opportunities. Attaining supremacy and control during competition against competitor in the same industry describes competitiveness (Lengyel, 2004). To realize sustainable competitive advantage organization, need to embark on strategic management. The progression of strategic management comprises of, recruitment, applying and assessing an action plan that has been deliberated upon that will permit a firm to accomplish its long term objective (Hofer, and Schendel, 1978).

Strategy outlines an industry main purpose, policies and achievement sequence into a unified whole (Stock, 1999). Porter (1980) argues that strategy is about differentiation implying picking actions that are unique in delivering mixed values to enhance service delivery and thus high revenue. Strategy is fundamental in positioning a firm in the wider external environment. The firm
needs to look at itself of what the competitor are doing (Johnson, and Scholes, 2004). Competitive strategy is a guide of decision in a company that give direction and disclose its intensions, purpose or ambitions and plans for achieving set goals (Githae, 2004). Competitive strategies necessitate that for a firm to gain competitiveness it needs a distinctive style of competing. It is necessary for a business to have a maintainable competitive advantage to compete but it more important is whether the competitive advantage is sustainable (Kimando, Njogu, and Sakwa, 2012). Thompson and Strickland (2010) on their part define competitive strategies as consisting of the tactics and methods employed by a business to entice buyers, endure market pressure and advance its market standings. Lester (2009) on his part argues that competitive strategies enable a business outline its position presently, tomorrow, and determines the market to compete in. Johnson and Devonish (2009) observed that when competitive strategies are prearranged and implemented by a business organization these firms tend to better performance than their counter who fails to adopt them.

Porter (1980) outlined competitive strategy to include cost leadership, differentiation, location strategy and customer service and communication strategies. In competitive strategy a business employs the use of various methods to charm clients, endures pressure from competitor and progresses its current position. To achieve long standing strategy business should pursue a sustainable tactic that will give it competitive advantage founded on generic strategies (Grant, 2002). Management approaches that results in successful competition is a company’s competitive strategy. The endeavors by a firm to satisfy customers, its aggressiveness and defensive maneuvers to counter rivals in the same industry fortifies its market position enabling it secure a competitive advantage (Bintiomari, 2010).

This study intends to find out whether cost leadership strategy, market focus strategy, differentiation strategy and growth strategy are being adopted by the selected car rental business to gain an edge over their competitor in the same business. The study also intends to get first hand
feedback from the clients/customers using rental cars and reasons for the preferred car rental business.

1.1.2 Organization performance

Richard, Devinney, Yip, and Johnson (2009) indicates that organization performance may be classified in three levels; the individual, the group and the organization. He further explained that there is no universal correct definition of performance but indicates that various attributes need to be observed in alignment with managerial success. Parameters of performance indicators include revenue growth, customer satisfaction, market share growth, profitability and productivity (Ortega, 2010). In an organization, performance is a complex interrelationship of seven criteria; effectiveness, efficiency, product and or service quality, productivity, quality of work life, innovation and profitability (Mc Kee, Varadarajan, and Willian 2006).

Some studies support Porters assertion that performance of firm pursuing either cost leadership, differentiation or focus strategies are superior than those firm stuck in the middle (Powers, and Hahn, 2004) while others reported better performance for hybrid strategies (Leitner, and Guldenberg, 2010). Koo, Sang, Kim, and Nam, (2007) found that not all generic strategies are associated with high performance in a specific industry. For instance, they noted that differentiation strategy is best route for e- business to achieve higher performance.

To understand the findings of measured performance, estimations, selection criteria and the procedures used during quantification must be well explained (Ittner and Larcker, 2003). Roles of responsibility (Cavalluzzo and Ittner, 2004), accountability to the public (Joyner and Raiborn, 2005) and to individual concerned in performance appraisal (Moer, 2005). Traditional understanding of performance is that presumption as a social character in the film (Robson, 2005). The use of standard finances can be among the techniques employed for catching performance by
specific investigators (Folan and Browne, 2005). In order to measure performance, actions need to be quantified because measurement is a process that involves quantifying the act that led to the performance (Neely, Gregory and Platts, 1995).

In qualitative analysis of performance, employing the use of good, fair and poor are ambiguous to use in an expressive way (Beamon, 1999). It is vital to evaluate performance procedures because it gives a bearing on where a firm stands compared to competitor (Keung, 2000). Mounting concerns have risen in recent times that measuring of performance may not be sufficient (Bourne, Franco and Wilkes, 2003). To achieve the desired action plan, the process of production requires several organized invention activities (Berrah, Mauris and Vernadat, 2004).

Noum (2007) is of the view that performance is what people do in relation to organization roles. Kaplan, and Norton (2011) introduced the balance scorecard as a more realistic measure of performance. Pearce, and Robinson (2003) highlighted three economic goal which define a company’s performance guided by strategic directions. These goals are survival in the market, growth and profitability.

Performance measurement can be on non-financial evidence relaying on success factors considered by each business (Clarke, 1995), means of translating strategy and monitoring business results (Grady, 1991) each organizational objective, critical success factors and customers’ desires monitored together financially and non-financially (Manoochehri, 1999) the dynamic change of strategy (Bhimani, 1993) and links to reward systems (Tsang, Jardine and Kolodry 1999).

1.1.3 Car rental business in Nairobi City County, Kenya

In Nairobi City, business involving hiring of cars has been on the rise. In recent years, car hire business has been considered a booming business in the City. The amount of income generated by the car hire business in the City can be as low as Kenya shillings 2,500 per day depending on the make of the car and duration of the service rendered. The price notwithstanding one is required to fuel the car and return it promptly once the duration of the lease has expired to hire company in Nairobi (Wamugunda, 2014).

Car hiring in Kenya rents automobile for a short period of time, which varies from hours, days, or weeks. Car hire business operating in Kenya has been known to have numerous branches located at different regions most having a website that allows clients to make online reservations. Some care hire firms have provision for self-drive where us other provide a driver. There are over fifty car hire companies in Nairobi; Almaco car hire, Amco Taxi & car hire, Arrow car hire Ltd, Avenue car hire, Avis rent a car Ltd, Asul car hire, Tourline and travel Ltd, Trans Kenya safaris and travel, Waka car hire Ltd, Westlands car hire Ltd, Holiday safari Ltd, Bayo Ltd, Budget rent a car, Barnany car hire just to mention a few (Venasnews, 2016).

1.2 Problem statement

Government of Kenya intervention such as imposing of price controls, setting guidelines, policies, registration and licensing has had adverse effect on performance of car rental businesses affecting their profits and growth in Nairobi City County, Kenya. The impact of government intervention depends on the nature of regulation being imposed.

Report by Wamugunda (2014) observed that car hiring business is on the sudden rise with good returns. The upsurge of car rental businesses in Nairobi City County, Kenya as purported by Wamugunda (2014) means that these car rental businesses must adopt various competitive strategies to enhance performance and survive in this industry.
To aid in realizing the competitive strategies by these car rental businesses in Nairobi City County, Kenya, a well-organized management systems, traffic management, competition and minimal regulation has been recommended by World Bank (2002) as an urban transport strategy as opposed to dwelling on economic strategy that has been widely adopted.

As competition is on the rise, business needs to be alert and develop strategies that will enhance their survival in the changing environment (Malburg, 2000). It has been observed that the level of competition in the car rental businesses has been increasing rapidly. The car rental business seems to be facing challenges in implementing the competitive strategies due to the nature of organization structure and organizational culture. It is therefore evident that if a car rental businesses adopts competitive strategies that is in line with its organization structure and culture then it’s likely to have a niche in this industry. It is on this basis that this study seeks to determine competitive strategies and performance that have been adopted by the selected car rental businesses in Nairobi City County, Kenya.

Previous study done by Masai (2012) on the competitive strategies adopted by registered taxi firms in Mombasa County found out that the taxi firm adopted cost leadership and differentiation strategy. Supermarkets in Nairobi adopted differentiation strategies as a competitive strategy to achieve competitive advantage (Kinyua 2010). Cost leadership and differentiation strategies have been adopted by sugar manufacturing companies (Obado 2005). Petroleum industries in Mombasa chose to use cost leadership and differentiation strategies as a competitive strategy (Amir 2007). Airtel Kenya Limited used low cost strategy and differentiation strategy to win over consumers (Kamau 2009). Safaricom Kenya Limited on the other hand used cost leadership, focus and market strategy as their competitive strategies (Njuguna 2012).
1.3 Objective of the study

1.3.1 General objective

To determine the effect of competitive strategies and performance of selected car rental businesses in Nairobi City County, Kenya

1.3.2 Specific objective

1. To determine the effect of cost leadership strategy on performance by selected car rental businesses in Nairobi City County, Kenya.

2. To examine the effect of differentiation strategy on performance by selected car rental businesses in Nairobi City County, Kenya.

3. To assess the effect of low-cost focus strategy on performance by selected car rental businesses in Nairobi City County, Kenya.

4. To establish the effect of differentiation focus strategy on performance by selected car rental businesses in Nairobi City County, Kenya.

1.4 Hypothesis

1.4.1 Null hypothesis

This study adopted the null hypothesis that, competitive strategies had no effect on performance of selected car rental businesses in Nairobi City County, Kenya.

1.5 Significance of the study

This study would be important to the directors, managers and owners of the car rental businesses in Nairobi City County, Kenya as they would be able to know how competitive strategies play a role in shaping their operations and how they affect performance and at the same time they would know which competitive strategies to use in order to remain competitive.
The government as the regulator of public transport sector would benefit with the findings of this study as it would be enlightened on the various competitive strategies that car rental businesses in Nairobi City County, Kenya can adopt to influence their performance. Information gathered through this study would help the government to formulate policies beneficial in the best competitive strategies in the transport sectors in Kenya.

The results of this study would also be valuable to researchers and scholars, as it would form a basis of further research. The students and academicicians would use this study as a basis for discussions on competitive strategies. This study would be a source of reference material for future researchers on other related topics; it would also help other academicicians who undertake the same topic in their studies.

1.6 Scope of the study

The study was about the competitive strategies adopted by selected car rental businesses in Nairobi City County, Kenya. The study focused on application of competitive strategies in the car rental businesses in Nairobi City County, Kenya and how they affect their performance. This study was limited to the car rental businesses in Nairobi City County, Kenya. This involved collecting information from the top, middle and bottom level management staff.

Nairobi County is the capital city of Kenya and is of the Counties that urbanization has been consistently high. With the growing population in the capital city, the public transport systems have been unable to effectively respond to the rising public demand leaving the city of roughly 3.5 million people without a functioning public transport system. This service gap has made it possible for the car hire business to quickly answer the unmet need of Nairobi increasing population.
1.7 Limitation of the study

There are over fifty registered car rental businesses in Nairobi City County, Kenya. Time and distance were the limiting factors that inhibited collecting the data from all the car rental businesses in Nairobi City County, Kenya.

1.8 Organization of the study

The foregoing chapter one provides the research background, research objectives, significance of the study, scope, and the limitations encountered in the course of the study. Chapter two presents literature review on the theoretic framework, conceptual framework and empirical review. Chapter three deals with the methodology employed in the study; the findings and their interpretation will be presented in chapter four; while chapter five will have discussion conclusion and recommendation of the study.
CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION
This chapter provides a summary of information from other researchers who have carried out their research in the same field of study. The specific area covered here are theoretical orientation, empirical review, conceptualization and operationalization.

2.2 Theoretical review
2.2.1 Porter’s Five Forces Model
Analyzing the five competitive forces is essential for an organization to boost competitive advantage. The profits achieved are dependent on how an organization adopts the utilization of the competitive strategies (Porter, 2003). Studies have shown that when a firm implements the five competitive forces successfully, it will be easy for it to choose a generic strategy that will give it competitive advantage (Kitoto, 2005). Miller and Dess (2010) suggested that the generic strategy frame work could be enhanced by viewing cost, differentiation and focus as the three dimensions of strategic positioning.

Profitability of a firm is swayed by the five competitive forces existing in the industry (Porter, 1985). Generic strategies are interrelated to performance achieved by an organization when key strategic practices are utilized (Porter, 1998). Rivalry, danger posed by new entrance in the market, power of supplier and the buyers are the five forces of competition (Porter, 2008). Porter was on the view that these five forces shape a sectors competition and is on this basis that there is need to develop strategies.
2.2.2 Configuration Theory

Marketing events should be established in a way that accommodates strategies developed by an organization as this will improve performance (Douglas, and Neil, 2003). Environmental factors have shown to impact greatly by influencing organizations direction and performance (Gomes, Kato, Becker, and Tortato, 2011). In a configuration theory the structure of an organization and environment in which it operates has an influence on performance (Fincham and Rhodes, 2005). To survive in the dynamic market forces an organization should endeavor to develop sustainable strategies due to environmental restrictions (Gao, Zhou, and Yim, 2007).

2.3 Empirical review

2.3.1 Cost leadership and performance

The objective of cost leadership is to improve efficiency and control throughout the supply chain of the organization (El-Kelety, 2006). Striving to produce products or services at the required standards, high volume of output at the most competitive price to the consumer is also an objective of cost leadership strategy (Li and Li 2008). The most important goal and the main measure of productivity is performance (Porter, 2004).

Cost leadership strategy aims at achieving a competitive advantage in the industry by having the lowest price in the market (Bauer and Colgan, 2011). Offering service and products at the lowest price in the industry is the objective of cost leadership strategy. The challenge facing this strategy is earning a sustainable profit while at the same time draining the profits to be made by competitors in a similar industry. This cost leadership strategy has been embraced by Walmart companies giving them a competitive advantage over their rivals (Hyatt, 2001)

Mass production, economies of scale, product design are just a few but to mention among the areas where the cost leadership strategy can be employed to achieve a sustainable competitive advantage
Performance of a company is measured by comparing it to the standard units of measure. Debate on cost leadership and performance have been going on and yet to be concluded however scholars believe that the environment in which the company operates has a great influence. Lowering prices for services or commodities can be achieved through innovation, product design, reducing turn over time during production and re-engineering of the existing goods or services (Prescott, 2010).

Cost leadership strategy boosts customer’s loyalty, result in losses if the prices has been reduced way too much and as a result might not be advantageous (Johnson and Scholes, 2004). According to Mc Cracken (2012), cost advantage can be realized by accessing bulky cheap raw materials out sourcing certain products or services to avoid the high cost implications associated with production (Reilly, 2012)

Cost leadership strategy is where a company offers the lowest price for its products or services (Dani, 2017). Performance in public university was significantly affected by cost leadership strategy (Sifuna, 2014). In Kenya, telecommunication industry chose to use cost leadership strategy to a greater level as it was found to enhance performance compared to other competitive strategies (Kyengo, Ombui. and Iravo, 2016). Performances of supermarkets in Nairobi Kenya are affected by cost leadership strategy (Mutegi, 2013). A study conducted on competitive strategies that are adopted by Bank of India, Kenya revealed that cost leadership was found to be less significant to influence performance (Achoki, 2013).

### 2.3.2 Differentiation and performance

Differentiation strategy entails the use of unique services and or product by a company (Dani, 2017). Differentiation on service, advertising and personnel affected performance of public
universities to greater extent (Sifuna, 2014). Differentiation strategy significantly improved performance in Telecommunication companies in Kenya. Among the differentiation strategies adopted by the Telecommunication companies included the use of innovation, product, pricing and market (Kyengo et al., 2016). A study conducted in Kajiado, Kenya found that price differentiation strategy increased customer base which enhanced performance (Muraya, 2016).

Quality of service or product is perceived to be instrumental in differentiation strategy (Stock, 2009). The positioning of a brand making it unique from that which is being offered by the competitor best describes the differentiation strategy (Davidow and Uttal, 2005). Ogbonna and Harris (2003) viewed differentiation strategy as a way of minimizing competition, improving performance and enhancing competitive pressure in the industry. The uniqueness of service or product by a company enables it to alter the price with ease due to value addition (Baum and Oliver, 2011). Customer loyalty due to product or service brand cushions companies from the threats of five sources in the industry (Grant 2013).

Innovation, quality and customer service are considered valuable features which differentiation strategy aims at using in achieving competitive advantage to improve on performance (Reece and Pisano, 2009). To realize differentiation strategy buyers prerequisite and behaviors needs to be understood as vital and valuable (Barney, 2011). Companies can use sheer size, training of its employees, offering innovative products, re-engineering the existing products and embrace modern technology to attain differentiation strategy which will eventually influence performance. One of the Porter’s important business strategy is the adoption of differentiation in products and or service to consumers (Reilly, 2012).

A differentiator as a competitive advantage should be on product and/or service whose characteristics differ from that being offered by competitor in the same industry (Thompson,
Strickland and Gamble, 2008). Kenya commercial bank applied product differentiation and differentiation focus to a significant level compared to cost leadership to enhance their performance (Awuor, 2011). In another study, commercial bank profit level increased positively when it adopted differentiation strategy as opposed to differentiation focus strategy (Oyiela, 2011). Differentiation strategy was also used to give one on one services to customers to improve on performance (Achoki, 2013).

2.3.3 Low-cost focus and performance

Low-cost strategy is almost similar to cost leadership except that it focuses on a niche market. Instead of targeting entire population, in low-cost strategy a segment of a population is chosen with an objective of being the cheapest provider to the targeted segment (Dani, 2017). Lowering of price, use of advanced systems and structures to offer services was found to enhance performance by the County government of Kajiado in Kenya (Muraya, 2016). Reduction in price of commodities in the supermarkets in Kenya rarely attracts customers; image of the business is the key when it comes to customer satisfaction (Mutegi, 2013). Commercial banks moderately use low cost leadership strategy which created a significant distinction on performance in their adoptions (Onyoro, 2011).

Low-cost focus strategy aims at targeting a specific market segment (Malburg, 2010). Low-cost focus strategy is most often ambiguous others refer to it as invisible assets (Itami, 2007) or an intermediate product (Amit and Schoemaker, 2008). Studies have shown that companies that uses low-cost focus strategy gradually expand and transform in the future (Penrose, 2009). Stalk, Evans and Schulman (2012) witnessed the success of Walmart Company from small to a giant establishment while using the same resources. Further to that, its unique ability to manage effectively the available resources made it possible to be ranked among the best in the industry.
Companies have choices to make on the low-cost focus strategy based on the consumer group, merchandise range, topographical area or service line (Stock, 2009). For instance, some companies focus on customer’s service delivery. Well established and mid-level companies tend to use focus-based strategy in tandem with differentiation and cost leadership strategies (Baum and Oliver, 2012).

2.3.4 Differentiation focus and performance

Just like low-cost focus strategy differentiation focus targets a specific subset of the market. For example, manufacturing or offering services targeting left-handed people (Dani, 2017). Market focus had shown to improve performance significantly among telecommunication companies in Kenya. Several promotions were used to enhance market focus strategies (Kyengo, et al., 2016). Study conducted among supermarkets in Nairobi reveal that differentiation focus strategy was the most effective strategy to use (Mutegi, 2013). Bank of India, Kenya concentrated on the use of focus/market niche kind of strategy among the Indian community (Achoki, 2013).

For differentiation focus strategy to be effective, consumer’s preference needs to be well understood and the competitor firms need to show lack of interest in that precise market (Davidow and Uttal, 2009). According to Grants (2013), buyer’s differentiation focus strategy should be incorporated as a crucial factor and the different market segment factored in. A solid relationship between a company and its customers can be created and boosted by ensuring that attention to details is provided to clients at all levels to abolish any form of unease (Young, 2009). Certain firms pick concentrate on their abilities which is unique from their rival as a differentiation focus strategy to improve their performance.

Improvement on performance by adopting differentiation focus strategy encompasses targeting a specific market segment and capacity to offer niche different from competitor (Stock, 2009).
According to Porter (2010), differentiation focus is founded on choosing a market niche where purchasers have idiosyncratic favorites. The distinctive niche is demarcated by geographic distinctiveness, particular requirements in consuming the produce or by a distinct qualities that meets the demands of loyal customers (Stock, 2009).

2.4 Summary of literature review and gaps

The objective of literature review was to look at the competitive strategies used by selected car rental businesses in Nairobi City County, Kenya. This chapter discussed the forces of competitive strategies used by the car rental businesses and the effectiveness of the competitive strategies adopted. The chapter examines the way in which competitive strategies are used to attain competitiveness and improve performance by the car rental businesses.

This study was not able to reveal some gaps on the nature and magnitude of the management challenges facing the car rental businesses in Nairobi City County and the implication these challenges had on their performance. Furthermore, the increase in the number, improvement of service delivery among public vehicles and increase in the number of private owned cars has brought concerns over the revenue generated by the car rental business.
Table 2.4.1 Summary of literature review and gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Focus of the study</th>
<th>Findings</th>
<th>Research gaps</th>
<th>Focus of current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atikiya, R. (2015)</td>
<td>Effects of cost leadership strategy and performance of manufacturing firms in Kenya</td>
<td>Performance of manufacturing firms was only influenced by cost leadership strategy as long as the organisation focuses its efforts towards its implementation.</td>
<td>Left out other competitive strategies differentiation</td>
<td>Cost leadership, differentiation, low-cost focus and differentiation focus strategies</td>
</tr>
<tr>
<td>Vilapour, Hasheem, Bivjahdi, Hameed Honarbaksh Samra (2012)</td>
<td>Effects of cost leadership and product differentiation strategies in deposit taking MFIs,</td>
<td>Firms with cost leadership strategies had positive relationships between leverage, cost leadership and dividend payout.</td>
<td>Solely focused on profitability. Didn’t focus on external factors that may affect profitability like technology, and government intervention,</td>
<td>Factors affecting overall profitability like embracing technology were included</td>
</tr>
<tr>
<td>Margaret Waithera Wangure (2012)</td>
<td>Achieving sustainable competitive advantage through product differentiation in deposit taking MFIs.</td>
<td>Product differentiation effective as it allowed them to target specific markets, increased market niche and profitability.</td>
<td>Threat of competition with substitute or near perfect substitute.</td>
<td>Focuses on a variety of different strategies that are to be applied to complement each other.</td>
</tr>
<tr>
<td>Elaine Mosokowski (1993)</td>
<td>How focus and differentiation strategies affected the economic performance of entrepreneurial firms.</td>
<td>Performance gaps were higher than in firms that did not apply the differentiation strategy.</td>
<td>The business environment has since changed.</td>
<td>Implementation of the strategies as a combination of the four independent variables.</td>
</tr>
</tbody>
</table>
2.5 Conceptual framework

A conceptual framework seeks to determine association between independent variable and dependent variable. For this study the conceptual frame work will be based on the following independent variables; cost leadership strategy, differential strategy, market focus strategy and corporate growth strategy where us the dependent variable is performance by selected car rental business, A case of Nairobi City County.
Figure 2.1: Conceptual frame work of competitive strategies

Source: (adopted from Porter model of 1980)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION
This chapter will highlight on the research design that will be used in the study, data collection methods/instruments and how data will be analyzed and presented.

3.2 Research design
This was a cross-sectional descriptive study design where quantitative approaches was employed. The quantitative method is that measurement that is valid, reliable and can be generalized with clear anticipation of the cause and effects (Cassell and Symon 1994). According to Zikmund (2003) quantitative approach is a design that sets out to quantify data in order to use statistics to analyze a data set. In this study quantitative approach was used to quantify the hypothesized relationship between dependent variable business performance and independent variable cost leadership strategy, growth strategy, market focus strategy, and differentiation strategy. A qualitative approach was adopted to provide in depth understanding of the situation about competitive strategies and business performance. An open ended question will be used to meet criteria described by Cooper and Schindler (2008) about qualitative research. Qualitative approach will generate verbal information rather than numerical value (Polgar and Thomas 1995).

3.3 Target population
The generalization of the results from the selected study population by the principal investigator refers to the targeted population (Berg, 2001). There are more than sixty car rental companies that are dully registered in Nairobi City County by Nairobi city council licensing department (Wamungunda, 2014). This study targeted 15 car rental business companies which were licensed by the Nairobi city council licensing department. The average number of employees working for this car rental business ranged between 10 to 20 depending on the size of the company. These car
rental companies had three levels of management comprising of top level/administrative, middle level/executory and the low level/first line manager/operative. Since the study targeted 15 car rental businesses, the study sought to target the 45 top managers and the key person that was interviewed in this level of management was the operation managers, finance manager and marketing manager. The study sought to interview at least three employees in the top management in each of the 15 registered car rental businesses. In the middle level management, a total of 94 employees in all the 15 registered car rental business were interviewed. Approximately six (6) to seven (7) employees in each of the 15 registered car rental businesses were interviewed. The middle level management in each of the selected car rental business company was employees who control the overall activities. A total of 61 employees in the low level of management were involved in the day to day operation representing the work force of the car rental business recruited. Out of the 61 employees in the low level management, between four (4) and five (5) employees in each of the car rental business were recruited and interviewed for this study.

3.4 Sampling procedure and technique
Since there are over fifty car hire companies in Nairobi (Venasnews, 2016) and a representative sample should be 10-30% of the target population (Kothari, 2004) the study used 30% of 50 car hire companies settling to 15 registered and licensed cars rental business in Nairobi city. The targeted 15 car rental business have a total staff of 454 represented in table 3.1. Krejcie and Morgan formula was used to determine the sample size because the sample is less than 10,000 (Krejcie and Morgan 1970). When the population is finite, the following formula (Krejcie and Morgan 1970) is used to determine the sample size:

\[ n = \frac{X^2NP(1-P)}{d^2(N-1)+X^2P(1-P)} \]
\[ S = X^2 NP (1-P) \left\{ d^2(N-1) + X^2P(1-P) \right\} \]

\[ X^2 = \text{the table value of Chi-square for 1 degree of freedom at the desired confidence level} \]

\[ (1.96 \times 1.96) = 3.841 \]

\[ N = \text{the population size} \]

\[ P = \text{the population proportion (assumed to be 50)} \]

\[ D = \text{the degree accuracy expressed as a proportion (0.5)} \]

\[ S = 3.841 \times 454 \times (1-0.5)/0.05^2 \times (454-1) + 3.841 \times 0.5 \times (1-0.5) = 417 \text{ at 95\% confidence level with \pm 5\% precision} \]

Since the total population in this study was less than 10,000 and the principal investigator applied finite correction formulae (nf) that was applied together with the Krejcie and Morgan 1970 formula in successive steps as shown:

\[ nf = \frac{n}{\frac{1}{1} + n/N} \]

Where \( n \) was the sample size, at 95\% confidence level with \pm 5\% precision, and \( N \) was the total target population.

\[ N = 454 \]

\[ n = 417 \]

\[ nf = \frac{n}{1+(n/N)} \]

\[ nf = 417/(1+(417/454)) = 200.156 \]

Approximately 200

The study interviewed 200 respondents to collect data that answered the set objectives.
Table 3.1: Targeted employees in the 15 car rental businesses

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Population size (Nc)</th>
<th>Sample proportion (\frac{n_{fc}}{Nc})= (\frac{n_{f}}{N})* Nc</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>15</td>
<td>15</td>
<td>45</td>
</tr>
<tr>
<td>Middle managers/Fleet manager</td>
<td>45</td>
<td>30</td>
<td>94</td>
</tr>
<tr>
<td>Supervisors/operative employees</td>
<td>394</td>
<td>372</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>454</strong></td>
<td><strong>417</strong></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

**Source:** (Mduduzi, and Bertha, 2011).

### 3.5 Sampling design

Krejcie and Morgan formula was be used to determine the sample size. The study employed stratified and simple random technique in recruiting the three category of the respondent. The employees in each car rental business were stratified then simple random sampling was used to recruit subjects in the three level of management. Purposive sampling method was used to recruit subjects to be interviewed by answering the preset questionnaire (Appendix I).

### 3.6 Data collection instruments and procedure

A structured questionnaire was used to collect the primary data. The questionnaire (Appendix I) was used on the respondent who were able to read write and respond to questions when called upon. The questionnaire was carefully designed, validated and data collected was accurate. The validation of the questionnaire was done during questionnaire formulation stage in order to ensure that the measure included was adequate and represented the set items that tapped the content. The study was content valid indexed (CVI) which was measured by computing or rating the relevant items in the instruments by testing their clarity and significance in line with all objectives stated in the study.
The response from the interviewee was collected using the questionnaire (Appendix I). The researcher assured the respondent on confidentiality of their responses.

3.6.1 Operational and measurement of Variables

This sub-section was developed to classify and operationalize the main variables (Independent and dependent variable) of the study. The operationalized was based on how the variables was used in this study. The criteria of measurement used for the measurement of the variables (Independent and dependent variable) are well indicated in table 3.2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type</th>
<th>Operationalization</th>
<th>Measurement</th>
<th>Hypothesized direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Dependent</td>
<td>Three and above integrated 1= To a little extent 0= To no extent</td>
<td>Scale of 1-5</td>
<td>H0 was accepted</td>
</tr>
<tr>
<td>Competitive strategies</td>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2018)

3.7 Validity and Reliability

3.7.1 Validity

In the questionnaire, validity checks were conducted to guarantee that the tool measured only what it was supposed to measure and that the three approaches used to measure validity included, content validity, construct validity and criterion validity.

The variables in the study had been operationalized to reflect the theoretical assumptions that underpin the conceptual framework for the study. The principal investigator adopted the
supervisor’s comments on the study instruments and calculated the validity index. The supervisor had studied the data collection instrument, recommended improvement with respect precision. Content validity of an instrument being the degree to which a test appears to measure a concept by logical analysis of the items, the emphasis becomes the adequacy of coverage by the instrument on the scope implied by the topic of study.

The supervisor’s comments (with respect to sensibility and precision) on the individual questions was used to calculate content validity index (CVI) using the formula:

\[
CVI = \frac{K}{N}
\]

Where \( K \) = Total number of items in the questionnaire declared valid by both the supervisors

\( N \) = Total number of items in the questionnaire

According to Amin (2005) an instrument is considered valid if the CVI is at least 0.7. After scrutiny of the supervisor’s comments with respect to the research instrument, a total 7 out of 9 questions in the instruments were found valid.

CVI was therefore calculated as:

\[
CVI = \left(\frac{7}{9}\right) \times 100\%: \quad CVI = 0.78
\]

From the results of validity test, it was concluded that the instrument was valid as evidenced by CVI score of 0.78 which is above the recommended CVI of 0.7. In general, the findings showed that the research instrument correctly captured the effects of competitive strategies on performance and as such, it was a reasonable measure of study items, which appeared relevant and important to the study (i.e. face validity).
3.7.2 Reliability

Data collected for this study was measured for reliability. Reliability of the tool was measured to acceptable standards. Regardless of the research design and sampling technique, there was need to consistently measure what ought to be measured and this was done accurately.

All the items in the questionnaire were computed using the Cronbach’s Alpha coefficient to determine reliability of the results. A good internal consistency should have high alpha coefficients. The Cronbach’s alpha coefficient ranges between 1 and 0 with higher coefficient value being more reliable than the others (Richard and Clark, 2005).

Table 3.3: Reliability Statistics: Cronbach’s Alpha Findings

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardised Items</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.26</td>
<td>0.04</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

The Cronbach’s alpha of 0.26, indicates low level of internal consistency within the sample used and this was attributed to the average covariance among items. Cronbach's alpha does present overall reliability coefficient for a set of variables. The findings for each of the study variables were as presented in the Tables 3.3 and 3.4.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Squared Multiple Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>66.35</td>
<td>97.74</td>
<td>0.07</td>
<td>0.11</td>
<td>0.25</td>
</tr>
<tr>
<td>Age</td>
<td>65.52</td>
<td>83.57</td>
<td>0.92</td>
<td>0.91</td>
<td>0.12</td>
</tr>
<tr>
<td>Marital status</td>
<td>65.76</td>
<td>93.70</td>
<td>0.534</td>
<td>0.38</td>
<td>0.22</td>
</tr>
<tr>
<td>Education level</td>
<td>64.27</td>
<td>103.37</td>
<td>0.382</td>
<td>0.42</td>
<td>0.30</td>
</tr>
<tr>
<td>Management level</td>
<td>65.49</td>
<td>107.05</td>
<td>0.61</td>
<td>0.558</td>
<td>0.33</td>
</tr>
<tr>
<td>Job experience in years</td>
<td>65.52</td>
<td>78.50</td>
<td>0.86</td>
<td>0.813</td>
<td>0.07</td>
</tr>
<tr>
<td>Cost leadership strategy used</td>
<td>65.54</td>
<td>98.01</td>
<td>0.01</td>
<td>.07</td>
<td>0.26</td>
</tr>
<tr>
<td>Cost leadership strategy affects performance</td>
<td>66.14</td>
<td>97.67</td>
<td>0.04</td>
<td>0.10</td>
<td>0.25</td>
</tr>
<tr>
<td>Differentiation strategy used</td>
<td>66.40</td>
<td>98.15</td>
<td>0.01</td>
<td>0.05</td>
<td>0.26</td>
</tr>
<tr>
<td>Differentiation strategy affects performance</td>
<td>66.35</td>
<td>99.15</td>
<td>0.09</td>
<td>0.12</td>
<td>0.27</td>
</tr>
<tr>
<td>Low cost focus strategy used</td>
<td>64.71</td>
<td>98.98</td>
<td>0.07</td>
<td>0.07</td>
<td>0.27</td>
</tr>
<tr>
<td>Low cost focus strategy affects performance</td>
<td>66.24</td>
<td>98.50</td>
<td>0.04</td>
<td>0.06</td>
<td>0.26</td>
</tr>
<tr>
<td>Differentiation focus strategy used</td>
<td>64.89</td>
<td>96.31</td>
<td>0.06</td>
<td>0.10</td>
<td>0.25</td>
</tr>
<tr>
<td>Differentiation focus strategy affects</td>
<td>66.02</td>
<td>97.85</td>
<td>0.01</td>
<td>0.05</td>
<td>0.26</td>
</tr>
<tr>
<td>Indicators for performance improvement</td>
<td>64.76</td>
<td>99.20</td>
<td>0.10</td>
<td>0.07</td>
<td>0.27</td>
</tr>
<tr>
<td>Extent of performance</td>
<td>64.97</td>
<td>96.40</td>
<td>0.09</td>
<td>0.08</td>
<td>0.25</td>
</tr>
</tbody>
</table>

*Source: Author (field data, 2018)*
The results in table 3.4 shows that the indicators were reliable as evidenced by 0.01 being the least Cronbach’s Alpha value of the variable on the table. The corrected Item-Total correlation portrays the relationship between the various aspects of the variables and the summated scores of the other elements in the list. All the items appear good with R- value above 0. The items with the lowest item-sum correlation was cost leadership strategy used, differentiation strategy used and differentiation focus strategy affects performance (r = 0.01). In the circumstances when this where (r = 0.01) is close to zero, then it can be considered for removal from the scale since it does not measure the same things as the rest of the items. The rule of thumb is that these evaluates should be at least 0.70. In this case, r = 0.01 is not closer to the acceptable correlation coefficient where (r) = 0.70.

Table 3.5: Cronbach's Alpha scale statistics

<table>
<thead>
<tr>
<th>Mean</th>
<th>Variance</th>
<th>Std. Deviation</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>67.57</td>
<td>98.46</td>
<td>9.92</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

The Cronbach's Alpha scale statistics finding from table 3.5 indicates that all the sixteen variables tested for reliability has a mean value of 67.57, variance of 98.46 and standard deviation of 9.92.

### 3.8 Data analysis and presentation

Statistical package for Social Sciences (SPSS) version 22 was used as software to analyze quantitative data collected. The quantitative data collected was analyzed using a descriptive statistic that includes proportions, mean scores, frequencies and standard deviation.

Analytical model in data analysis of the variables and hypothesis shown in table 3.6 was used. Descriptive statistics and correlation analysis were used to analyze data collected where independent variable (the four competitive strategies) was tested at 95% confidence interval
against dependent variable (performance). Where P-value that was gotten to be less than 0.05 was considered statistically significant.

Table 3.6: Analytical model in data analysis of the variables and hypothesis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hypothesis</th>
<th>Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Multiplication regression:</td>
</tr>
<tr>
<td>Independ variables</td>
<td>Parameters</td>
<td>H01: Cost leadership strategy has no significant influence on car rental businesses in Nairobi City</td>
</tr>
<tr>
<td>Cost leadership (X1)</td>
<td>-Charges same as competitor</td>
<td>Y = β0 + β1 X1 + β2 X + β3 X3 + β4 X4 + β Z + β Z *X + μ Accept if 6 p&lt; .05 or otherwise reject</td>
</tr>
<tr>
<td>-Charges lower than competitor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Higher than competitor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation (X2)</td>
<td>-Product range/variety of car models for rental</td>
<td>H02: Differentiation strategy has no significant influence on car rental businesses in Nairobi City</td>
</tr>
<tr>
<td>-Geographical area of operation within Nairobi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Service line/Clients can reach main office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low- cost focus (X3)</td>
<td>-There is discount for new clients</td>
<td>H03: Low- cost focus strategy has no significant influence on car rental businesses in Nairobi City</td>
</tr>
<tr>
<td>-There is discount for an existing client</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-There is discount for self-drive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-There is discount when client rents for days/months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation focus (X4)</td>
<td>-Package for corporate companies</td>
<td>H04: Differentiation focus strategy has no significant influence on car rental businesses in Nairobi City</td>
</tr>
<tr>
<td>-Package for events like wedding, graduations etc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Onetime individual package</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Periodic events within a calendar year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent variable</td>
<td>Parameters</td>
<td>Hypothesis</td>
</tr>
<tr>
<td>Performance of car rental business (Y)</td>
<td>-Nairobi city ranking by the county residence</td>
<td></td>
</tr>
<tr>
<td>-The number of clients</td>
<td></td>
<td>H01: Cost leadership strategy has no significant influence on car rental businesses in Nairobi City</td>
</tr>
<tr>
<td>-Revenue generated</td>
<td></td>
<td>Y = β0 + β1 X1 + β2 X + β3 X3 + β4 X4 + β Z + β Z *X + μ Accept if 6 p&lt; .05 or otherwise reject</td>
</tr>
<tr>
<td>-Periodic compliments from client</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author (2018)*
3.9 Ethical considerations

Before participation, the study participants were required to append their signature as a consent that stipulated voluntary participation in this study. Study participants who refused to take part in this research were not penalized. Only consenting participants were recruited into the study. The study collects data from subjects above 18 years of age.

Research authorization for this study was obtained by the principal investigator (Demba R. Norman) from Kenyatta University (Appendix II).

Research authorization letter for data collection was approved by National Commission for Science Technology and Innovation (NACOSTI) reference number: NACOSTI/P/18/28460/25427 (Appendix III) and the research license granted by NACOSTI serial No. A 21059.
CHAPTER FOUR
DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 INTRODUCTION

This chapter presents results on demographic data; statistical results on competitive strategies on the performance of car rental businesses in Nairobi City. The data collected through a structured questionnaire (Appendix I) was analyzed using descriptive and inferential technique. The results were presented as per the research questions.

A total of two hundred (200) questionnaires were administered to the top level, middle level and bottom level management staff of the fifteen (15) selected car rental businesses in Nairobi City. At the end of data collection, all the respondent in the respective level of management had filled their questionnaire representing 100% response rate.

4.2 Socio-demographic information

The socio-demographic data collected from the respondents were gender; age, marital status, level of education, level of management and the number of work experience in the car rental business. All these socio-demographic characteristics was analyzed descriptively and presented in tables and figures.

4.2.1 Gender

The figure 4.1 below represents the findings on gender distribution where this study had 78% (156) males and 22% (44) females. The findings indicate that car rental business is male dominated as more males compared to females were registered in the study.
4.2.2 Age

The results on age level were grouped as follows; 18-29 years, 30-39 years, 40-49 years, 50-60 years. It was noted that 28% (56) were between 18-29 years, 44% (88) of the respondents were 30-39 years, 23% (46) were 40-49 years, and finally 5% (10) were between 50-60 years as shown in Figure 4.2.

Figure 4.2: Age distribution among respondents

Source: Author (field data, 2018)
The findings show that the age groups were normally distributed with majority 44% (88) being 30-39 years of age.

4.2.3 Marital status

The outcome on marital status among the respondents in the selected car rental business were recorded as 20.5% (41) single, 78.5% (156) married, 0.5% (1) divorced and 0.5% (1) widow/widower (Figure 4.3).

![Marital status distribution](image)

**Figure 4.3: Distribution of marital status among respondents**

*Source: Author (field data, 2018)*

The results in figure 4.3 revealed that 78% (156) respondents were married and this implies income gotten from car rental businesses was used to sustain their family.

4.2.4. Education level

The finding on the highest level of education attained by the respondents in the car rental businesses were distributed as follows; 2.5% (5) had no formal education background, 4.5% (9) had attained standard 8 certificate, 55% (110) had form four certificate, 36.5% (73) had a tertiary level college certificate and 1.5% (3) had university degree certificate (Figure 4.4).
Majority 55% (110) of the respondents had obtained Kenya Secondary Education (KCSE) certificate meaning they have the potential to advance in career in line with car business or choose to quit and pursue other careers. Only those in top level management with tertiary college certificate and university certificate had shown interest in refresher courses that are in line with car business.

4.2.5 Duration of experience in the current position

The duration of work experience attained by the respondent in the current position revealed that 46% (92) had less than five years of experience, 24% (48) had five to less than ten years’ experience, 13.5% (27) had ten to less than fifteen years’ experience, 12% (24) had fifteen to less than twenty years’ experience and 4.5% (9) had over twenty years of experience (Figure 4.5). It was noted that current position held by the respondents were commensurate to the years of work experience in the industry as opposed to the level of education. However, few cases with high education level were recruited in the top management position to help with finances and customer care strategic measures. The respondents with longer duration of work experience were noticed to
at comfort zone compared to those who had just been recruited with some claiming to have joined the industry as a stepping stone for greener pasture in the future.

![Years of experience](image)

**Figure 4.5: Duration of experience in the current position among respondents**

*Source: Author (field data, 2018)*

### 4.2.6 Level of management occupied by the respondents

The level of management filled by the respondents showed that 22.5% (45) were in top level, 47% (94) in middle level and 30.5% (61) occupied bottom level (Figure 4.6).

![Level of management](image)

**Figure 4.6: Level of management occupied by the respondents**

*Source: Author (field data, 2018)*
More often than not, it was observed that the level of management assigned were based on years of experience an employee has served in that firm. However, cases of academic qualifications and loyalty were also factored in while making such appointments.

**4.3 Effect of cost leadership strategy on performance.**

This study had sought to explore the degree to which cost leadership strategy impact on performance by looking at the outcome on selected car rental business in Nairobi City. The study evaluated the research question by viewing the findings of measure of central tendencies, correlation and regression analysis, chi-square tests and analysis of variance.

**4.3.1 Frequency distribution of the effect of cost leadership strategy on performance.**

Descriptive statistics was used in the analysis and the outcome of the effect of cost leadership strategy on performance by the selected car rental business in Nairobi City was presented as in table 4.1 where the respondent were asked to give their view (in a scale of 0-4) with regard to influence of cost leadership strategy. The table is offered in two sections, A and B. Where part A shows cost leadership strategy used and B the effect of cost leadership strategy on performance.
Table 4.1: Frequency distribution of the effect of cost leadership strategy on performance

<table>
<thead>
<tr>
<th>Section A: Cost leadership strategy used by selected car rental business in Nairobi City</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges higher than competitor</td>
<td>27</td>
<td>13.5</td>
<td>13.5</td>
<td>13.5</td>
</tr>
<tr>
<td>Charges same as competitor</td>
<td>139</td>
<td>69.5</td>
<td>69.5</td>
<td>83.0</td>
</tr>
<tr>
<td>Charges lower than competitor</td>
<td>34</td>
<td>17.0</td>
<td>17.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Cost leadership strategy affects performance by selected car rental business in Nairobi City</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large extent</td>
<td>122</td>
<td>61.0</td>
<td>61.0</td>
<td>61.0</td>
</tr>
<tr>
<td>Great extent</td>
<td>70</td>
<td>35.0</td>
<td>35.0</td>
<td>96.0</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>8</td>
<td>4.0</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

As revealed in table 4.1, the study found out that the cost leadership strategy being used by car rental business in Nairobi city was 69.5% (139) charged the same as their competitor, 17% (34) charged lower than competitor and 13.5% (27) had higher charges than competitor. It was also noted that cost leadership strategy affects performance by 61% (122) to a very large extend, 35% (70) to a great extent and 4% (8) to a moderate extent. When the means score and standard deviation of the effect of cost leadership strategy on performance was computed the results indicated that, the mean was 1.43 and standard deviation of 0.57.

According to Bauer and Colgan, (2011) and Dani, (2017) having a lower price than your competitor gives a firm an competitive advantage hence used as cost leadership strategy. The
findings in this study noted that cost leadership strategy affected performance by 61% (122) to a very large great extent with majority 69.5% (139) deciding to charge same as their competitor. The reason why most car rental business charge the same as their competitor is that this industry has set standard market rate with in which they operate and adhere to. Few 17% (34) outliers were able to implement the cost leadership strategy of charging lower than their competitors. The reason that they gave for charging lower than their competitor was governed by, years of experiences they’ve had in the car rental business, the year of manufacture of the car they are hiring, condition of the cars and the number of car fleets they had.

4.3.2 Chi-Square testing the effect of cost leadership strategy on performance

Chi-square is used as statistical technique to assess the goodness of fit between pairs of observed values and their expected outcome. In this study, chi-square was used to confirm the strength of association between the effect of cost leadership strategy on the extent of performance by selected car rental businesses in Nairobi City.

Chi-square was used to test significance level that the cost leadership strategy had on the extent of performance by the car rental businesses in Nairobi City. The findings shown in table 4.2 B indicated that there was no significant (P value 0.205) association between the cost leadership strategy adopted by the car rental businesses in Nairobi City and extent of their performance. However, as indicated in table 4.2 A, it was observed that 13.6% (3) charges higher than competitor with a very large extent on performance. The car rental business that charged at higher than competitor, 18.2% (10) had a great extent on performance, 11.5% (12) among those that charged higher than competitor had a moderate extent on performance and 10.5% (2) amongst those that charged higher than competitor had little extent on performance.
Table 4.2: Chi-Square testing the effect of cost leadership strategy on performance

| Section A: A cross tabulation on the extent of performance and the cost leadership strategy adopted by the car rental business in Nairobi City |
|---|---|---|---|---|
| Cost leadership strategy used | Charges higher than competitor | Charges same as competitor | Charges lower than competitor | Total |
| Extent of performance | | | | |
| Very large extent | Count% within Extent of performance | 3 (13.6%) | 12 (54.5%) | 7 (31.8%) | 22 (100%) |
| Great extent | Count% within Extent of performance | 10 (18.2%) | 41 (74.5%) | 4 (73%) | 55 (100%) |
| Moderate extent | Count% within Extent of performance | 12 (11.5%) | 73 (70.2%) | 19 (18.3%) | 104 (100%) |
| Little extent | Count% within Extent of performance | 2 (10.5%) | 13 (68.4%) | 4 (21.1%) | 19 (100%) |
| Total | Count% within Extent of performance | 27 (13.5%) | 139 (69.5%) | 34 (17.0%) | 200 (100%) |

| Section B: Chi-Square Tests |
|---|---|---|---|
| Monte Carlo Sig. (2-sided) | 99% Confidence Interval |
| Value | df | Asymp. Sig. (2-sided) | Sig. | Lower Bound | Upper Bound |
| Pearson Chi-Square | 8.419 | 6 | 0.209 | 0.205 | 0.195 | 0.216 |
| Likelihood Ratio | 8.653 | 6 | 0.194 | 0.238 | 0.227 | 0.249 |

Source: Author (field data, 2018)

Finding of this study revealed that the cost leadership strategy adopted by the car rental businesses had no statistical significance on performance. These findings were contrary to those by Kyengo, Ombui and Iravo, (2016) and Mutegi, (2013) who found out that cost leadership strategy
significantly affected performance of a firm. Nonetheless, Achoki (2013) observed that cost leadership strategy was found to be less significant to influence performance.

### 4.3.3 ANOVA of cost leadership strategy on performance

A one-way Analysis of Variance (ANOVA) is a method employed to compare the variations between means of groups. This study conducted ANOVA to test the difference that existed between indicators of performance and the extent of performance. Table 4.3 A and B shows the difference in means between the respondent’s perception in regard to how the cost leadership strategy affects performance.

#### Table 4.3: ANOVA of cost leadership strategy on performance

<table>
<thead>
<tr>
<th>Section A: Extent of performance</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1.987</td>
<td>2</td>
<td>0.994</td>
<td>1.529</td>
<td>0.219</td>
</tr>
<tr>
<td>Within Groups</td>
<td>128.01</td>
<td>198</td>
<td>0.650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>130.0</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Indicators for performance improvement</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1.382</td>
<td>2</td>
<td>0.691</td>
<td>2.240</td>
<td>0.109</td>
</tr>
<tr>
<td>Within Groups</td>
<td>60.773</td>
<td>198</td>
<td>0.308</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>62.155</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

The finding from ANOVA in table 4.3 A and 4.3 B indicates that there is no difference in mean on how cost leadership strategy affects indicators for performance improvement and also the extent of performance at a P value of 0.109 and P value of 0.219 respectively.
Lowering price in the market enables a firm realize competitive advantage in the industry (Bauer and Colgan, 2011). Performance in public university was significantly affected by cost leadership strategy (Sifuna, 2014). In this study the influence of cost leadership strategy on performance was found to be insignificant. The most likely reason could be that majority 69.5% (139) deciding to charge same as their competitor.

**4.3.4 Correlation between cost leadership strategy and performance**

Correlation is a quantitative valuation of how any two variable equivocate each other. When there is a rise or fall between these two variables in parallel, then the correlation is held a positive. In the cases where one of the variable increases while the other decreases then the correlation is described as negative. Correlation analysis was done to quantity the strength of linear association between cost leadership strategy, indicators for performance improvement and the extent of performance.

This study explored to find out if there was a significant correlation between the cost leadership strategy, indicators of performance and the extent of performance by the car rental businesses in Nairobi City. The study findings in table 4.4 A and B revealed that there was a significant correlation between the cost leadership strategy and the indicators of performance at a P value of 0.005, further to that there was also a significant correlation between the cost leadership strategy and the extent of performance at a P value of 0.032.
Table 4.4: Correlation between cost leadership strategy and performance

<table>
<thead>
<tr>
<th>Section A: Correlation between cost leadership strategy and indicators for performance improvement</th>
<th>Cost leadership strategy used</th>
<th>Indicators for performance improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy used</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>60.755</td>
</tr>
<tr>
<td>Indicators for performance improvement</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>0.005*</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>0.946</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>200</td>
</tr>
</tbody>
</table>

Section B: Correlation between cost leadership strategy and the extent of performance

<table>
<thead>
<tr>
<th>Cost leadership strategy used</th>
<th>Extent of performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
</tr>
<tr>
<td>Sum of Squares and Cross-products</td>
<td>60.755</td>
</tr>
<tr>
<td>Extent of performance</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
</tr>
<tr>
<td>Sum of Squares and Cross-products</td>
<td>0.658</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

The findings of this study showed a positive correlation between cost leadership strategy and performance. A positive correlation is designated by getting a value greater than one (1). In table 4.4 positive correlation 0.005 and 0.032 was noted on the effect of cost leadership strategy on indicator of performance and extend of performance respectively.

These finding were in agreement with that of Porter (2004) who said that the most important goal and the main measure of productivity is performance (Porter, 2004). In addition Johnson and
Scholes, (2004) similarly state that cost leadership strategy boosts customer’s loyalty, result in losses if the prices has been reduced way too much and as a result might not be advantageous.

4.4 Effect of differentiation strategy on performance

This study had sought to explore the degree to which differentiation strategy impact on performance by looking at the outcome on selected car rental business in Nairobi City. The study evaluated the research question by viewing the findings of measure of central tendencies, correlation and regression analysis, chi-square tests and analysis of variance.

4.4.1 Frequency distribution of the effect of differentiation strategy on performance

Descriptive statistics was used in the analysis and the outcome of the effect of differentiation strategy on performance by the selected car rental business in Nairobi City was presented as in table 4.6 where the respondent were asked to give their view (in a scale of 0-4) with regard to influence of differentiation strategy. The table is offered in two sections, A and B. Where part A shows differentiation strategy used and B the effect of differentiation strategy on performance.
Table 4.5: Frequency distribution of the effect of differentiation strategy on performance

<table>
<thead>
<tr>
<th>Section A: Differentiation strategy used by selected car rental business in Nairobi City</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product range/variety of car models for rentals</td>
<td>171</td>
<td>85.5</td>
<td>85.5</td>
<td>85.5</td>
</tr>
<tr>
<td>Geographical area of operation within Nairobi</td>
<td>23</td>
<td>11.5</td>
<td>11.5</td>
<td>97.0</td>
</tr>
<tr>
<td>Service line/Clients can reach main office</td>
<td>6</td>
<td>3.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Differentiation strategy affects performance by selected car rental business in Nairobi City</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large extent</td>
<td>164</td>
<td>82.0</td>
<td>82.0</td>
<td>82.0</td>
</tr>
<tr>
<td>Great extent</td>
<td>27</td>
<td>13.5</td>
<td>13.5</td>
<td>95.5</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>9</td>
<td>4.5</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

As revealed in table 4.6, the study found out that the differential strategy being used by car rental businesses in Nairobi city was 85.5% (171) used a variety of product ranges in terms of car models, 11.5% (23) used geographical area of operation within Nairobi and 3.0% (6) adopted the use of service line and provided their clients access to their main office. It was also noted that differentiation strategy affects performance by 82% (164) to a very large extend, 13.5% (27) to a great extent and 4.5% (9) to a moderate extent. When the means score and standard deviation of
the effect of differentiation strategy on performance was computed the results indicated that, the mean was 1.22 and standard deviation of 0.52.

The finding of this study are in agreement with Sifuna (2014) who noted that differentiation on service, advertising and personnel affected the performance of public universities, in addition Kyengo et al., (2016) also observed that differentiation strategy improved performance in Telecommunication companies in Kenya. Results of this study revealed that car rental businesses in Nairobi City County used diverse differentiation strategy to attract and retain customers. This approach was adopted by Reilly, (2012) where it was observed that companies can use sheer size, training of its employees, offering innovative products, re-engineering the existing products and embrace modern technology to attain differentiation strategy which will eventually influence performance. One of the Porter’s important business strategy is the adoption of differentiation in products and or service to consumers (Reilly, 2012).

4.4.2 Chi-Square testing the effect of differentiation strategy on performance

Chi-square is used as statistical technique to assess the goodness of fit between pairs of observed values and their expected outcome. In this study, chi-square was used to confirm the strength of association between the effect of differentiation strategy on the extent of performance by selected car rental business in Nairobi City.

Chi-square was used to test significance level that the differentiation strategy had on the extent of performance by the car rental businesses in Nairobi City. The findings shown in table 4.7 B indicated that there was no significant (P value 0.49) association between the differentiation strategy adopted by the car rental businesses in Nairobi City and extent of their performance. However, as indicated in table 4.7 A, it was observed that 95.5% (21) provided product ranges/variety of car models for hire to a very large extent on performance. The car rental
businesses also provided product ranges/variety of car models for rental to, 89.1% (49) at a great extent on performance, 81.7% (85) provided product ranges/variety of car models for rental at a moderate extent on performance and 84.2% (16) provided product ranges/variety of car models for rental at a little extent on performance.

Findings of this study in table 4.7 noted that differentiation strategy had no significant effect on the performance of the selected car rental businesses in Nairobi City, County. Unlike the findings of this study, other studies by Awuor, (2011) observed that Kenya commercial bank applied product differentiation strategy to enhance their performance. In addition Oyiela, (2011) and Achoki, (2013) noted that differentiation strategy adopted by commercial bank increased profit level positively and improve on performance. The most likely reason why differentiation strategy adopted by car rental businesses did not influence performance could be due to inconsistent in customers demand.
Table 4.6: Chi-Square testing the effect of differentiation strategy on performance

**Section A:** A cross tabulation on the extent of performance and the differentiation strategy adopted by the car rental businesses in Nairobi City

<table>
<thead>
<tr>
<th>Extent of performance</th>
<th>Differentiation strategy used</th>
<th>Count% within Extent of performance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large extent</td>
<td>Product range/variety of car models for rentals</td>
<td>21 (95.5%)</td>
<td>22 (100%)</td>
</tr>
<tr>
<td>Great extent</td>
<td>Geographical area of operation within Nairobi</td>
<td>0 (0.0%)</td>
<td>1 (4.5%)</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>Service line/Client s can reach main office</td>
<td>1 (4.5%)</td>
<td>22 (100%)</td>
</tr>
<tr>
<td>Little extent</td>
<td>Total Count% within Extent of performance</td>
<td>22 (100%)</td>
<td></td>
</tr>
</tbody>
</table>

**Section B: Chi-Square Tests**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Monte Carlo Sig. (2-sided)</th>
<th>99% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>5.463</td>
<td>6</td>
<td>0.486</td>
<td>0.490</td>
<td>0.477 0.502</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>7.833</td>
<td>6</td>
<td>0.251</td>
<td>0.321</td>
<td>0.309 0.333</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)
4.4.3 ANOVA of differentiation strategy on performance

Analysis of Variance (ANOVA) is a method employed to compare the variations between means of groups. This study conducted ANOVA to test the difference that existed between indicators of performance and the extent of performance. Table 4.8 A and B shows the difference in means between the respondent’s perception in regard to how the differentiation strategy affects performance.

Table 4.7: ANOVA of differentiation strategy on performance

<table>
<thead>
<tr>
<th>Section A: Extent of performance</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1.99</td>
<td>2</td>
<td>0.98</td>
<td>1.50</td>
<td>0.23</td>
</tr>
<tr>
<td>Within Groups</td>
<td>128.01</td>
<td>198</td>
<td>0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>130.0</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Indicators for performance improvement</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>0.37</td>
<td>2</td>
<td>0.19</td>
<td>0.59</td>
<td>0.56</td>
</tr>
<tr>
<td>Within Groups</td>
<td>61.79</td>
<td>198</td>
<td>0.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>62.16</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

The finding from ANOVA in table 4.8 A and 4.8 B indicates that there is no difference in mean on how differentiation strategy affects indicators for performance improvement and also the extent of performance at a P value of 0.56 and P value of 0.23 respectively. The findings in table 4.8 shows that differentiation strategy affects did not significantly affects performance however the selected car rental businesses adopted the use of differentiation strategy to minimize competition and improve their performance. This approach is similar to Ogbonna and Harris (2003) who used
it to enhance their competitive advantage in the industry. In addition Baum and Oliver, (2011) likewise provided uniqueness of service or product to improve on their performance. The likely reason why this study found no significant effect of differentiation strategy on performance could be due to customer devotion. A study by Grant, (2013) who recorded that customer loyalty due to product or service brand cushions companies from the threats of five sources in the industry.

4.4.4 Correlation between differentiation strategy and performance

Correlation is a quantitative valuation of how any two variable equivocate each other. When there is a rise or fall between these two variables in parallel, then the correlation is held a positive. In the cases where one of the variable increases while the other decreases then the correlation is described as negative. Correlation analysis was done to quantity the strength of linear association between differentiation strategy, indicators for performance improvement and the extent of performance.

This study explored to find out if there was a significant correlation between the differentiation strategy, indicators of performance and the extent of performance by the car rental businesses in Nairobi City. The study findings in table 4.9 A and B revealed that there was a strong power of correlation between the differentiation strategy and the indicators of performance at a P value of 0.05, further to that there was also a strong power of correlation between the differentiation strategy and the extent of performance at a P value of 0.096.
Table 4.8: Correlation between differentiation strategy and performance

<table>
<thead>
<tr>
<th>Section A: Correlation between differentiation strategy and indicators for performance improvement</th>
<th>Differentiation strategy used</th>
<th>Indicators for performance improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy used</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
</tr>
<tr>
<td>Sum of Squares and Cross-products</td>
<td>40.88</td>
<td>0.481</td>
</tr>
<tr>
<td>Indicators for performance improvement</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>-0.05*</td>
</tr>
<tr>
<td>Sum of Squares and Cross-products</td>
<td>0.481</td>
<td>62.16</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Correlation between differentiation strategy and the extent of performance</th>
<th>Differentiation strategy used</th>
<th>Extent of performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy used</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
</tr>
<tr>
<td>Sum of Squares and Cross-products</td>
<td>40.88</td>
<td>0.176</td>
</tr>
<tr>
<td>Extent of performance</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>0.096*</td>
</tr>
<tr>
<td>Sum of Squares and Cross-products</td>
<td>0.176</td>
<td>130.0</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

Finding from table 4.9 shows a positive correlation between differentiation strategy and performance. These findings are in agreement with Thompson, Strickland and Gamble, (2008) who noted that differentiator as a competitive advantage should be on product and/or service whose characteristics differ from that being offered by competitor in the same industry.

This was in agreement with Stock (2009) who reported that the quality of service or product is perceived to be instrumental in differentiation strategy (Stock, 2009). Further to that Davidow and
Uttal, (2005) also reported that positioning of a brand makes it unique from that which is being offered by the competitor best describes the differentiation strategy.

4.5 Effect of Low-cost focus strategy on performance

This study had sought to explore the degree to which low-cost focus strategy impact on performance by looking at the outcome on selected car rental business in Nairobi City. The study evaluated the research question by viewing the findings of measure of central tendencies, correlation and regression analysis, chi-square tests and analysis of variance.

4.5.1 Frequency distribution of the effect of low-cost focus strategy on performance

Descriptive statistics was used in the analysis and the outcome of the effect of low-cost focus strategy on performance by the selected car rental business in Nairobi City was presented as in table 4.11 where the respondent were asked to give their view (in a scale of 0-4) with regard to influence of low-cost focus strategy. The table 4.11 is offered in two sections, A and B. Where part a show low-cost focus strategy used and B the effect of low-cost focus strategy on performance.

As revealed in table 4.11, the study found out that the Low-cost focus strategy being used by car rental businesses in Nairobi city was 5.5% (11) for those that gave discount to their new client, 10% (20) for who granted discount to an existing client, 77.5% (155) for those who allowed their clients to drive them self and 7% (14) who gave discount when their client rents their car for days/months. It was also noted that low-cost focus strategy affects performance by 76% (152) to a very large extend, 14.5% (29) to a great extent and 9.5% (19) to a moderate extent. When the means score and standard deviation of the effect of low-cost focus strategy on performance was computed the results indicated that, the mean was 1.33 and standard deviation of 0.64.
The results of this study from table 4.11 showed that low-cost focus strategy affects performance by 76% (152) to a very large extend. The former results are in agreement with Muraya, (2016) who recorded that lowering of price and the use of advanced systems and structures to offer services was found to enhance performance by the County government of Kajiado in Kenya.

Table 4.9: Frequency distribution of the effect of low-cost focus strategy on performance

<table>
<thead>
<tr>
<th>Section A: Low-cost focus strategy used by selected car rental business in Nairobi City</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount for new clients</td>
<td>11</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Discount for an existing client</td>
<td>20</td>
<td>10.0</td>
<td>10.0</td>
<td>15.5</td>
</tr>
<tr>
<td>Discount for self-drive</td>
<td>155</td>
<td>77.5</td>
<td>77.5</td>
<td>93.0</td>
</tr>
<tr>
<td>Discount when client rents for days/months</td>
<td>14</td>
<td>7.0</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Low-cost focus strategy affects performance by selected car rental business in Nairobi City</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large extent</td>
<td>152</td>
<td>76.0</td>
<td>76.0</td>
<td>76.0</td>
</tr>
<tr>
<td>Great extent</td>
<td>29</td>
<td>14.5</td>
<td>14.5</td>
<td>90.0</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>19</td>
<td>9.5</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

4.5.2 Chi-Square testing the effect of low-cost focus strategy on performance

Chi-square is used as statistical technique to assess the goodness of fit between pairs of observed values and their expected outcome. In this study, chi-square was used to confirm the strength of
association between the effect of low-cost focus strategy on extent of performance by selected car rental business in Nairobi City.

Chi-square was used to test significance level that the low-cost focus strategy had on the extent of performance by the car rental businesses in Nairobi City. The findings shown in table 4.12 B indicated that there was no significant (P value 0.50) association between the low-cost focus strategy adopted by the car rental businesses in Nairobi City and extent of their performance. However, as indicated in table 4.12 A, it was observed that 63.6% (14) had given discount for self-drive charges to a very large extent on performance. The car rental business gave discount for self-drive charges 81.8% (45) to a great extent on performance, 77.9% (81) were granted discount for self-drive charges at a moderate extent on performance and 78.9% (15) were also given discount for self-drive charges at a little extent on performance.

The finding of this study from table 4.12 showed that 77.9% (81) clients were granted discount for self-drive charges as a way of realizing low-cost strategy. This approach is comparable to Dani (2017) who documented that low-cost strategy focuses on a niche market with an objective of being the cheapest provider to the targeted segment.
Table 4.10: Chi-Square testing the effect of low-cost focus strategy on performance

**Section A:** A cross tabulation on the extent of performance and the low cost focus strategy adopted by the car rental business in Nairobi City

<table>
<thead>
<tr>
<th>Extent of performance</th>
<th>Low cost focus strategy used</th>
<th>Count% within Extent of performance</th>
<th>Discount for new clients</th>
<th>Discount for an existing client</th>
<th>Discount for self-drive</th>
<th>Discount rents for days/months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very large extent</td>
<td></td>
<td></td>
<td>1 (4.5%)</td>
<td>4 (18.2%)</td>
<td>14 (63.6%)</td>
<td>3 (13.6%)</td>
<td>22 (100%)</td>
</tr>
<tr>
<td>Great extent</td>
<td></td>
<td></td>
<td>3 (5.5%)</td>
<td>2 (3.6%)</td>
<td>45 (81.8%)</td>
<td>5 (9.1%)</td>
<td>55 (100%)</td>
</tr>
<tr>
<td>Moderate extent</td>
<td></td>
<td></td>
<td>6 (5.8%)</td>
<td>11 (10.6%)</td>
<td>81 (77.9%)</td>
<td>6 (5.8%)</td>
<td>104 (100%)</td>
</tr>
<tr>
<td>Little extent</td>
<td></td>
<td></td>
<td>1 (5.3%)</td>
<td>3 (15.8%)</td>
<td>15 (78.9%)</td>
<td>0 (0%)</td>
<td>19 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>11 (5.5%)</td>
<td>20 (10%)</td>
<td>155 (77.5%)</td>
<td>14 (7.0%)</td>
<td>200 (100%)</td>
</tr>
</tbody>
</table>

**Section B: Chi-Square Tests**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Monte Carlo Sig. (2-sided)</th>
<th>99% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>8.39</td>
<td>9</td>
<td>0.495</td>
<td>0.50</td>
<td>0.48</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>9.8</td>
<td>9</td>
<td>0.369</td>
<td>0.49</td>
<td>0.48</td>
</tr>
</tbody>
</table>

*Source: Author (field data, 2018)*
4.5.3 ANOVA of low-cost focus strategy on performance

Analysis of Variance (ANOVA) is a method employed to compare the variations between means of groups. This study conducted ANOVA to test the difference that existed between indicators of performance and the extent of performance. Table 4.13 A and B shows the difference in means between the respondent’s perception in regard to how the low-cost focus strategy affects performance.

Table 4.11: ANOVA of low-cost focus strategy on performance

<table>
<thead>
<tr>
<th>Section A: Extent of performance</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>2.25</td>
<td>3</td>
<td>0.75</td>
<td>1.15</td>
<td>0.33</td>
</tr>
<tr>
<td>Within Groups</td>
<td>127.75</td>
<td>197</td>
<td>0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>130.0</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Indicators for performance improvement</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>0.02</td>
<td>3</td>
<td>0.01</td>
<td>0.02</td>
<td>0.10</td>
</tr>
<tr>
<td>Within Groups</td>
<td>62.14</td>
<td>197</td>
<td>0.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>62.16</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)

The finding from ANOVA in table 4.13 A and 4.13 B indicates that there is no difference in mean on how cost leadership strategy affects indicators for performance improvement and also the extent of performance at a P value of 0.10 and P value of 0.33 respectively.

Results of this study from table 4.13 are similar to Mutegi, (2013) who recorded that reduction in price of commodities in the supermarkets in Kenya rarely attracts customers; image of the business
is the key when it comes to customer satisfaction. In addition the results from table 4.13 are not in
agreement with the finding by Onyoro (2011) who observed that the commercial banks that
moderately used low cost leadership strategy created a significant distinction on performance in
their adoptions.

4.5.4 Correlation between low-cost focus strategies and performance

Correlation is a quantitative valuation of how any two variable equivocate each other. When there
is a rise or fall between these two variables in parallel, then the correlation is held a positive. In
the cases where one of the variable increases while the other decreases then the correlation is
described as negative. Correlation analysis was done to quantify the strength of linear association
between low-cost focus strategy, indicators for performance improvement and the extent of
performance.

This study explored to find out if there was a significant correlation between the low-cost focus
strategy, indicators of performance and the extent of performance by the car rental businesses in
Nairobi City. The study findings in table 4.14 A and B revealed that there was a significant
correlation between the low-cost focus strategy and the indicators of performance at a P value of
0.003, further to that there was also a strong power of correlation between the low-cost focus
strategy and the extent of performance at a P value of 0.07.
Table 4.12: Correlation between low-cost focus strategy and performance

| Section A: Correlation between low-cost focus strategy and indicators for performance improvement |
|-------------------------------------------------|---------------------------------|----------------------------------|
| Low-cost focus strategy used | Pearson Correlation Sig. (2-tailed) | 1 | -0.003* |
| Sum of Squares and Cross-products | 74.08 | 0.97 |
| Indicators for performance improvement | Pearson Correlation Sig. (2-tailed) | -0.003* | 1 |
| Sum of Squares and Cross-products | 0.970 | 62.16 |
| Total | 200 | 200 |

| Section B: Correlation between cost leadership strategy and the extent of performance |
|-------------------------------------------------|---------------------------------|----------------------------------|
| Low-cost focus strategy used | Pearson Correlation Sig. (2-tailed) | 1 | -0.07* |
| Sum of Squares and Cross-products | 74.08 | 0.302 |
| Extent of performance | Pearson Correlation Sig. (2-tailed) | -0.07* | 1 |
| Sum of Squares and Cross-products | 0.302 | 130.0 |
| Total | 200 | 200 |

Source: Author (field data, 2018)

Results from table 4.14 showing a negative correlation between low-cost focus strategy and performance. The likely reason as to why there was a negative correlation between low-cost focus strategies on performance is because of a wide range of car models being used by the car rental businesses. This similar trend was observed by Stock, (2009) who noted that companies have choices to make on the low-cost focus strategy based on the consumer group, merchandise range, topographical area or service line.
These findings are in agreement with Itami, (2010) who recorded that low-cost focus strategy is most often ambiguous others refer to it as invisible assets. Similarly, according to Malburg, (2010) low-cost focus strategy aims at targeting a specific market segment. Other studies have shown that companies that uses low-cost focus strategy gradually expand and transform in the future (Penrose, 2009). In addition, well established and mid-level companies tend to use low-cost focus strategy in tandem with differentiation and cost leadership strategies (Baum and Oliver, 2012).

4.6 Effect of differentiation focus strategy on performance

This study had sought to explore the degree to which differentiation focus strategy impact on performance by looking at the outcome on selected car rental business in Nairobi City. The study evaluated the research question by viewing the findings of measure of central tendencies, correlation and regression analysis, chi-square tests and analysis of variance.

4.6.1 Frequency distribution of the effect of differentiation focus strategy on performance.

Descriptive statistics was used in the analysis and the outcome of the effect of differentiation focus strategy on performance by the selected car rental business in Nairobi City was presented as in table 4.16 where the respondent were asked to give their view (in a scale of 0-4) with regard to influence of differentiation focus strategy. The table 4.16 is offered in two sections, A and B. Where part A shows differentiation focus strategy used and B the effect of differentiation focus strategy on performance.
Table 4.1: Frequency distribution of the effect of differentiation focus strategy on performance

| Section A: Differentiation focus strategy used by selected car rental business in Nairobi City |
|---------------------------------|--------|--------|--------------|
|                                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Package for corporate companies | 11      | 5.5     | 5.5           | 5.5               |
| Package for events like wedding, graduations | 112 | 56.0 | 56.0 | 61.5 |
| One-time individual package     | 7       | 3.5     | 3.5           | 65.0               |
| Periodic events within a calendar year | 70 | 35.0 | 35.0 |
| Total                           | 200     | 100.0   | 100.0         | 100.0              |

| Section B: Differentiation focus strategy affects performance by selected car rental business in Nairobi City |
|---------------------------------------------------------------------------------------------------------------------------------
|                                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Very large extent               | 122       | 61.0    | 61.0          | 61.0               |
| Great extent                    | 53        | 26.5    | 26.5          | 87.5               |
| Moderate extent                 | 17        | 8.5     | 8.5           | 96.0               |
| Little extent                   | 8         | 4.0     | 4.0           |                   |
| Total                           | 200       | 100.0   | 100.0         | 100.0              |

Source: Author (field data, 2018)

As revealed in table 4.16, the study found out that the differentiation focus strategy being used by car rental businesses in Nairobi city was, 56.0% (112) offered packages for events, 35% (70) had periodic events within a calendar year, 5.5% (11) offered packages to corporate companies and 3.5% (7) had a one-time individual package. It was also noted that differentiation focus strategy affects performance by 61% (122) to a very large extent, 26.5% (53) to a great extent, 8.5% (17) to a moderate extent and 4.0% (8) to little extent. When the means score and standard deviation of
the effect of differentiation focus strategy on performance was computed the results indicated that, the mean was 1.56 and standard deviation of 0.81.

Findings from table 4.16, revealed that differentiation focus strategy affected performance by 61% (122) to a very large extend, these findings are in agreement with Kyengo, et al., (2016) who recorded that market focus had shown to improve performance significantly among telecommunication companies in Kenya. Similarly, a study conducted among supermarkets in Nairobi reveal that differentiation focus strategy was the most effective strategy to use (Mutegi, 2013). In addition Bank of India, Kenya concentrated on the use of focus/market niche kind of strategy among the Indian community (Achoki, 2013).

4.6.2 Chi-Square testing the effect of differentiation focus strategy on performance

Chi-square is used as statistical technique to assess the goodness of fit between pairs of observed values and their expected outcome. In this study, chi-square was used to confirm the strength of association between the effect of differentiation focus strategy on the extent of performance by selected car rental business in Nairobi City.

Chi-square was used to test significance level that the differentiation focus strategy had on the extent of performance by the car rental businesses in Nairobi City. The findings shown in table 4.17 B indicated that there was no significant (P value 0.81) association between the differentiation focus strategy adopted by the car rental businesses in Nairobi City and extent of their performance. However, as indicated in table 4.17 A, it was observed that 40.9% (9) used periodic event in a calendar year as a differentiation focus strategy and it influenced performance to a very large extent. The car rental businesses that provided packages for events like wedding influence performance by 56.4% (31) to a great extent on performance, 60.6% (63) had a moderate extent
of influence on performance by offering packages for events, and 52.6% (10) had a little extent of influence on performance by offering packages for events.

Table 4.14: Chi-Square testing the effect of differentiation focus strategy on performance

<table>
<thead>
<tr>
<th>Section A: A cross tabulation on the extent of performance and the differentiation focus strategy adopted by the car rental businesses in Nairobi City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent of performance</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Very large extent</td>
</tr>
<tr>
<td>Great extent</td>
</tr>
<tr>
<td>Moderate Extent</td>
</tr>
<tr>
<td>Little extent</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Section B: Chi-Square Tests

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Monte Carlo Sig. (2-sided)</th>
<th>99% Confidence Interval</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>5.21</td>
<td>9</td>
<td>0.82</td>
<td>0.81</td>
<td>0.8</td>
<td>0.82</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>6.08</td>
<td>9</td>
<td>0.73</td>
<td>0.81</td>
<td>0.80</td>
<td>0.82</td>
</tr>
</tbody>
</table>

Source: Author (field data, 2018)
The findings of Chi-Square that tested the effect of differentiation focus strategy on performance indicated in table 4.17 differentiation focus strategy did not significantly affect performance however it was observed that 60.6% (63) had a moderate extent of influence on performance by offering packages for events. It is worth mentioning that this approach in agreement with Dani, (2017) that stated that differentiation focus targets a specific subset of the market for example, manufacturing or offering services targeting left-handed people.

4.6.3 ANOVA of differentiation focus strategy on performance

Analysis of Variance (ANOVA) is a method employed to compare the variations between means of groups. This study conducted ANOVA to test the difference that existed between indicators of performance and the extent of performance. Table 4.18 A and B shows the difference in means between the respondent’s perception in regard to how the differentiation focus strategy affects performance.

**Table 4.15: ANOVA of differentiation focus strategy on performance**

<table>
<thead>
<tr>
<th>Section A: Extent of performance</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>2.60</td>
<td>3</td>
<td>0.867</td>
<td>1.334</td>
<td>0.27</td>
</tr>
<tr>
<td>Within Groups</td>
<td>127.40</td>
<td>197</td>
<td>0.650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>130.0</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Indicators for performance improvement</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>0.166</td>
<td>3</td>
<td>0.055</td>
<td>0.175</td>
<td>0.91</td>
</tr>
<tr>
<td>Within Groups</td>
<td>61.989</td>
<td>197</td>
<td>0.316</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>62.155</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author (field data, 2018)*
The finding from ANOVA in table 4.18 A and 4.18 B indicates that there is no difference in mean on how different focus strategy affects indicators for performance improvement and also the extent of performance at a P value of 0.91 and P value of 0.27 respectively.

The ANOVA results from table 4.18 indicated no significant effect of different focus strategy on performance. According to Porter (2010), differentiation focus is founded on choosing a market niche where purchasers have idiosyncratic favorites. The distinctive niche is demarcated by geographic distinctiveness, particular requirements in consuming the produce or by a distinct qualities that meets the demands of loyal customers (Stock, 2009). The likely reason why car rental businesses in Nairobi city experienced non-significant effect of different focus strategy on performance is because of close proximity in business operation with central business organization targeting clients with in a specific environment.

4.6.4 Correlation between differentiation focus strategy and performance

Correlation is a quantitative valuation of how any two variable equivocate each other. When there is a rise or fall between these two variables in parallel, then the correlation is held a positive. In the cases where one of the variable increases while the other decreases then the correlation is described as negative. Correlation analysis was done to quantity the strength of linear association between differentiation focus strategy, indicators for performance improvement and the extent of performance.

This study explored to find out if there was a significant correlation between the differentiation focus strategy, indicators of performance and the extent of performance by the car rental businesses in Nairobi City. The study findings in table 4.19 A and B revealed that there was a significant correlation between the differentiation focus strategy and the indicators of performance at a P value
of 0.046, further to that there was also a significant correlation between the differentiation focus strategy and the extent of performance at a P value of 0.010.

**Table 4.16: Correlation between differentiation focus strategy and performance**

<table>
<thead>
<tr>
<th>Section A: Correlation between differentiation focus strategy and indicators for performance improvement</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation focus strategy used</td>
<td>Differentiation focus strategy used</td>
<td>Indicators for performance improvement</td>
</tr>
<tr>
<td>Differentiation focus strategy used</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>205.52</td>
</tr>
<tr>
<td>Indicators for performance improvement</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>0.046*</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>0.52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section B: Correlation between differentiation focus strategy and the extent of performance</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation focus strategy used</td>
<td>Differentiation focus strategy used</td>
<td>Extent of performance</td>
</tr>
<tr>
<td>Differentiation focus strategy used</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>205.52</td>
</tr>
<tr>
<td>Extent of performance</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>-0.010*</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>0.891</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

*Source: Author (field data, 2018)*

Results from correlation between differentiation focus strategy and performance in table 4.19 indicate a negative correlation. A study by Stock, (2009) has shown that certain firms pick concentrate on their abilities which is unique from their rival as a differentiation focus strategy to
improve their performance. Improvement on performance by adopting differentiation focus strategy encompasses targeting a specific market segment and capacity to offer niche different from competitor (Stock, 2009). Car rental businesses in Nairobi City County should borrow from Stock (2009) findings and adopt differentiation focus strategy and target specific market segment different from competitors.

According to Davidow and Uttal, (2009), for differentiation focus strategy to be effective, consumer’s preference needs to be well understood and the competitor firms need to show lack of interest in that precise market. In addition, according to Grants (2013), buyer’s differentiation focus strategy should be incorporated as a crucial factor and the different market segment factored in.

4.7 Discussion of the Results

The main objective of this study was to establish the influence of competitive strategies and performance of selected car rental businesses in Nairobi City County, Kenya. The findings have been discussed based on the research questions that were earlier set as follows; effect of cost leadership strategy on performance by selected car rental business in Nairobi City County, effect of differentiation strategy on performance by selected car rental business in Nairobi City County, effects of low-cost focus strategy on performance by selected car rental business in Nairobi City County and the effect of differentiation focus strategy on performance by selected car rental business in Nairobi City County.

4.7.1 Effect of cost leadership strategy on performance

The study sought to explore the validity of the hypothesis that there was no significant effect of cost leadership strategy on performance. The findings from the Chi-square (P value 0.205) and ANOVA (P value 0.219 extent of performance; 0.109 indicator of performance) analysis indicated that there was no significant effect of cost leadership strategy on performance. The null hypothesis
was accepted and the alternative hypothesis rejected. However, a significant (P value 0.005) correlation was noticed between the cost leadership strategy and the indicators of performance. Further to that, there was also a significant (P value 0.032) correlation between the cost leadership strategy and the extent of performance. The result of this study has been inconsistent with previous studies that looked at the influence of cost leadership strategy on performance. For instance, Marques et al., (2000) studied twelve large glass companies in Portugal and noted that the companies that practiced cost leadership strategy recorded higher returns. Shah et al., (2000) observed that Japanese companies that charged lower than their United State of America and Germany performed much better.

Other studies that also looked at the effect of cost leadership strategy on performance included Thathi (2008), who recorded that firms in Kenya used discounts, competitive pricing to enhance their performance. Murimiri (2008) found out that the price reduction was used a cost leadership strategy by commercial banks to achieve competitive advantage over their competitor.

4.7.2 Effect of differentiation strategy on performance

The study sought to explore the validity of the hypothesis that there was no significant effect of differentiation strategy on performance. The findings from the Chi-square (P value 0.49) and ANOVA (P value 0.23 extent of performance; 0.56 indicator of performance) analysis indicated that there was no significant effect of differentiation strategy on performance. The null hypothesis was accepted and the alternative hypothesis rejected. However, strong power of correlation between the differentiation strategy and the indicators of performance at a P value of 0.05 and a strong power of correlation between the differentiation strategy and the extent of performance at a P value of 0.096 was observed. The findings of this study were not consistent with similar studies done on the effect of differentiation strategy on performance. For instance, Allen and Helms (2002) recorded that there was a significant association between differentiation strategy and performance
in an organization. Jacome et al., (2002), Silva et al., (2000) and Marques et al., (2000) all recorded that firms that embraced the use of differentiation strategy yielded better and higher performance than those that did not.

In Kenya, Murage (2011) observed that petroleum companies used differentiation strategy to give them a competitive advantage over their competitors and the results were yielding positive results. Kimotho (2012) noted that Stanbic Bank Limited provided innovative and new products that other banks in Kenya were not delivering to their clients and this gave them an edge.

4.7.3 Effects of low-cost focus strategy on performance

The study sought to explore the validity of the hypothesis that there was no significant effect of low-cost focus strategy on performance. The findings from the Chi-square (P value 0.50) and ANOVA (P value 0.33 extent of performance; 0.10 indicator of performance) analysis indicated that there was no significant effect of low-cost focus strategy on performance. The null hypothesis was accepted and the alternative hypothesis rejected. However, there was a significant correlation between the low-cost focus strategy and the indicators of performance at a P value of 0.003, further to that there was also a strong power of correlation between the low-cost focus strategy and the extent of performance at a P value of 0.07. In a similar study by Kotha and Vadlamani (1995), low-cost focus strategy was found to be less important compared to differentiation strategy in giving a company a competitive advantage. In Kenya by Maluku (2008) noted that low-cost focus strategy was most preferred by dairy firms compared to cost leadership and differentiation strategy.

4.7.4 Effect of differentiation focus strategy on performance

The study sought to explore the validity of the hypothesis that there was no significant effect of differentiation focus strategy on performance. The findings from the Chi-square (P value 0.81) and ANOVA (P value 0.27 extent of performance; 0.91 indicator of performance) analysis indicated
that there was no significant effect of differentiation focus strategy on performance. The null hypothesis was accepted and the alternative hypothesis rejected. However, there was a significant correlation between the differentiation focus strategy and the indicators of performance at a P value of 0.046, further to that there was also a significant correlation between the differentiation focus strategy and the extent of performance at a P value of 0.010. The results of this study were inconsistent to the works of Kim, Nam, and Stimpert (2004) who observed that an organization should factor in all-inclusive strategy and deliver unique goods that will a particular market segment. Porter (1985) pointed out that differentiation focus strategy was used mostly by companies that were considered mature and those that had high cost of poor performance.

4.8 Chapter Summary

This chapter presented findings in a descriptive and inferential statistics. The response from the interviewee recorded in the questionnaire were analyzed using descriptive statistics (frequency distribution) while the inferential statistics captured the Chi-square, analysis of variance, and correlation analysis.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION
This chapter presented the summary of the findings, conclusion, limitations of the study and recommendations made. The conclusion and recommendations are tailored to address the research questions or to realize the research objective which is ‘Competitive strategies and performance of selected car rental business, A case of Nairobi City County, Kenya’

5.2 Summary
Car rental business in Nairobi County is indeed a booming and lucrative venture explored by many entrepreneurs in the capital City. In order to survive and stay in this business, the entrepreneurs adopt competitive strategies to give them an advantage over their competitors. Among the competitive strategies used by car rental businesses in Nairobi City includes, cost leadership strategy, differentiation strategy, low-cost focus strategy and differentiation focus.

The findings of this study indicated that none of the competitive strategies used by the car rental businesses in Nairobi City was considered significant resulting in accepting the null hypothesis that competitive strategies had no effect on the performance of these car rental businesses. The most likely reason as to why competitive strategies could not have had effect on performance might be due to flooded market by car rental businesses in Nairobi City. In addition, the threat of new entrance by the Uber taxi for hire in Nairobi City which has been embraced by Nairobi residence.

However, it is worth to mention that there was a significant correlation between the effects of differentiation focus strategy, cost leadership strategy; low-cost strategy and differentiation strategy on performance by these car rental businesses in Nairobi City County. The actions that
these car rental businesses in Nairobi City County take when their strategic inventiveness are not working for them or giving them a competitive advantage over their competitor is that they review the strategies over time, make adjustments to abandon the former and or adopt new strategy that they consider tenable. A strong brand name, links with the Nairobi City County government officials, many years of services in the car rental businesses, good management principles and practices, diversity, geographical segmentation are some but to mention the factors that enable them remain competitive.

The use of social network forum like what’s up, face book, instagram and Telegram has been used as a tool or marketing and to retain the client’s details upon consent. This has been reported by the car rental businesses in Nairobi City County that has helped a number survive in this competitive environment.

5.3 Conclusions
This study adopted the null hypothesis that, competitive strategies had no effect on performance of selected car rental businesses in Nairobi City County, Kenya. Despite stiff competitions that exist in Nairobi City County, the car rental business is still considered a lucrative venture to consider. Competitive strategies are idiosyncratic tactics used by car rental businesses to succeed in the market. Achieving competitive advantage over the competitor is vital for all the car rental businesses in Nairobi City County. In the absence of effective and efficient competitive strategies in place, car rental business often results to low returns and might be forced out of the business. From the findings, the cost leadership strategy that was adopted and embraced by these car rental businesses was the use of same/comparable pricing as the competitor. Under differentiation strategy, product range/variety of car models for rentals was widely used, discount for self-drive was used as a low-cost focus strategy and package for events like wedding, graduations were used as differentiation focus strategy.
It worth to mention that none of the competitive strategies was considered statistically significant as a result the null hypothesis was accepted and the alternative hypothesis rejected.

5.4 Recommendations

The car rental businesses entrepreneur needs to be innovative, vibrant, and cognizant of the ever charging market demand to survive in this flooded market. Competency at work place, team work, customers feed-back and satisfaction should be adopted to enhance performance by these car rental businesses in Nairobi City County.

5.4.1 Suggestions for further research

To begin with, this study used a cross-sectional descriptive design, therefore a longitudinal design should be considered to measure the variables in plenty of time. The future research should factor in the geographical regions in Nairobi County, not confine to the City and establish whether they would be some significance in the competitive strategies used.

In addition, the study recommends that the research be carried out using moderating effect of the car rental businesses on influence of transformational leadership on performance. Further to that, the study should measure the employees of the car rental businesses as transformation agents within the car rental businesses.
REFERENCE


Cassell, C. and Symon, G. (1994). *Qualitative research in work context. Inc Qualitative method in organizational research*


Li, C. B. and Li, J. J. (2008). Achieving superior financial performance in china; differentiation, cost leadership or both. *Journal of international Marketing* 16 (3) 1-22


Venasnews. (2016). Venasnews.co.ke/2Car hire companies in Nairobi Kenya


APPENDIX

Research Questionnaire

Appendix I: Introduction

Please take a few minutes to complete this questionnaire. Your honest opinion will be highly appreciated and completely anonymous. Your views are extremely important in this research. This questionnaire will last approximately twenty (20) minutes. All the information provided will be kept strictly confidential and will only be used for the purpose of this study. Your participation will be highly appreciated. This study is about, ‘Competitive strategies and performance of selected car rental business, A case of Nairobi City County, Kenya’.

Kindly respond appropriately in case of non-ended question write on the space provided.

SECTION A: Socio-demographic information

1. Gender:  Male: [ ] Female: [ ]

2. Age:  18-29 [ ] 30-39 [ ] 40-49 [ ] 50 and above [ ]

3. Marital status:  Single [ ] Married [ ] Divorced [ ] Widow/Widower [ ]

4. Highest Level of education:  No formal Education [ ] STD 8 and below [ ] O Level [ ]

College Dip/Cert [ ] Degree [ ]

5. Level of Management:  High [ ] Middle [ ] Low [ ]

6. Number of work experience in this car rental business:  Less than 5 years [ ] 5 years to <10 years [ ] 10 year to < 15 years [ ] 15 year to < 20 years [ ] Above 20 years
SECTION II: Competitive strategies on performance

PART B: Cost leadership strategy on performance

5 i) Which of the following cost leadership strategy is/are applied in your car rental business?

(Place a check mark in the appropriate square bracket).

a). Charges same as competitor ( )
b). Charges lower than competitor ( )
c). Charges higher than competitor

ii). Indicate the extent to which cost leadership strategy affect performance in your car rental business? (Place a check mark in the appropriate square bracket).

a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a little extent ( )
e) To no extent ( )

PART B: Differentiation strategy on performance

6 i. Which of the following differentiation strategy is/are applied in your car rental business? (Place a check mark in the appropriate square bracket).

a) Product range/variety of car models for rental ( )
b) Geographical area of operation within Nairobi ( )
c) Service line/Clients can reach main office ( )

ii). Indicate the extent to which differentiation strategy affect performance in your car rental business? (Place a check mark in the appropriate square bracket).

a) To a very large extent ( )
b) To a great extent ( )
c) To a moderate extent ( )
d) To a little extent ( )
e) To no extent ( )
PART B: Low-cost focus strategy on performance

7 i. Which of the following low-cost focus strategy is/are applied in your car rental business? (Place a check mark in the appropriate square bracket).

a) There is discount for new clients
b) There is discount for an existing client
c) There is discount for self-drive
d) There is discount when client rents for days/months

ii. Indicate the extent to which low-cost focus strategy affect performance in your car rental business? (Place a check mark in the appropriate square bracket).

a) To a very large extent
b) To a great extent
c) To a moderate extent
d) To a little extent
e) To no extent

PART B: Differentiation focus on performance

8 i. Which of the following differentiation focus is/are applied in your car rental business? (Place a check mark in the appropriate square bracket).

a) Package for corporate companies
b) Package for events like wedding, graduations, politic campaign
c) One time individual package
d) Periodic events within a calendar year

ii. Indicate the extent to which differentiation focus affect performance in your car rental business? (Place a check mark in the appropriate square bracket).

a) To a very large extent
b) To a great extent
c) To a moderate extent
d) To a little extent
e) To no extent
PART B: Performance of car rental businesses

9 i) Which of the following indicators reflect improved performance in your car rental business? (Place a check mark in the appropriate square bracket).

   a) Nairobi city ranking by the county residence (   )
   b) The number of clients (   )
   c) Revenue generated (   )
   d) Periodic compliments from client (   )

ii) To what extent has performance of your car rental company be? (please tick once)

   a) To a very large extent (   )
   b) To a great extent (   )
   c) To a moderate extent (   )
   d) To a little extent (   )
   e) To no extent (   )

Other than competitive strategies suggest other ways of enhancing performance in your car rental business in Nairobi City County:

..................................................................................................................................................
..................................................................................................................................................
..................................................................................................................................................
..................................................................................................................................................
..................................................................................................................................................

Thank you for taking your time to complete this questionnaire.
SECTION C: List of Car rental business sampled in Nairobi City

1. Black and white car Hire services
2. Car Hire Kenya
3. Central Rent a Car
4. Crown Tour and Car Hire Ltd
5. Delight cab Ltd
6. Executive Limousine and Car Hire services
7. Glory car Hire
8. Go 4 Fun SAFARIS
9. Hertz Rent a car
10. Hire and Drive services
11. Kenya online car Hire
12. Market car Hire
13. Nairobi car hire services
14. Panorama car Hire and Tour Ltd
15. Vehicle and Equipment Leasing Limited
Appendix II: Approval of research proposal from Kenyatta University

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

Internal Memo

FROM: Dean, Graduate School
TO: Demba Rodgers Norman
    C/o Human Resource Management Dept.

DATE: 7th September, 2018
REF: D53/OL/KKA/26370/2015

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board 4th July, 2018 entitled “Competitive Strategies and Performance of Selected Car Rental Business, A Case of Nairobi City County, Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

HARRIET ISABOKE
FOR: DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Human Resource Management.
Supervisors:

1. Dr. Jedida Muli
   C/o Department of Human Resource Management
   Kenyatta University

HI/inn
Appendix III: Research authorization from Kenyatta University

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/OL/KKA/26370/2015

DATE: 7th September, 2018

Director General,
National Commission for Science, Technology and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,


I write to introduce Mr. Demba Rodgers Norman who is a Postgraduate Student of this University. He is registered for M.B.A degree programme in the Department of Human Resource Management.

Mr. Demba intends to conduct research for a M.B.A Project Proposal entitled, “Competitive Strategies and Performance of Selected Car Rental Business, A Case of Nairobi City County, Kenya”.

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. PAUL OKEMO
DEAN, GRADUATE SCHOOL

Hilina
Appendix IV: Research authorization letter from NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref: No NACOSTI/P/18/28460/25427

Date 9th October, 2018

Rodgers Norman Demba
Kenyatta University
P.O. Box 43844-00100
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Competitive strategies and performance of selected car rental business, a case of Nairobi City, Kenya” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 9th October, 2019.

You are advised to report to the County Commissioner and the County Director of Education, Nairobi County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.
Appendix V: Research license from NACOSTI

THIS IS TO CERTIFY THAT:
MR. RODGERS NORMAN DEMBA
of KENYATTA UNIVERSITY, 1064-40100
KISUMU, has been permitted to conduct
research in Nairobi County
on the topic: COMPETITIVE STRATEGIES
AND PERFORMANCE OF SELECTED CAR
RENTAL BUSINESS, A CASE OF NAIROBI
CITY, KENYA
for the period ending:
9th October, 2019

Applicant’s
Signature

The Grant of Research Licenses is guided by the Science,
Technology and Innovation (Research Licensing) Regulations, 2014.

CONDITIONS
1. The License is valid for the proposed research, location and
specified period.
2. The License and any rights thereunder are non-transferable.
3. The Licensee shall inform the County Governor before
commencement of the research.
4. Excavation, filming and collection of specimens are subject to
further necessary clearance from relevant Government Agencies.
5. The License does not give authority to transfer research materials.
6. NACOSTI may monitor and evaluate the licensed research project.
7. The Licensee shall submit one hard copy and upload a soft copy
of their final report within one year of completion of the research.
8. NACOSTI reserves the right to modify the conditions of the
License including cancellation without prior notice.

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Email: info@nacosti.go.ke, registry@nacosti.go.ke
Website: www.nacosti.go.ke

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Technology and Innovation
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Serial No. A 21059

CONDITIONS: see back page
EFFECT OF DIFFERENTIATION STRATEGY ON PERFORMANCE BY SELECTED CAR RENTAL BUSINESS, A CASE OF NAIROBI CITY COUNTY, KENYA

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Accepted: October 18, 2018

ABSTRACT

The objective of this study was to determine the effects of differentiation strategy on performance of selected car rental business a case of Nairobi City County, Kenya. This study was a cross-sectional descriptive study design where purposive sampling technique was used to select fifteen (15) car rental business in Nairobi City County. Stratified and simple random sampling technique was employed in recruiting three categories of respondents. The three category of staff included, top level, middle level and bottom level management. Structured questionnaire was used to collect primary data which was analyzed by Statistical Package for Social Science (SPSS) version 22. Descriptive statistics such as frequency, regression and correlation analysis was used to give the results of the study. The findings of the study revealed that differentiation strategy was statistically insignificant at P value greater than 0.05 by Chi-square and analysis of variance there by accepting the null hypothesis that differentiation strategy had no effect on performance of car hire business in Nairobi City County. Correlation analysis revealed a negative relationship between indicators for performance improvement and differentiation strategy used at r = -0.05. In addition, correlation analysis revealed that there was a positive relationship between the extent of performance differentiation strategy used at r = 0.096. Multiple logistic regression analysis showed that there was no significant (P >0.05) impact of differentiation strategy on performance. In conclusion, differentiation strategy adopted by the selected car rental business in Nairobi City County had no effect on their performance. The study recommended that the research be carried out using moderating effect of the car hire business on influence of differentiation strategy on performance.

Key words: Differentiation strategy, performance and car rental business

Appendix VII: Publication two

International Journal of Business and Management http://ijbm.ccsenet.org

Title: Effect of Differentiation Focus Strategy on Performance by Selected Car Rental Business, a Case of Nairobi City County, Kenya.

Author(s): Rodgers Norman Demba, Vincent Ochieng’ Ogal, & Jedidah Muli Decision of Paper

(*) B. Accept submission, revisions required; please revise the paper according to comments.

Verdict: Manuscript has been accepted for publication.