

**FOCUS STRATEGY AS A DETERMINANT OF CUSTOMER LOYALTY: A
SURVEY OF SELECTED SPECIALTY RESTAURANTS IN NAIROBI**

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DECLARATION

Declaration by candidate

I hereby declare that this thesis is my original work and has to the best of my knowledge never been submitted before any other university or institution. All borrowed pieces of work from other authors to back up my work have been recognized in the reference.

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Declaration by supervisors

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DEDICATON

This thesis is dedicated to my family members for their tireless support.

ABSTRACT

This study examined Focus Strategy as a Determinant of Customer Loyalty. It was carried out in speciality restaurants in the county of Nairobi. The specific objectives of the study include:- To establish the effect of quality strategy on customer loyalty, to determine the influence of product differentiation on customer loyalty, to find out the degree to which customer services influences customer loyalty and to establish the effect of cost strategy on customer loyalty. This study adopted the theory of multidimensional brand loyalty. The study used a descriptive survey design and a target population of 40 speciality restaurants. The study developed two sets of likert scale questionnaires for both the customers and employees. Purposive sampling was used to select restaurant managers and supervisors totalling to 60 respondents. The target population for the customers was 1,200 and a calculated sample size of 57 customers. Descriptive and inferential statistics was used to analyse the data. The study findings showed that Quality had significant relationship ($\beta=0.805$, $p = 0.000$,) between quality and customer loyalty. There was also a significant relationship ($\beta= -0.238$, $p = 0.000$) between product and customer loyalty. There was a significant relationship ($\beta=0.230$, $p = 0.003$) between customer service and customer loyalty and finally low cost there was no significant relationship between low cost and customer loyalty with ($\beta= -0.019$, $p=0.776$). From the above study it can be concluded that the model summary indicated that ($R^2 = 0.753$) implying that a unit change in focus strategy can led to 75.3% of customer loyalty. The study recommended that: - Restaurant managers need to recognize their dependence on repeat customers and building strong differentiated brands is essential for the restaurant business as strong brands enable the restaurant operators to charge premium prices as well as to foster customer loyalty. Finally, the recommendation for further study is proposed that future research may be conducted to find out the degree of loyalty and customer loyalty factors in other types of restaurants besides specialty restaurants.

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OPERATIONAL DEFINITION OF TERMS

- Cost:** According to Alison (2010) the low cost strategy meant the firm had driven down its production and overhead costs to the bare minimum. In this study it is the amount of money charged or paid for a commodity and it is considered in comparison to other restaurants offering the same products to find out if cost is a determinant of customer loyalty.
- Customer loyalty:** Prus & Randall (1995) describes customer loyalty as a composite of a number of qualities that is reflected by a combination of attitudes, intention to buy again and or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor and behaviors such as repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others. In this study customer loyalty is the devotion of faithfulness to one restaurant, it refers to the customer dedication to deal with a particular hotel, to purchase repeatedly from the restaurant and recommend it to other potential customers. In this study loyalty of customers was measured by repeat customers.
- Customer service:** Shahin (2006) defined the concept customer service as the manner in which marketers dealt with their customers. In this study customer service is the act of providing service to a customer before, during and after purchase of a product.
- Focus strategy:** According to Porter (2010) the focus strategy concentrates on a

narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. This is where a restaurant channels its marketing effort to meet the needs of a narrow market or niche and it can be in form of differentiation or cost focus. In this study, focus was measured with product differentiation, quality differentiation, customer service differentiation and cost.

Product: According to Austin (2010), product differentiation is the term for variations in characteristics of products within the same market. In this is any tangible or intangible good or service that is as a result of a process and that is intended for delivery to a customer to satisfy a need or want. In this research a product was food, beverage, and other banqueting services offered by restaurants.

Quality: Brett (2009) defined quality as, meeting customer needs and providing value to them as well. Quality in this study is the degree to which a product or service is free from the flaws and is made with the highest standard.

Repeat customers: In this study repeat customers are customers that purchase product (s) from the same restaurant over and over again.

Speciality restaurants: These are restaurant types that offer one specific type of food or product to suit specific customer such as Chinese restaurants.

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CHAPTER ONE

INTRODUCTION

1.0 Overview

This Chapter entailed the following: introduction, background information, the purpose of the study, the objectives which the research wants to achieve, the research hypotheses, justification of the study, the scope of the study and the limitations of the study.

1.1 Background Information

Loyalty is the customer's dedication to deal with a particular business, to purchase from the business repeatedly and to recommend the business and its offerings to others. Loyalty only grows if the customer perceived value received as better than that offered by competitors. Loyalty focuses on how likely a customer is to purchase again and gets involved in the relationship (Petzer, Steyn and Mostert 2008). Robinson (2011) observed that businesses grow by either acquiring new customers or by getting more from existing customers, but customer acquisition is invariably expensive, therefore it is much cheaper to maintain loyal customers.

Businesses that retain existing customers and increasing their expenditure is more profitable than trying to attract new ones. Reichheld and Sasser (1990) find that loyal customers are willing to re-buy products despite the fact that there are attractive competitive alternatives to cause switching, spend money on trying products across the firm's product line offerings, recommend the firm's goods or services to other consumers, and give the company sincere feedback as to their needs and expectations. The result of a successful customer loyalty strategy leads to customer retention (Lien and Green 2010). Furthermore, firms spend more than five times as much to obtain a new customer than to retaining an existing one (Kotler & Keller, 2006; Wills, 2009).

Kadampully and Suhartanto (2003) stated that customer loyalty had become a topical issue in research and practice due to its dominance in hotel organization success. Suhartanto and Kadampully (2003) stated that it had become increasingly difficult for firms to assume that there existed unlimited customer base prepared to maintain patronage.

Hence in the scheme of business, it had become apparent that the ultimate goal of any organization in a hyper competitive market is to maintain a loyal customer base. Heskett, Loveman and Sasser (1994) showed that in some companies loyal customers not only provide the profits but also showed the losses incurred in dealing with less loyal customers. Weaver and Opperman (2004) had observed that tourism had developed from a marginal local activity to a global economic giant representing about 6% of the global economy and creating approximately 200 million jobs worldwide during the later decades of the 20th century. Depending on the industry, an improvement of 5% in customer retention lead to an increase of 25% to 85% in profits (Reichheld & Sasser, 1990). Furthermore firms could spend 5 times as much as to obtain new customers than to retain existing ones (Kotler & Willis, 2004). Choi and Chu (2001) showed that those hotels that can attract, satisfy and retain customers were more likely to survive than those that do not do this. Hotels should formulate and implement focus strategy that could enable them attract loyal customers and attain competitive advantage, therefore this research studied focus strategy as a determinant of customer loyalty.

A focus strategy consist of moves to attract customers, withstand pressure and strengthen a firm's market position, and the objective of competitive strategy was to generate a competitive advantage, increase the loyalty of customers and beat competitors (Summer, 2009). Focus strategy allows a firm to serve a narrow market

with unique preferences to better meet the needs of that target market. Competitive advantage could be viewed as the value an organization is able to create to differentiate itself from its competitor (Dube & Renaghan, 1999). The value that is increased by an organization is measured by the price customers were willing to pay for its particular service (Passemar & Keine, 2000), because customers perceive the service as producing the required benefits, they would purchase the service and more importantly continued to do so, over time (Wood, 2004). Firms that are successful in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow geographic market segment, or to a particular buyer group or segment. They also target market segments that are less vulnerable to substitutes or where competition is weakest. Focus strategy has two major constructs differentiation and cost focus strategies. Whereas differentiation and cost strategies are aimed at achieving their objective industry wide, focus is built around serving a particular target or niche extremely well.

The focus strategy is based on the assertion that the firm could serve its narrow strategic target more effectively or efficiently than more broadly based competitors. The firm may achieve focus from better meeting the needs of the particular target or lower costs in serving the target and may even achieve both. Loyalty plays an important role in a firm's success. Loyal customers provided a firm's consistent source of revenue (repeat and increased purchases) and for cost reductions (less promotional expenses) thus increasing profitability.

1.2 Statement of the Problem

Due to changes in lifestyle (including changes in work patterns, travel needs, eating habits, and the development of a cosmopolitan community), the services offered by hospitality businesses are now considered to be necessities, rather than luxuries (Kadampuly & Suhartanto, 2003). This has provided consumers with a great variety of choices while simultaneously augmenting competition in the marketplace. It has become increasingly difficult for firms to assume that there existed an unlimited customer base. Hence, in the scheme of business, it has become apparent that the ultimate goal of any organization in a super competitive market is to maintain a loyal customer base.

It is essential for any hospitality organization to seek opportunities to gain a competitive advantage by adopting various strategies. Regina & Saladiene (2009) investigated the relationship between cost and loyalty and they found out that the cost has an influence on loyalty, they also suggested that there were other factors that could influence loyalty among them being service quality and customer service, therefore this research was built up on this previous research done by Regina & Saldiene (2009) in order to find out if quality, customer service and product had an influence on customer loyalty. This among many other studies give a general conclusion on either the three competitive strategies or on differentiation strategy and customer loyalty, with minimal and almost none touching on focus strategy as a determinant of customer loyalty. In the county of Nairobi there are 40 speciality restaurants that have adopted the focus strategy by targeting a specific group of customers. These restaurants prepare special cuisines for instance purely Indian cuisine or purely Italian cuisine to target customers who enjoy those specific types of meals. Therefore this study sought to investigate whether these restaurants attracted a

loyal customer base using the focus strategy.

1.3 Research Objectives

1.3.1 General Objectives

The general objective of the study was to establish whether focus strategy is a determinant of customer loyalty.

1.3.2 Specific Objectives

- i. To establish the effect of quality strategy on customer loyalty.
- ii. To determine the influence of product differentiation strategy on customer loyalty.
- iii. To establish if customer services strategy influences customer loyalty.
- iv. To establish the effect of cost strategy on customer loyalty.

1.4 Research Hypotheses

This study was guided by the following hypotheses:

Ho1: There is no significant relationship between quality strategy and customer loyalty.

Ho2: there is no significant relationship between product differentiation strategy and customer loyalty.

Ho3: There is no significant relationship between customer service and customer loyalty.

Ho4: There is no significant relationship between cost strategy and customer loyalty.

1.5 Significance of the Study

The findings of this study therefore will be of use to different stakeholders in the

hospitality industry. The hotel management and other service providers in general can use the findings of this study to formulate strategies on how to counter competition, they will also get an insight on the need for implementing focus strategy and on the importance of loyal customers in hotels. Customers also will get an insight on focus strategy and link with their taste and preferences and this enables them to get to know and appreciate efforts that different hotels put in order to satisfy them. The association of hotels in Kenya can use the findings of this study to make rules and regulations that will govern hotels in their daily activities and that will enable them attain healthy competition and avoid unhealthy competition. This research will also help scholars identify gaps to build their research on and also get some data from the findings.

1.6 Scope of the study

This research was carried out in Nairobi. It focused in speciality restaurants registered in the Nairobi county data base. The study sought to investigate focus strategy as a determinant of customer loyalty. Nairobi is a cosmopolitan city, it is the capital city of Kenya and it serves as an administrative and business centre in the country. The city has many hotels and it receives different clients from tourists, to cooperate, to business people and students. It covered elements of focus strategy as a determinant of customer loyalty. The study targeted hotel managers, assistant managers and hotel supervisors.

1.7 Limitation of the Study.

The limitation of the study was that this research was undertaken in one area and also the fear of giving information to the researcher. To counter this, the researcher gave

the respondent an assurance of confidentiality in the form of informed consent letter attached to all questionnaires and interview schedules and Nairobi County used because it is a replica of other areas.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed theoretical framework, customer loyalty, product strategy, quality strategy, customer service and low cost strategy. The information in this chapter was obtained from secondary sources such as, journals, books, Internet and dissertations. The Conceptual framework clearly showed how focus strategy affects customer loyalty.

2.1 Theoretical Framework

This study used the theory of multidimensional brand loyalty was developed by (Whan and Shah 1974). This theory views brand loyalty as a hypothetical construct much richer in meaning than what has been suggested in other research. It also views brand loyalty as a multidimensional construct. It is determined by several distinct psychological processes. This theory has multiples types of brand loyalty and multiple sets of determinants. This theory defines brand loyalty as positively biased emotive, evaluative and or behavioural response tendency towards a branded label or graded alternative of choice by an individual in his capacity as the user, the choice maker or the purchasing agent. This theory suggests that the determinants of brand loyalty can be from the consumer perspective or form the product related perspective. From customer's perspective it is in terms of the purchasing agent, choice maker and user and from the product's perspective it is in form of frequency of repetitive purchases or differentiation among brands or types of products.

This theory is very useful in this research because it tries to link the aspect of focus strategy and customer loyalty. It describes brand loyalty as a multidimensional aspect with a number of determinants and causes. It links up the constructs of focus strategy with the construct of loyalty. Multidimensional brand loyalty theory suggests that repetitive purchases can be used to indicate brand loyalty and this research used repeat customers to measure brand loyalty therefore this theory was varied based on the link between focus strategy and customer loyalty.

2.2 Concept of Customer Loyalty

Loyalty refers to the customers' dedication to deal with a particular business, to purchase from the business repeatedly and to recommend the business and its offerings to others. Loyalty grows only if the customer perceives value received as better than that offered by competitors. Satisfaction measures how well the expectations of a customer are met but loyalty focuses on how likely a customer is to purchase again and gets involved in the relationship (Petzer., Steyn., and Mostert 2008). According to Wong and Sohal (2003) customer loyalty appears to consist of three separate dimensions, namely, the behavioural, attitudinal and cognitive dimensions. Customer loyalty has been generally described as occurring when customers: repeatedly purchase goods or service over time, and hold favourable attitudes towards goods or service, or towards the company supplying the goods or service (Wong and Sohal 2003).

The success of a brand on the long term is not based on the number of consumers that buy it once, but on the number of consumers who become regular buyers of the brand. Tepeci (1999) noted the importance of brand loyalty in hospitality industry. The researcher argued that brand loyalty would be a more profitable approach rather than

other marketing activities, such as price cuts or promotional programs. Hospitality companies can increase their market share and growth rates by increasing their brand loyal customers. The researcher explained that it costs less to serve loyal customers because familiarity with the company's products and services makes customers less dependent on its employees for help and information. Thus, the key to increasing and preserving market share is not just winning customers, but keeping them.

Brand loyalty is a crucial component in the hospitality industry since repeat business constitutes a large percentage of room and food sales. Brand loyal customers resist competitors' price cuts and help hospitality firms maintain high occupancy rates (Tepeci, 1999). Kadampuly & Suharanto (2000) also said that brand loyalty has been recognized as the dominant factor in a business organization's success. They argued that since one of the greatest challenges that hotel firms are facing is ever-growing volume and high competition, it has become imperative for hotel organizations to win a competitive advantage. They suggested two strategies which are most commonly used by hotel managers in order to gain a competitive advantage: low-cost leadership through price discounting; and developing brand loyalty by providing unique benefits to customers. Therefore, it has to be quality of service rather than price for a hotel to differentiate itself from its competitors and to gain customer loyalty. Previous studies (Tepeci, 1999) & (Kim, 2004) illustrated that it is important for the hotel industry to develop brand loyalty, as opposed to relying solely on pricing strategies. Thus, brand loyalty is likely to become a necessary prerequisite for the future survival of hotel organizations.

Customer loyalty is one of the most important keys to the restaurant success. Customer loyalty leads to higher customer retention rate and to continuous business

success even in situations where failure to satisfy customers would normally cause an early termination of business. Therefore the restaurant operation must focus not only on attracting first-time customers but also on developing long term relationship with customers. Reicheld (1999) discussed the advantages of customer loyalty to the service provider, in terms of continuous profit, reducing marketing cost, increasing per-customer revenue growth; and increasing referrals. Loyal customers are less likely to switch away by a discount (Tepeci, 1999). Improvement in customer retention by even a few percentage points can increase profits by 25% or more (Griffin, 1995). Reichheld (2001) stated that 5% increase in customer retention yields 75% increase in net present value. Attracting Customers are more difficult nowadays due to the challenges of competition and the need to maintain the volume of business that the restaurant faces. The competition challenge has three major implications for what customer wants: the increased choice, greater value of money, and augmented level of service.

2.2.1 Repeat Customers

A situation that arises when a customer returns again and again to purchase a good or service from a business. Offering repeat business is the hallmark of a steady customer that is usually highly valued by businesses that they patronize since they typically require minimal additional marketing efforts to retain. Customers are always on the lookout for great Hotels. They watch out for the key aspects that stand out in each Hotel. These positive attributes make clients visit a particular hotel many times in a row. For any business, getting repeat clients is like striking gold-because no marketing costs are involved, it's just pure profit. As the saying goes, 'Repeat customers are walking billboards'. If customers come back to your business, chances are pretty good that they liked what they saw the first time, and from there, chances

are they are going to spread the word publicity that comes free of charge to you. In addition to the marketing benefit of repeat customers, because of the special relationship these repeat customers have with a company, they are far more likely to offer your company unvarnished feedback when it needs it most. For example, if a hotel is considering launching a new service, why not offer an advance preview of this service to the repeats. That way unvarnished feedback is achieved from them, they'll feel certain exclusiveness about being approached before anyone else, and some of them may be interested in purchasing this service.

Repeat business does not happen automatically; it needs to be cultivated, one transaction at a time. Each encounter with a customer is a critical link in the customer loyalty process. Bowen & Chen (2001) argued that there are three distinctive approaches to measure loyalty: behavioural measurement, attitudinal measurement, and composite measurements. The behavioural measurements refer to a customer's repetitious purchase behaviour as an indicator of loyalty for a service or brand (Kadampuly & Suhartanto, 2000; Bowen & Chen, 2001). A number of studies on loyalty have confirmed that there are four types of loyalty based on the degree of repurchase and the degree of attachment (Whyte 2002). These may be classified as low (or no) loyalty, spurious (or artificial) loyalty, latent loyalty, and high (true) loyalty. This classification can be useful in trying to build or retain loyalty and attract a high percentage of "truly loyal" customers. Thus, this study used repeat customers or purchases as a construct that was used to measure customer loyalty.

2.3 Concept of Focus Strategy

In adopting a narrow focus, the company ideally focuses on a few target markets also called a segmentation strategy or niche strategy. These should be distinct groups with specialised needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialised markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment. Focus strategy allows the firm to concentrate on a few target markets It is also called a focus strategy or niche strategy.

Focus strategy is a strategy where an organization concentrates all its resources mainly on expanding or entering a narrow industry segment or market. It is normally used where the organization knows a specific segment and it already has the products for competitively satisfying the set requirements. In focus strategy a company targets a particular buyer group, product segment or geographical market. According to Porter (2010) the focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

Focus strategy is assigned to help a firm target a specific niche within an industry,

unlike cost leadership and differentiation strategies that are designed to target a broader or industry-wide market, focus strategy aims at specific and typically small niche (Bordes, 2009) According to Tanwar (2013) the focus strategy has two variants, in cost focus a firm seeks a cost advantage in its target segment Differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Whereas low cost and differentiation strategies are aimed at achieving their objective industry wide, focus is built around serving a particular target or niche extremely well. The strategy is based on the assertion that the firm can serve its narrow strategic target more effectively or efficiently than more broadly based competitors. A firm may achieve focus from better meeting the needs of the particular target or lower costs in serving the target, and may even achieve both. Even though the focus strategy does not achieve low cost or differentiation from the perspective of the market as a whole, it does achieve one or both in its narrow market target.

A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the Internet only. Others target particular demographic groups. While a differentiation strategy involves offering unique features that appeal to a variety of customers, the need to satisfy the desires of a narrow market means that the pursuit of uniqueness is often

taken to the proverbial “next level” by firms using a focused differentiation strategy. Thus the unique features provided by firms following a focused differentiation strategy are often specialized. Each generic strategy offers advantages that firms can potentially leverage to enhance their success as well as disadvantages that may undermine their success. In the case of focus differentiation, one advantage is that very high prices can be charged. A second advantage of using a focus strategy is that firms often develop tremendous expertise about the goods and services that they offer.

2.4 Link between Focus Strategy and Customer Loyalty

The purpose of pursuing a focus strategy is to offer unique products or services to customers so as to obtain a price premium and achieve loyalty. This facilitates a firm’s erection of entry barriers and reduces buyers’ bargaining power through customer loyalty and price inelasticity (Porter, 1980). In other words, by implementing differentiated customized services or personalized products, a firm can build its customer loyalty when substitute products or services are unavailable in the market (Aaker, 2001; Allen & Helms, 2006; Porter, 1996). These characteristics of the products and services in this industry enabled firms to charge their customers a higher price than their rivals based on the cost of the delivery system, service quality, and the distribution channels involved in creating or producing their unique products and services (Akan, Allen & Helms 2006).

2.4.1 Effect of Quality Strategy on Customer Loyalty

Many researchers in the hospitality industry perceived service quality as a critical issue. Faced with tough competition a company that offers sub-standard quality products has little chance of surviving. Kotler and Maken (2003), defined service as 'any behaviour or act based on a contact between two parties: the provider and the

receiver, and the essence of this reciprocal process is intangible. Zeithaml (1988) defined service quality as the customer judgment about a product overall excellence. In an effort to conceptualize service quality (by taking into account all the aspects of customer perceived service quality, including those already addressed in the existing instruments and those that are left out in the empirical service quality literature), Sureshchandar *et al.*, (2001) identified five factors of service quality as critical from the customers' point of view. These factors are: core service or service product, human element of service delivery, systematization of service delivery: non-human element, tangibles of service, services capes and social responsibility.

Service quality has several dimensions. Zeltham *et al.*, (1996) that there existed criteria and dimensions through which service quality can be assessed: Reliability: the ability of an organization to accurately achieve its services in the proper time and according to the promises it had made to its clients. Responsiveness: the tendency and willingness of service providers to help clients and satisfy their needs, immediately reply to their inquiries, and solve their problems as quickly as possible. Competence: having adequate skills and knowledge that enabled the employees to perform their jobs properly. Accessibility: providing easy access to a service in terms of location and through services provided via the telephone, the internet, or any of other means of communication. Courtesy: treating clients respectfully in a polite friendly manner, understanding their feelings, and answering their phone calls gently.

Communication: this occurs through gentlemanly listening to the client conveying information to them clearly and facilitating external communication with workers. Credibility: this can be achieved through full trust and confidence in the service provider as well as his honesty and straight forwardness. Security: this depends on

whether the service is free from risks and hazards, defects or doubts so that it provides bodily safety, financial security as well as privacy. Understanding/ knowing the customer: this can be made achievable through the ability to pinpoint the customers' needs as well as understanding their individual problems. Tangibility: this includes physical aspects connected with service such as instruments and equipment, persons, physical facilities like buildings and nice decoration and other observable service facilities.

In the restaurant industry food quality is considered to be an important part of the product quality (Siguaw & Enz, 1999). Yuksel & Yuksel (2002) found out that product quality is considered to be a significant determinant of dining satisfaction. Cronin and Taylor (1994) stated that customer perception of service quality includes: organizational, technical and functional quality, the service product, the service delivery the service environment, the responsiveness, the empathy, the assurances, and the tangibles related with the service experience. Soriano (2002) categorized food service quality into four dimensions as follows: Quality of food: menu variety, innovative food, presentation of food, fresh ingredients and food consistency. Second is the quality of service: equipment, appearance of employees, courtesy of employees, waiting-time before being seated, waiting-time before food arriving, and waiting time before paying the bill. Thirdly the Cost/value: competitively priced food and wine. Lastly place: appearance, ambience or atmosphere of a restaurant, bathroom, telephone service and parking. Quality of Food: It has been rated that quality of food and fresh ingredients are the most important reason for customers to return to a restaurant (Brumback, 1998; Sorino, 2002).

The effectiveness of the menu is a selling tool for the restaurant sector. Quality of

Service: recently customers have also been increasingly concerned about the quality of service (Soriano, 2002). Therefore, it is expected that if both quality of service and food quality are provided, customers would come back again and become loyal to that specific restaurant. Cost/value of the Meal: As dining out becomes an important part of customers' life styles, frequent dinner customers have raised their expectations to the restaurant quality, in terms of good service and cooked food, and that's while seeking a better value for their money. To gain a competitive advantage in today's market, restaurants must offer value beside good food and good service. The restaurants must invest money to improve their appearance. This is particularly important for attracting sociable customers who like to have new experiences (Soriano, 2002). Therefore all aspects of service quality should be differentiated in order to attract loyal customers, to keep up competition and survive in the market.

Service providers differentiate all aspects of service quality from the ambience, to the quality of the food, to the menu, to the cost or value of the food and the hospitality that guests receive. Many researchers perceived service quality as critical issue in the hospitality industry. Zeithaml (1998) defined service quality as the judgment of a customer about a product overall excellence. Researcher also agreed that high level of satisfaction increases repeat patronage and improve service provider market reputation (Yuksel & Yuksel, 2002). Service quality has a significant impact on the customer purchase intentions (Cronin & Taylor, 1992). Lee and Crompton (1998) concluded that the perceived product and service quality had an effect on customer satisfaction and directly influenced customer loyalty. From the managerial perspective the service quality and the customer satisfactions play similar roles toward building customer loyalty (Oh, 2008).

Getty and Thompson (1994) reported that in the lodging experience the customers' intentions to recommend depend on their perception of both their satisfaction and service quality. Hence, it can be concluded that there is a positive relationship between customer satisfaction, quality and customer loyalty (Kandampully & Suhartanto, 2000). Generally, good service quality leads to customer loyalty, as it enhances customer trust towards and satisfaction with the firm. Customers may be more willing and intend to do something that is beneficial to the strategic health of the firm; as a result, customer loyalty will gradually form. It is believed that positive perceptions of service quality increase the chance of customers being involved in supporting the firm and developing loyalty behaviour. Although loyalty item is mostly included as an outcome in the construct of service quality, the linkage between them remains relatively underdeveloped.

2.4.2 Effect of Product Strategy on Customer Loyalty

Product differentiation is a competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firm's products and services. Product differentiation strategy involves using the characteristics of the product you market to differentiate from your competitors. Every brand is built on a product. Products are almost always a combination of the tangibles and the intangibles. According to Austin (2010), product differentiation is the term for variations in characteristics of products within the same market. Corn is corn; rice is rice, and so forth. Most consumer products are not like that. Corn flakes are not the same as raisin bran, but they compete with one another in the breakfast cereal market. It comes down to the degree of substitutability (Akan 2006). The best time to use product differentiation is when

the differentiation is something that isn't expensive, attracts new customers, and doesn't alienate any existing customers. Product differentiation is a strategy that businesses use to distinguish a product from similar offerings on the market. For small businesses, a product differentiation strategy may provide a competitive advantage in a market dominated by larger companies.

The differentiation strategy the business used must target a segment of the market and deliver the message that the product was positively different from all other similar products available. Products can be differentiated through many different ways. This differentiation may for example, take the form of different packaging. For example, certain beer drinkers may be receptive to a different can design with a wider mouth. It can also take the form of marketing. For example, a cell phone company may offer the same services to all age groups. Differentiation is designed to fill the same consumer desire. Differentiation ensures that substitutes are so different that the degree of substitutability is weak enough to be lumped together with other substitute products. Hoopes (2003) suggested that only the combination of product differentiation with other factors translated into valuable resources that were neither perfectly imitable nor easily substitutable. Firms had different resource endowments that enabled them to construct specific competitive advantages over competitors. Thus, differentiation is the process of distinguishing the differences of a product or offering from others, to make it more attractive to a particular target market.

Product differentiation is the process of describing the differences between products or services, or the resulting list of differences. This was done in order to demonstrate the unique aspects of a firm's product and create a sense of value. Marketing textbooks were firm on the point that any differentiation must be valued by buyers. The term unique selling proposition refers to advertising to communicate a product's

differentiation. Product differentiation can be achieved in many ways. It may be as simple as packaging the goods in a creative way, or as elaborate as incorporating new functional features. At times differentiation does not involve changing the product at all, but creating a new advertising campaign or other sales promotions instead. Firms that successfully differentiate themselves were rewarded for their uniqueness on the product characteristics, the delivery system, the quality of service, or the distribution channels with a premium price (Allen & Helms, 2006; Porter, 1985). Moreover, the differentiation strategy appealed to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price (Allen *et al.*, 2007; Akan *et al.*, 2006). Thus, the objective of a differentiation strategy was to persuade the market/industry that there was a “distinct gap” between a company’s product and other companies competing against it (White, 2004). This gap was based on real or physical differences (such as: size, shape, colour, weight, design, material, and technology embodied) of a product that created a unique characteristic which influenced a satisfactory number of buyers to purchase it.

The key step in devising a differentiation strategy is to determine what makes a company different from a competitor’s (McCracken, 2002). Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organisations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (Murray, 1988). To be effective, the message of differentiation must reach the clients (McCracken, 2002), as the customer’s perceptions of the company were important (Berthoff, 2002). When using differentiation, firms must be prepared to add a premium to the cost (Hyatt, 2001). This was not to suggest costs and prices are not considered; only it was not the main focus (Hlavacka *et al.*, 2001). However, since customers perceived the product or

service as unique, they were loyal to the company and willing to pay the higher price for its products (Allen, 2007).

Depending on industry characteristics, differentiations allowed for above-average industry pricing policies in the face of greater market demand for the business's outputs. Thus, the businesses that effectively competed with differentiation were able to outperform their competitors through higher price (Wright, 1991). A differentiation strategy was successful when within an industry there were numerous ways to differentiate a product and buyers perceived those changes as value added to their preferences (Hitt, 2007). Similarly, to maintain customers' interests differentiators needed to invest in product innovations and thus launched a sequence of versions of the updated product (Hitt, 2007).

The product was a good starting point to attract customers and create customer loyalty. Customer loyalty expressed an intended behaviour to support a product, which was by communicating their experience to others through saying positive things. When the company's customers recommended someone to buy the product, a high degree of loyalty was reflected. Kotler & Keller (2003) believed that better product quality maintained a high level of customer satisfaction, which encouraged customers to make their next purchases. Thus, customer loyalty was gradually formed. Numerous studies showed that improved product quality benefited companies by building a long-term customer base, and creating a valuable asset for company customer loyalty. In order to stand out in today's competitive market, firms should pay much attention to product quality, as it was believed to be the starting point for generating customer loyalty.

2.4.3 Effect of Customer Service on Customer Loyalty

Service differentiation is the extent to which a company focuses on service as its core offering and the extent to which customers regard the organization as a service provider (Neu & Brown, 2005; Oliva & Kallenberg, 2003). Service differentiation translated into different ways to achieve competitive advantages through services. Potential strategic avenues for service differentiation captured customer support services, business consulting, integrated services, or operational service. Business consulting became especially salient when strategic consultancy advice was necessary to analyse the customer's business and identify problems in the customer's organization on the basis of experience (Davies, 2004; Davies *et al.*, 2007; Gebauer, 2008). Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of reporting complaint and friendliness when reporting complaint (Kim, 2004). Customer service is one of the most important considerations in the evaluation of a supplier and the effectiveness of the level of customer service enhanced customer retention and reduce switching between and among service providers (Oyeniyi & Joachim 2008; Wang & Shie, 2006). Management pursues a differentiation strategy that features offering the customers excellent customer service. Hence the need to build competitively valuable expertise and capabilities and to enhance customer satisfaction in all customer service encounters.

If Customer Service was to be chosen as the key differentiator, the starting point for any retailer was to be a clear vision of what they wanted their customers to experience and how they intended to deliver that to the standard required and in a consistent way. That vision is often provided by the business owner in small independent retailers and a senior executive in larger companies. Service providers did not restrict their

offerings to customer service. They offered a comprehensive set of services including services for the installed products, design and construction services, high-value solutions, system integration services, or outsourcing services (Gebauer, 2008; Oliva & Kallenberg, 2003). A company can combine these services with product components in a manner that provides a solution to a customer's specific business needs. Services or solutions evolved to the main market offering and started to dominate the total offering of service providers (Vandermerwe & Radar, 1988). Accordingly, revenue and profits were mostly attributable to the services; products only became an add-on to services (Oliva & Kallenberg, 2003). For a service provider, service differentiation represented the main strategic priority, built on the company's customer centricity and innovativeness

In today's competitive marketplace, companies that take the best care of their customers have a strong competitive advantage. This underscores the importance of good customer service and a need for hard headed analysis and commitment helped customers. Since customers generated the revenue that kept organisations in existence and delivered its profits, they were important in organisational strategy. However, in many instances, it is surprising that much greater emphasis has been given to some aspects of strategic development to competition rather than the customer. It was therefore easy to lose sight of the direct strategic importance of the customer and quality of customer service. Shahin (2006) defined the concept customer service as the manner in which marketers dealt with their customers. There were four major components of customer service: customer relations, delivery, repair services and warranties. Most aspects of customer service can be placed in the last of these categories. Like branding and packaging, customer service was a crucial element of

overall product strategy. It was as important to service marketers as it is to goods marketers and was a major enhancer of competitiveness. Scanlan and Mcphail (2000) observed that the reasons why customers switched to competitors were associated with dissatisfying service experiences during the service encounter.

Indeed, problems experienced in the service encounter are a major cause of customer dissatisfaction and defection. Therefore, creating a positive service encounter was the essence of customer loyalty, retention and long-term relationships. Bitner and Booms cited by Scanlan and Mcphail (2000) concluded that the quality of service provided by the service provider could be the deciding factor on which the customers made decisions on the return visit and was an influencing factor in the customers' decision to form and maintain long-term relationship with the organization. Kotler and Armstrong (2004) stated that, in their experience, one of the major ways a service firm could differentiate itself was by delivering consistently higher quality than its competitors. They also observed that customer retention was perhaps the best measure of quality. It was evident that a service firm's ability to hang on to its customers depended on how consistently it offers value to them.

Customers (guests) expected excellent services and facilities. As a result, consumer confidence was boosted by quality customer service, more so when it became part of the features that set the service provider from other competing service providers. Therefore, it was evident that differentiation through superior service for a reasonable price was a key strategy in the service industry. Levitt cited by Lynch (2000) argued that the main reason some organisations were in decline was because they had become so heavily product oriented, and were not sufficiently customer oriented. As a result, they narrowed their customer base so narrowly. This implied that customer

orientation should emphasize the need for customer profile so that the services, goods and facilities provided could be better tailored to their needs. Secondly, it also allowed for developing strategies that identified customers and competitors. Zeithml & Bitner (2003) believed that the extent of satisfaction depended on customer service, product quality, price, and personal factors. Therefore customer service played an important role in attracting loyal customers, thus this strategy if well utilized could help in attracting loyal customers.

2.4.4 Effect of Cost on Customer Loyalty

The low cost strategy is also known as the cost-leadership strategy. This strategy was one that dictated the firm have lowest costs for a given product. It involved the firm winning market share by appealing to cost-conscious or price-sensitive customers. This was achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). Thus, the very definition implied there could only be one firm with this strategy. While there may be competition to obtain the position of lowest cost, only one firm can be the lowest. The low cost strategy meant the firm has driven down its production and overhead costs to the bare minimum. These cost cuts could occur in several ways. Efficient facilities, experience, and control of customer accounts could all help drive down costs. This was in addition to the normal waste cutting that firms do. Cost leadership, in basic words, meant the lowest cost of operation in the industry. The cost leadership was often driven by company efficiency, size, scale, scope and cumulative experience. A cost leadership strategy aimed to exploit scale of production, well defined scope and other economies, producing highly standardized products, using high technology. In the lastly ears more and more companies chose a strategic mix to achieve market leadership. These patterns consisted simultaneously cost leadership,

superior customer service and product leadership.

A company could be the lowest cost producer, yet not offer the lowest-priced products or services. If so, that company would have a higher than average profitability. However, cost leader companies did compete on price and were very effective at such a form of competition, having a low cost structure and management. The goal was to have the lowest average cost per unit in the entire industry. Michael Porter (2003) cited three generic strategies that a firm could adopt, one of them is the cost focus strategy. This was a very challenging approach for many companies, because niche markets with limited overall buying power could inhibit your ability to buy products and supplies at lower costs. Thus, a company that managed to set up a low-cost operation and distribution system could build a huge competitive advantage. Efficient operational processes, investments in automated inventory and management technology systems and effective marketing and pricing to attract targeted customers could contribute to success using this strategy. This strategy was one that dictated the firm had the lowest costs for a given product. Thus, the very definition implied there could only be one firm with this strategy.

While there may be competition to obtain the position of lowest cost, only one firm could be the lowest. According to Alison (2010) the low cost strategy meant the firm had driven down its production and overhead costs to the bare minimum. To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There were three main ways to achieve this. The first approach is achieving a high asset turnover. In service industries, this meant for example, a restaurant that turned tables around very quickly, or an airline that turned around flights very fast. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting

in a lower unit cost, i.e. the firm hoped to take advantage of economies of scale and experience curve effects. For industrial firms, mass production became both a strategy and an end in itself. Higher levels of output both required and resulted in high market share, and created an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firms' low costs and prices.

The second dimension was achieving low direct and indirect operating costs. This was achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs were kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture. Maintaining this strategy required a continuous search for cost reductions in all aspects of the business. This included outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy was to obtain the most extensive distribution possible. Promotional strategy often involved trying to make a virtue out of low cost product features.

The third dimension was control over value chain encompassing all functional groups (finance, supply/procurement, marketing, inventory, information technology etc.) to ensure low costs. For supply/procurement chain this could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Other procurement advantages could come from preferential access to raw materials, or

backward integration. Keep in mind if you were to control over all functional groups this was suitable for cost leadership. Otherwise you were applying differentiation strategies if you control over one functional groups.

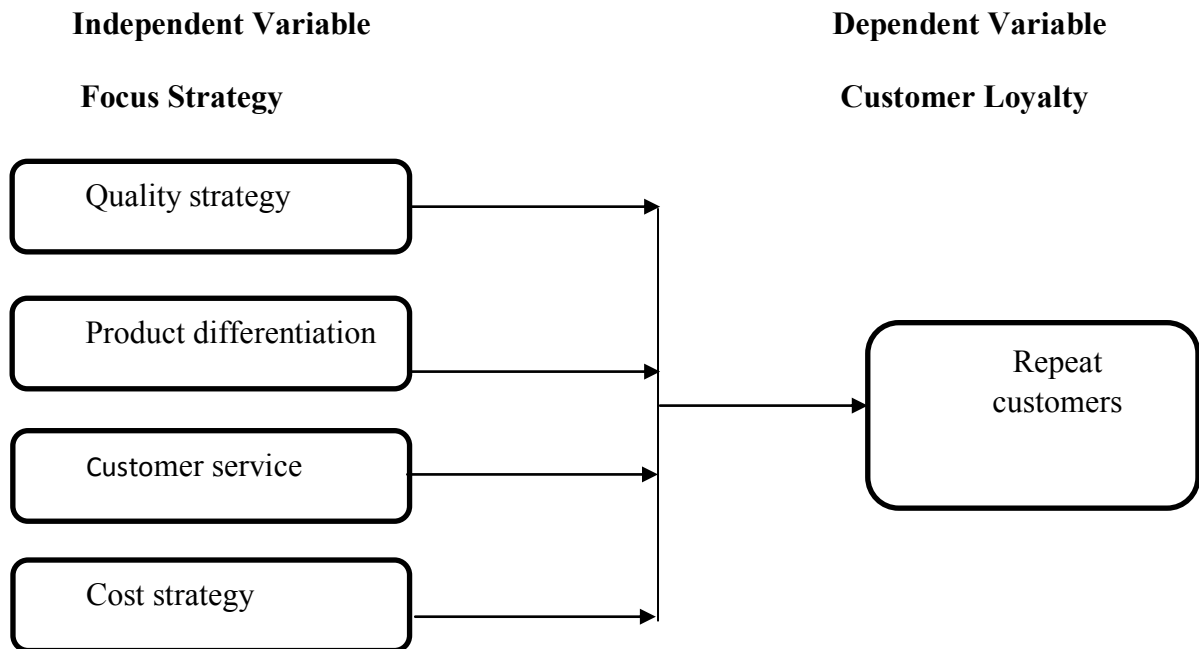
These cost cuts can occur in several other ways. Efficient facilities, experience, and control of customer accounts could all help drive down costs. This was in addition to the normal waste cutting that firms do. The goal was to have the lowest average cost per unit in the entire industry. If a firm was able to assume the low cost strategy, a tremendous advantage was obtained. This advantage was based in the fact that the low cost firm had more flexibility in setting its selling price than the other firms in the industry. Alison (2010) stated suppose Company A was the low cost leader in the industry and Company A had an average cost per unit of \$5. Company B who was not the low cost leader had an average cost per unit of \$6. If the market selling price for this product was \$8, Company A made \$3 per unit and Company B made \$2 per unit. But Company A had the ability to put pressure on Company B and lower the selling price of A, eating up Company B's profit. In fact, Company A could sell the item for \$6 or even lower, forcing Company B to match the selling price and take a loss or keep the higher selling price and find some way to differentiate itself from Company A. In either case, Company A had the pricing power. The low cost strategies often lead to a large market share because the firm did have the ability to offer lower selling prices. Perceived price fairness was considered an important factor for customer satisfaction because customers evaluated the value of service on basis of the price they paid (Anderson & Vincze 2004). Restaurant customers may be very sensitive to price fairness; customers utilized comparisons of menu item quality vs. price paid, or price paid. Level of service given to assist them in the decision making processes.

Cost was a major factor to customers and it could majorly affect customer loyalty. Wong & Zhou (2006); Consuegra, *etal.*, (2007) performed empirical research and confirmed that service price as one of customers' loyalty factors, became an important object of research. (Virvilaite, 2008). Based on this, Consuegra, *etal.*, (2007) formed an integrated model of price, satisfaction and loyalty. Consuegra, *etal.*, (2007) stated that striving to determine relationship between service price and customer loyalty first of all it was necessary to discuss such concepts as price fairness and price acceptance. Consuegra, Molina & Esteban (2007) based on Kim (2004) stated that customers treated demand conditioned price determination and price, related with income management, as a breach of customer confidence, related with dual obligation principle. Following Kim (2004) opinion dual obligation principle stated that majority of customers think that they had a right to know base price and service enterprise had a right to know base profit. In respect to this, it was expected that price increase would be estimated as not very fair, if causality relationships were pointed to internal part of the enterprise. Generalizing, it could be stated that customers' value quoted prices comparing them with other but the same taking into account circumstances as well (Beldona & Manasivayam, 2006). These previous researches showed the link between cost and loyalty. Thus cost played an important role in determining loyalty of customers. Customers either wanted lowest cost for products or high cost with accompanied high quality service and value for their money.

2.5 Conceptual Framework

The study adopted a conceptual framework where focus strategies were itemized as independent variables, customer loyalty in the hospitality industry as the dependent variable. The focus strategies were classified into quality, product, customer service and low cost strategies. Customer loyalty was classified into repeat customers. This

conceptual framework tried to find out if quality, product, customer service and cost were determinants of customer loyalty. If appropriate focus strategy was implemented in form of quality, product, customer service and cost then the restaurants stood a chance of benefiting from loyal customers.



Source: Author (2016)

Fig 2.1 A model showing focus strategy and customer loyalty in speciality restaurants

2.6 Summary of Literature and Research Gap.

Businesses that retain existing customers and increase their expenditure are more profitable than those trying to attract new ones. . Furthermore, firms spend more than five times as much to obtain a new customer than to retaining an existing one (Kotler & Keller, 2006; Wills, 2009). Robinson (2011) observed that businesses grow by either acquiring new customers or by getting more from existing customers, but customer acquisition is invariably expensive, therefore it is much cheaper to maintain loyal customers. Furthermore, firms spend more than five times as much to obtain a new customer than to retaining an existing one (Kotler & Keller, 2006; Wills, 2009). Kadampuly and Suhartanto (2003) stated that customer loyalty had become a topical issue in research and practice due to its dominance in hotel organization success. Regina & Saladiene (2009) investigated the relationship between cost and loyalty and they found out that the cost has an influence on loyalty, they also suggested that there were other factors that could influence loyalty among them being service quality and customer service, therefore this research was built up on this previous research done by Regina & Saldiene (2009) in order to find out if quality, customer service and product had an influence on customer loyalty. This research therefore built on the gap by Regina and Saladiene (2009) to establish focus strategy as a determinant of customer loyalty in speciality restaurants.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This Chapter describes the methodology and procedure that was used to obtain research data. It outlined the following, the study area, research design, target population, sample design, data collection instruments, reliability and validity of the study and data collection procedure and analysis. This chapter describes and justifies the methods of research and analysis used.

3.1. Study Area

Nairobi was the study area for this research. It is the capital city of Kenya. Nairobi enjoys a temperate climate; it has a subtropical highland climate. The altitude makes for some cool evening, especially in June/July season when the temperature can drop to 10°C. The sunniest and warmest party of the year is December to March. Nairobi has a population of 3,375,000 people. As Nairobi is situated close to the equator, the difference in season is minimal and the seasons are referred to as wet and dry season. Manufacturing in Nairobi consists of many small and medium sized industries together with big corporations. These include industries manufacturing steel products, plastic goods, soaps, flour, vegetable oil, horticulture and dairy and poultry farming. The informal sector is an integral part of Nairobi business. Both local and international banks dominate the banking sector in Nairobi. The Nairobi Stock Exchange is the leading securities exchange in East and Central Africa and fourth largest in Africa in terms of trading volumes and it is situated in Nairobi central business district at the nation house. Nairobi is the only city in the world with a game park. Nairobi National Park is a preserved ecosystem where you can view wildlife in its natural habitat. Nairobi is also a home to many hospitality establishments.

3.2. Research Design

Research design is the arrangement of conditions for the collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. According to Mugenda (1999), research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions. The purpose of this research was to contribute towards a very important aspect of strategic management known as focus strategies used in hotels and in regards to customer loyalty. The study adopted a descriptive survey research design discovered the ideas and insights of the relationship between focus and customer loyalty. The method aimed at capturing the current perception of the population with regards to the variables of the study.

3.3. Target Population

This refers to a group defined by a researcher's specific interest or the entire set of individuals who are accessible and who have the characteristics required by the researcher (Mugenda, 2003). The study targeted selected speciality restaurants in Nairobi. Speciality restaurants are the restaurants that sell one specific type of food or product. The study targeted the management personnel of the hotels. The target population was 40 speciality restaurants and 1200 customers in Nairobi.

Table 3.1. Distribution of Sample Size on Speciality Restaurants 2014

Strata	Target Population	Sample Size
African Cuisine	11	3
Coffee House	10	3
Indian Cuisine	10	2
Italian Cuisine	5	2
Vegetarian Restaurants	4	1
TOTAL	40	12

Source: Nairobi County Database, (2014)

3.4. Sample Size

The study adopted a sample size of 30% of the accessible population according to Mugenda and Mugenda (1999). 30% of 40 speciality restaurants samples down to 12 speciality restaurants in Nairobi, purposive sampling was used to select restaurant managers and supervisors totalling to 60 employee's respondents together therefore the sample population of 60 employees was used as the sample size for employees. The customers were calculated using Nassiuma (2000) formulae. The 12 speciality restaurants received an average of 100 guests per day therefore 100 multiplied by 12 we got an average of 1200 guests per day.

The sample size for the clients was computed based on a formula by Nassiuma (2000).

$$\begin{aligned}
 & \frac{NC^2}{C^2 + (N - 1) e^2} \\
 = & \frac{1200[0.5^2]}{0.25 + [1200-1]0.05^2} = 57 \text{ Respondents}
 \end{aligned}$$

Where n is the sample size, N is the population, C is the Coefficient of variation (0.5), e is the level of precision (0.05) (Nassiuma, 2000).

Simple random sampling was used to select the customers in the 12 restaurants. Therefore 57 customers together with 60 employees total a sample size of 117 respondents.

3.5 Data Collection Instruments and Procedures

3.5.1 Data Collection Instrument.

The study used questionnaires to collect data. The questionnaire comprised the Likert scale question type. The questionnaires were administered to the supervisors and the managers. Likert scales are questions with the same set of responses having different scales. This type of questions are easier to complete hence the respondent was unlikely not to be put off and it was easy to compare responses given to different items.

3.5. 2 Data Collection Procedure

Data was collected by use of questionnaires. An introductory letter was provided from the University of Eldoret to accompany each questionnaire and another from the researcher indicating the area of research to be undertaken by the researcher and confirming confidentiality of the information and indicating its use. The

questionnaires were administered to all the respondents. One research assistant was chosen to assist in collecting data.

3.6. Data Sources

Both primary and secondary data sources were used in this research.

3.6.1. Primary Data

This is the raw data that was gathered directly from the respondents in the field, using questionnaires and interview schedules (Mugenda, 1999). This study used self-administered questionnaires to collect primary data..

3.7. Validity and Reliability

3.7.1. Validity

This is the degree at which the results obtained from the analysis of the data actually represent the phenomenon under study, that is the extent to which an instrument measures what it ought to measure (Mugenda, 2003). The development of research instruments was done by examining the objectives of the study, consulting research experts for the purpose of framing of items and critical examination of variables and for cross checking. Recommendations for improvement that were given by these persons helped to determine the validity of the research instrument. Content validity instrument was determined through plotting. The questionnaires were tested through pilot study. The pilot study was conducted a week earlier. The responses of the subject were checked against the research objectives. According to Kerlinger (1986), for research instruments to be considered valid the content selected and included in the questionnaire should be checked for relevance to the variable which was investigated.

3.72 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results (Phelan & Wren 2006). Test re-test was used to test the reliability of the research instruments. This helped in testing the consistency of the responses. This established the extent to which the questionnaires were able to elicit the same responses every time it was administered.

The reliability of data collection instruments was determined from the pilot study where the researcher administers the research instruments to respondents who did not participate in the actual study. The research instruments administer questionnaires to the same respondents twice after a period of two weeks. The Cronbach's alpha reliability coefficient was used to compare the responses which normally range between 0 and 1. The purpose of administering the pre-test was to determine the reliability of the instrument. The alpha value of 0.725 was generated which is above the recommended measure of 0.70 therefore the instrument was considered reliable (Orodho, 2005).

3.8 Data Analysis

Data was analysed in line with the research objective. A multiple regression model was used to test hypotheses the study. The study was in respect to more than two independent variables and therefore, multiple regression (Kothari 2004) was used to determine the relationships. The specific tool that was employed under inferential statistics was ANOVA. ANOVA was found appropriate to measure the difference between groups in terms of opinion on focus strategies. The linear regression was useful in showing the relationship between different variables. A multiple regressions model was $Y = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$

Where

Y = customer loyalty

α_1 = y intercept

$\beta_1, \beta_2, \beta_3$ and β_4 = coefficients of x_1, x_2, x_3, x_4 ,

x_1 = Quality

x_2 = product

x_3 = customer service.

x_4 = Cost

ε = Error term

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter gives details on the background information, data analysis, presentation and interpretation following the findings made by the researcher.

4.1.1 Response Rate

The researcher issued 117 questionnaires targeting both the customers and employees of the establishment. All questionnaires were filled meaning that the study had a 100 % response rate.

4.2 Background Information of Respondents

The research assessed the background information of the respondents in an effort to understand the type of population under study. The responses are as presented below.

Table 4.1 Background information of the Respondents

		Employees	
		F	%
Gender	Male	40	66.7
	Female	20	33.3
Totals		60	100.0
Age(years)	18-25	10	16.7
	26-28	25	41.7
	36-45	20	33.3
	46-60	4	6.7
	Over 60	1	1.7
Totals		60	100.0
Education			
	Secondary	15	25.0
	College	18	30.0
	University	27	45.0
Total		60	100.0
Length of service			
	Less than 5 years	32	54
	6-10 years	15	25
	11-15 years	8	13
	Over 16 years	5	8
Total		60	100.0

Source: Data Analysis, (2016)

As shown in Table 4.1, 66.7% of the respondents were male and 33.3% were female employees, whereas on the customers response 64.9% were male and 35.1% were female. This implies that the researcher was able to collect information from both genders thus eliminating gender bias.

According to the study, 41.7 % of the respondents were aged between 26 and 28 years, 33.3% were aged between 36 and 45years, 16.7% were aged between 18 and 25 years, while 6.7% and 1.7% were aged between 46- 60 years and above 60 years respectively. Whereas 14.0 % of the respondents were aged between 26 and 28 years, 49.1% were aged between 36 and 45years, 26.3% were aged between 18 and 25 years, while 5.3 % and 5.3% were aged between 46- 60 years and above 60 years respectively. This implies that the researcher was able to get information throughout the age groups.

Consequently, customer's response was as follows 45% of the respondents had a university level of education, 25% had a secondary level of education while 30% had college qualification.

The response of customers on the level of education was that 17.5% of the respondents had a university level of education, 31.6 % had a secondary level of education while 50.9% had college qualifications.

On the length of service employees were asked to state the number of years they had worked in the establishment and their response were as follows:- Less than 5 years 54 %, 6-10 years 25% ,11-15 years 13% and Over 16 years 8%.

4.3 Position in the Establishment

The study sought to find out the position of employees in restaurant enterprise.

Table 4.2 Position in the Establishment

Position	Frequency	Percentage
Hotel manager	12	20.0
Hotel assistant manager	12	20.0
Hotel supervisor	36	60.0
Totals	60	100.0

Source: Data Analysis, (2016)

The researcher sought to determine the position of employees in the Hotel industry in Nairobi; the study findings revealed that majority of employees (60.0%) are Hotel supervisors. (20.0%) were Hotel assistant manager and lastly (20.0%) were Hotel managers. This implies that services offered in the Hotel industry is of higher quality.

4.4 Length of Being a Customer

The study sought to find out the duration of being a customer and the results were as presented in Table 4.3:-

Table 4.3 Length of being a customer

	Frequency	Percentage
One month	5	17.5
Less than 6 months	18	35.1
Less than one year	28	52.6
Over one year	6	10.5
Total	57	100.0
Frequency to the Hotel	Frequency	Percentage
Yes	51	90
No	6	10
Totals	57	100.0

Source: Data Analysis, (2016)

The researcher sought to determine the length of customer visiting the establishment:
 -The study findings revealed that majority of the customers tend to be customers of the Hotel industry for a period of less than one year (52.5%), those of less than 6months were (35.1%), those of a period of 1month were (17.5%) and lastly those of over 1year were (10.5%) this Implies that a majority of the customers have been there for less than one year and 35.1% less than 6 months indicating that the restaurant is getting new customers by the months..

The customers were asked on whether they had visited the establishment for specific food it had offered majority of 90% said yes whereas only 10% said no, this indicates

that they are loyal to the hotel because majority indicated that they frequent because of special cuisine of the respective restaurants.

4.5 Type of Customers in the Establishment

The study sought to find out the type of customers in the establishment and the results were as presented in Table 4.4 below:-

Table 4.4 Type of Customers in the Establishment

	Frequency	Percentage
Elderly	5	8.8
Youths	16	26.3
Tourists	26	42.1
Families	7	12.3
Business people	6	10.5
Total	60	100

Source: Data Analysis, (2016)

The researcher sought to determine the type of customers who had visited the hotels: - The study findings revealed that majority of the customers tend to be tourists comprising (42.1%). Youths were (26.3%), Families were (12.3%), and business people were (10.5%) and lastly elderly were (8.8%) This implies that, tourist are the type of customers that mostly frequently in Hotel industry in Nairobi.

4.6 Type of Food That Attracts Customers

The study sought to find the type of food that attracts customers.

Table 4.6 Type of Food That Attracts Customers

Type of Food	Employees	
	F	%
Local cultural foods	24	40.0
Indian foods	12	20.0
Italian foods	10	16.7
Chinese foods	7	11.7
Vegetarian foods	4	6.6
Mexican foods	3	5.0
Totals	60	100

Source: Data Analysis, (2016)

The researcher sought to determine the type of food that attracts customers: - The study findings revealed that Local cultural foods comprising (40.0%) attracts more customers, Indian foods (20.0%), Italian foods (16.7%), Chinese foods (11.7%), Vegetarian foods (6.6%) and lastly Mexican foods (5%). Customers findings reveal that, majority of food eaten include Local cultural foods which comprises (53.6%), Indian foods (26.3%), Chinese foods (5.3%), Vegetarian foods (5.3%), and lastly Mexican foods (1.8%). This implies that the food that attracts customers most were local cultural foods thus this enhanced services offered in speciality restaurants in Nairobi.

4.7 Dimension of Quality Strategy on Customer Loyalty

The study sought to find out the effects of customer loyalty, the response was from both the customers and employees as shown in table 4.6

Table 4.6 Effects of quality strategy on customer loyalty.

Restaurant quality/customer loyalty			SA	A	N	D	SD	Total
The location of the restaurant plays a part in attracting loyal customers	C	F	22	17	10	6	2	57
		%	38.6	29.8	17.5	10.5	3.5	100.0
	E	F	24	18	10	6	2	60
The visibility of the restaurant to the public(accessibility) is a factor in the determination of loyal customers		%	40.0	30.0	16.7	10	3.3	100.0
	C	F	28	13	7	5	4	100.0
		%	49.1	22.8	12.3	8.8	7.0	100.0
The attractiveness of the outward physical appearance of the restaurant (architectural) is an aspect in attracting loyal customers	E	F	30	14	7	5	4	60
		%	50.0	23.0	11.7	8.3	6.7	100.0
	C	F	25	15	10	4	3	57
Adequate and safe parking place in your establishment attracts loyal customers		%	43.9	26.3	17.5	7.0	5.3	100.0
	E	F	27	16	10	4	3	60
		%	45.0	26.7	16.7	6.7	5	100.0
Adequate and safe parking place in your establishment attracts loyal customers	C	F	28	18	8	2	1	57
		%	49.1	31.6	14.0	3.5	1.8	100.0
	E	F	30	19	8	2	1	60

		%	50.0	31.7	30	3.3	1.7	100.0
Restaurant environment plays a part in customer loyalty	C	F	29	15	9	3	1	57
		%	50.8	26.3	15.8	5.3	1.8	100.0
	E	F	31	16	9	3	1	60
		%	51.7	26.7	15.0	5	1.7	100.0
The type or social class of the customers who frequent the restaurant influence the loyalty of customers	C	F	30	14	8	4	1	57
		%	52.6	24.6	14.0	7.0	1.8	100.0
	E	F	32	15	8	4	1	60
		%	53.3	25.0	13.3	6.7	1.7	100.0
Safe environment in your restaurant influences the loyalty of customers	C	F	24	22	8	2	1	57
		%	42.1	38.6	14.0	3.5	1.8	100.0
	E	F	26	23	8	2	1	60
		%	43.3	38.3	13.3	3.3	1.7	100.0

Source: Data Analysis, (2016)

Key: F: Frequency, %: Percentage, 5: Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Disagree, T: Total, Customers ,E, employees

The researcher sought to find out whether quality strategy affects loyalty and 75.1% of customers and 76.8% of the employees agree that it does affect loyalty.

The researcher sought to find out whether location of the restaurant plays a part in attracting loyal customers to the establishment, The study findings from the customers revealed that:- (38.6) of customers Strongly Agree, Agree (29.8%), Neutral (17.5%), Disagree (10.5%) and lastly (3.5%) Strongly Disagree. On the employees opinion on the same study findings revealed that:- (40%) of the employees Strongly Agree, Agree (30%),Neutral (16.7%),Disagree (10%) and lastly (3.3%) strongly disagree. From the findings a majority of over 50% of both the customers and employees are in the agreement bracket that location plays a role in loyalty.

The researcher further sought to find out whether the visibility of the restaurant to the public (accessibility) is a factor in the determination of loyal customers. The study findings revealed that: - customers strongly Agree (43.9%), Agree (26.3%), Neutral (12.3%), Disagree (8.8%) and lastly (7.0%) Strongly Disagree. Employees findings revealed that: - employees strongly Agree (50%), Agree (33%), Neutral (11.7%), Disagree (8.3%) and lastly (6.7%) Strongly Disagree. From the findings of both the customers and employees a majority of above 50% are in the agreement bracket that visibility and accessibility of the restaurant is a factor in loyalty.

The researcher sought to find out whether attractiveness of the outward physical appearance of the restaurant (architectural) is an aspect in attracting loyal customers, The study findings revealed that:- customers Strongly Agree(43.9%), Agree (29.8%),Neutral (17.5%),Disagree (7.0%) and lastly (5.3%) Strongly Disagree. On the side of the employees the study findings revealed that: - employees Strongly Agree (45%), Agree (26.7%), Neutral (16.7%), Disagree (6.7%) and lastly (5%) Strongly

Disagree. A majority 72% of customers and 56.7% of employees are in agreement that attractiveness plays a role in loyalty.

The researcher sought to find out whether Adequate and safe parking place in your establishment attracts loyal customers, the study findings revealed that: - customers strongly Agree (49.1%), Agree (31.6%), Neutral (14.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. Findings from the employees showed that the study findings revealed that: - employees strongly Agree (50%), Agree (31.7%), Neutral (30.0%), Disagree (3.3%) and lastly (1.7%) Strongly Disagree. 80% of customers and 81.7% of employees agree that adequate and safe parking attracts loyal customers.

The researcher sought to find out whether Restaurant environment plays a part in customer loyalty, The study findings revealed that: - majority of customers Strongly Agree(50.8%), Agree (26.3%),Neutral (15.8%),Disagree (5.3%) and lastly (1.8%) Strongly Disagree. Majority of employees found out that (51.7%) Strongly Agree, Agree (26.7%), Neutral (15%), Disagree (5%) and lastly (1.7%) Strongly Disagree

The researcher sought to find out whether the type or social class of the customers who frequent the restaurant influence the loyalty of customers, The study findings revealed that: - customers Strongly Agree(52.6%), Agree (24.6%),Neutral (14.0%),Disagree (7.0%) and lastly (1.8%) Strongly Disagree. Findings from the employees revealed that - majority Strongly Agreed (53.3%), Agree (25%), Neutral (13.3%), Disagree (6.7%) and lastly (1.7%) Strongly Disagree. 77.2 % of customers and 78.3% of employees agree that type of social class influences loyalty.

The researcher sought to find out whether Safe environment in your restaurant influences the loyalty of customers, the study findings revealed that: - customers

strongly Agree (42.1%), Agree (38.6%), Neutral (14.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. The employees respondent those who strongly Agreed were (43.3%), Agree (38.3%), Neutral (13.3%), Disagree (3.3%) and lastly (1.7%) Strongly Disagree.

4.8 Product Differentiation and Customer Loyalty

The study sought to find out customer loyalty to product differentiation.

Table 4.7 Customer Loyalty in Regards to Product Differentiation

Product differentiation			SA	A	N	D	SD	Total
The availability of international foods on the menu influences customer loyalty	C	F	24	22	8	2	1	57
		%	42.1	38.6	14.0	3.5	1.8	100.0
	E	F	26	23	8	2	1	60
		%	42.3	38.3	13.3	3.3	1.7	100.0
The availability of local/cultural foods on the menu influences customer loyalty	C	F	30	14	8	4	1	57
		%	52.6	24.6	14.0	7.0	1.8	100.0
	E	F	32	14	9	4	1	60
		%	53.3	23.3	15	6.7	1.7	100.0
The availability of health sensitive foods on the menu influences customer loyalty	C	F	29	15	9	3	1	57
		%	50.8	26.3	15.8	5.3	1.8	100.0
	E	F	31	15	10	3	1	60
		%	51.7	25	16.7	5	1.7	100.0

Source: Data Analysis,(2016)

Key: F: Frequency, %: Percentage, 5: Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Disagree, T: Total, Customers, E, employees

The researcher sought to find out whether the availability of international foods on the menu influences customer loyalty, the study findings revealed that: - customers strongly Agree (42.1%), Agree (38.6%), Neutral (14.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. However employees respondents that international foods on the menu influences customer loyalty, the study findings revealed that: - employees strongly Agree (42.1%), Agree (42.3%), Neutral (38.3%), Disagree (13.3%) and lastly (3.3%) Strongly Disagree.

The researcher sought to find out whether the availability of local/cultural foods on the menu influences customer loyalty, the study findings revealed that: - majority of customers strongly Agree (52.6%), Agree (24.6%), Neutral (14.0%), Disagree (7.0%) and lastly (1.8%) Strongly Disagree. Whereas the employees findings were that of local/cultural foods on the menu influences customer loyalty: - majority strongly Agree (53.3%), Agree (23.3%), Neutral (15.0%), Disagree (6.0%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether the availability of health sensitive foods on the menu influences customer loyalty, the study findings revealed that: - majority of customers strongly Agree (50.8%), Agree (26.3%), Neutral (15.8%) Disagree (5.3%) and lastly (1.8%) Strongly Disagree. The employees study findings revealed that: - majority strongly Agree (51.7%), Agree (25%), Neutral (16.7%) Disagree (5%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether the Availability of one special type of food in your restaurant influences the loyalty of customers, the study findings revealed that: - customers strongly Agree (49.1%), Agree (31.6%), Neutral (14.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. Employees, the study findings revealed

that: - majority of employees strongly Agree (51.7%), Agree (13%), Neutral (15.0%), Disagree (3.3%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether the Food and beverage presentation (visual appeal and taste) in your establishment plays a part in customer loyalty, the study findings revealed that: - customers Strongly Agree (43.9%), Agree (26.3%), Neutral (17.5%), Disagree (7.0%) and lastly (5.3%) Strongly Disagree. However the study findings revealed that: - employees strongly Agree (45 %), Agree (26.7%), Neutral (16.7%), Disagree (6.7%) and lastly (5%) Strongly Disagree.

The researcher sought to find out whether Food that is of great value for money plays a part in customer loyalty, the study findings revealed that: - majority of customers Strongly Agree (49.1%), Agree (28.8%), Neutral (12.3%), Disagree (8.8%) and lastly (7.0%) Strongly Disagree. The study findings on employees revealed that: - majority of employees strongly Agree (51.7%), Agree (23.3%), Neutral (11.7%), Disagree (8.3%) and lastly (6.7%) Strongly Disagree.

The researcher sought to find out whether the restaurant using latest methods of technology (point of sale service) influences the study findings revealed that: - customers Strongly Agree (30.6%), Agree (29.8%), Neutral (17.5%), Disagree (10.5%) and lastly (3.5%) Strongly Disagree. Findings showed employees strongly Agree (40%), Agree (30%), Neutral (16.7%), Disagree (10%) and lastly (3.3%) Strongly Disagree.

4.9 Customer Service Delivery and Customer Loyalty

The study sought to find out customer service delivery in restaurant.

Table 4.8 Customer service delivery

Customer service/ customer loyalty		SA	A	N	D	SD	Total	
Warm welcome of guests plays a role in customer loyalty	C	F	24	22	8	2	1	57
		%	42.1	38.6	14.0	3.5	1.8	100.0
	E	F	26	23	8	2	1	60
		%	43.3	38.3	13.3	3.3	1.7	100.0
Well groomed restaurant staff attracts loyal customers	C	F	30	14	8	4	1	57
		%	52.6	24.6	14.0	7.0	1.8	100.0
	E	F	32	15	8	4	1	60
		%	53.3	25	13.3	6.7	1.7	100.0
Creative service staff in service styling techniques and procedures determine the loyalty of customers	C	F	29	15	9	3	1	57
		%	50.8	26.3	15.8	5.3	1.8	100.0
	E	F	51.7	26.7	15	5	1.7	100.0
		%	30	19	8	2	1	60
Proper handling of guest complaints is a factor in customer loyalty	C	F	28	18	8	2	1	57
		%	49.1	31.6	14.0	3.5	1.8	100.0
	E	F	50	31.7	13.3	3.3	1.7	100.0
		%	27	16	10	4	3	57

Prompt and courteous service in the restaurant attracts loyal customers	C	F	25	15	10	4	3	57
		%	43.9	26.3	17.5	7.0	5.3	100.0
	E	F	45	26.7	16.7	6.7	5	100.0
		%	30	14	7	5	4	60
Giving discounts to repeat customers attracts loyal customers	C	F	28	13	7	5	4	57
		%	49.1	28.8	12.3	8.8	7.0	100.0
	E	F	50	23.3	11.7	8.3	6.7	100.0
		%	24	18	10	6	2	60
Flexible restaurant rules and regulations to customers while in the restaurant (e.g. on smoking) influences customer loyalty	C	F	22	17	10	6	2	57
		%	30.6	29.8	17.5	10.5	3.5	100.0
	E	F	24	18	10	6	2	60
		%	40	30	16.7	10	3.3	100.0

Source: Data Analysis, (2016)

Key: F: Frequency, %: Percentage, 5: Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Disagree, T: Total, C, C

Customers, E, employees

The researcher sought to find out whether, warm welcome of guests plays a role in customer loyalty, the study findings revealed that: - the customers Strongly Agree (42.1%), Agree (38.6%), Neutral (14.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. However, the study findings revealed that: - the employees strongly Agree (43.3%), Agree (38.3%), Neutral (13.3%), Disagree (3.3%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether, well groomed restaurant staff attracts loyal customers, the study findings revealed that: - majority of customers strongly Agree (52.6%), Agree (24.6%), Neutral (14.0%), Disagree (7.0%) and lastly (1.8%) Strongly Disagree. Majority of employees strongly Agree (53.3%), Agree (25%), Neutral (13.3%), Disagree (6.7%) and lastly (1.7%) Strongly Disagree

The researcher sought to find out whether Creative service staff in service styling techniques and procedures determine the loyalty of customers, the study findings revealed that: - majority of customers Strongly Agree (50.8%), Agree (26.3%), Neutral (15.8%), Disagree (5.3%) and lastly (1.8%) Strongly Disagree. The study findings revealed that: - majority of employees strongly Agree (51.7%), Agree (26.7%), Neutral (15%), Disagree (5%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out Whether Proper Handling of guest complaints is a factor in customer loyalty, the study findings revealed that: - majority of customers Strongly Agree (49.1%), Agree (31.6%), Neutral (14.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. The study findings revealed that: - majority of employees strongly Agree (50%), Agree (31.7%), Neutral (13.3%), Disagree (3.3%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether prompt and courteous service in the

restaurant attracts loyal customers, the study findings revealed that: - majority of customers Strongly Agree (43.9%), Agree (26.3%), Neutral (17.5%), Disagree (7%) and lastly (5.3%) Strongly Disagree. Findings from the employees revealed that (45%), Agree (26.7%) Strongly Agree, Neutral (16.7%), Disagree (6.7%) and lastly (5%) Strongly Disagree.

The researcher sought to find out whether prompt and courteous service in the restaurant attracts loyal customers, the study findings revealed that: - The customers Strongly Agree (43.9%), Agree (26.3%), Neutral (17.5%), Disagree (7%) and lastly (5.3%) Strongly Disagree. The employees Strongly Agree (50%), Agree (23.3%), Neutral (11.7%), Disagree (8.3%) and lastly (6.7%) Strongly Disagree.

The researcher sought to find out whether giving discounts to repeat customers attracts loyal customers, the study findings revealed that: - The customers Strongly Agree (49.1%), Agree (28.8%), Neutral (12.3%), Disagree (8.8%) and lastly (7.0%) Strongly Disagree. (50%) while that of the employees strongly Agreed (50%), Agree (23.3%), Neutral (11.7%), Disagree (8.3%) and lastly (6.7%) Strongly Disagree.

The researcher sought to find out whether flexible restaurant rules and regulations to customers while in the restaurant (e.g. on smoking) influences customer loyalty, the study findings revealed that: - the customers strongly Agree (30.6%), Agree (29.8%), Neutral (17.5%), Disagree (10.5%) and lastly (3.5%) Strongly Disagree. The study findings revealed that the employees strongly Agree (40%), Agree (30%), Neutral (16.7%), Disagree (10%) and lastly (3.3%) Strongly Disagree.

4.10 Low Costs Focus in a Customer Loyalty

The study sought to find out Low costs focus in a customer loyalty, the table 4.9 show the responses from both the employees and customers.

Table 4.9 Low Costs Focus in a Customer Loyalty

Cost / customer loyalty			SA	A	N	D	SD	Total
Offering products at the lowest price in your restaurant as compared to competitors plays a part in customer loyalty	C		25	15	10	4	3	57
			43.9	26.3	17.5	7.0	5.3	100.0
	E	F	27	16	10	4	3	60
		%	45	26.7	16.7	7.0	5	100.0
Offering products at the same price as competitors attracts loyal customers	C	F	28	13	7	5	4	57
		%	49.1	28.8	12.3	8.8	7.0	100.0
	E	F	30	14	7	5	4	60
		%	50	23.3	11.7	8.3	6.7	100.0
Accurate and fast billing influences the loyalty of customers	C	F	30	20	4	2	1	57
		%	52.6	35.1	7.0	3.5	1.8	100.0
	E	F	32	21	4	2	1	60
		%	53.3	35	7.0	3.3	1.7	100.0
Variety of methods of payment (e.g. cash, phone or cards) attracts loyal customers	C	F	32	18	5	1	1	57
		%	56.1	31.6	8.8	1.8	1.8	100.0
	E	F	34	19	5	1	1	60

		%	56.1	31.6	8.3	1.7	1.7	100.0
Offering products at the lowest price compared to the raw material costs and profits to be generated helps in attracting loyal customers	C	F	29	18	5	3	2	57
		%	50.9	31.6	8.8	5.3	3.5	100.0
	E	F	31	19	5	3	2	60
		%	51.7	31.7	8.3	5	3.3	100.0

Source: Data Analysis, (2016)

Key: F: Frequency, %: Percentage, 5: Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Disagree, T: Total, C, Customers, E, employees.

The researcher sought to find out whether Offering products at the lowest price in your restaurant as compared to competitors plays a part in customer loyalty, the study findings revealed that: - the customers Strongly Agree (43.9%), Agree (26.3%), Neutral (17.5%), Disagree (7.0%) and lastly (5.3%) Strongly Disagree. Findings from the employees revealed that the employees Strongly Agree (43.9%), Agree (26.7%), Neutral (16.7%), Disagree (7.0%) and lastly (5%) Strongly Disagree.

The researcher sought to find out whether Offering products at the same price as competitors attracts loyal customers, the study findings revealed that: - the customers Strongly Agree (49.1%), Agree (28.8%), Neutral (12.3%), Disagree (8.8%) and lastly (7.0%) Strongly Disagree. The study findings from the employees showed that the employees Strongly Agree (50%), Agree (23.3%), Neutral (11.7%), Disagree (8.3%) and lastly (6.7%) Strongly Disagree.

The researcher sought to find out whether Accurate and fast billing influences the loyalty of customers, the study findings revealed that: - majority of customers strongly Agree (52.6%), Agree (35.1%), Neutral (7.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. Majority of employees, strongly Agree (53.3%), Agree (35%), Neutral (8.3%), Disagree (1.7%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether Variety of methods of payment (e.g. cash, phone or cards) attracts loyal customers, the study findings revealed that: - majority of customers strongly Agree (56.1%), Agree (31.6%), Neutral (8.8%), Disagree (1.8%) and lastly (1.8%) Strongly Disagree. The study findings revealed that: majority of employees strongly Agree (56.1%), Agree (31.6%), Neutral (8.3%), Disagree (1.7%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether Offering products at the lowest price

compared to the raw material costs and profits to be generated helps in attracting loyal customers, the study findings revealed that: - majority of customers Strongly Agree (50.9%), Agree (31.6%), Neutral (8.8%), Disagree (5.3%) and lastly (3.5%) Strongly Disagree. The study findings revealed that: - majority of employees strongly Agree (51.7%), Agree (31.7%), Neutral (8.3%), Disagree (5%) and lastly (3.3%) Strongly Disagree.

4.11 Focus Strategy

The study sought to find out the effect of type of market and focus strategy on customer loyalty.

4.11.1 Effects of type of target market on loyalty of customers.

The study sought to assess on whether the target market had affected loyalty of the customers, the response from both the customers and employees were as rated below:-

Table 4.10 Effects of type of target market on loyalty of customers.

Type of target market	Customers		Employees	
	F	%	F	%
Yes	48	84.2	50	83.3
No	9	15.8	10	16.7
Totals	57	100.0	60	100

Source: Data Analysis, (2016)

The researcher sought to find out whether the type of target market affect the loyalty

of customers, the study findings revealed that: - majority of customers 84.2% stated yes while 15.8% of the customers stated no. On the side of employees study findings revealed that, majority of employees 83.3% stated that target market affect the loyalty of customers while 10% stated that target market do not affect the customers loyalty, these implies that the type of target market influences the loyalty of customers in the hotel enterprise.

4.11.2 Degree of loyalty in regards to focus strategy

The study sought to find out the degree of loyalty in regards to focus strategy, the response from the customers and employees as shown below:-

Table 4.11 Degree of loyalty in regards to focus strategy

Focus strategy		SA	A	N	D	S	Total	
The use of quality differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant	C	F	27	23	4	2	1	57
		%	47.	40.	7.0	3.5	1.	100.0
			4	4			8	
	E	F	29	24	4	2	1	60
The use product differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant	C	F	30	14	8	4	1	57
		%	52.	24.	14.	7.0	1.	100.0
			6	6	0		8	
	E	F	32	15	8	4	1	60
The use of customer service strategy influences you to be loyal to this restaurant	C	F	29	15	9	3	1	57
		%	50.	26.3	15.8	5.3	1.8	100.0
			8					
	E	F	31	16	9	3	1	60
The use of cost strategy in your restaurant influences you to be loyal to this restaurant	C	F	24	20	8	3	2	57
		%	42.	35.1	14.0	5.3	3.5	100.0
			1					
	E	F	26	21	8	3	2	60
	%	43.	35	13	5	3.3	100.0	
		3						

Source: (Data Analysis, 2016)

The researcher sought to find out whether the use of quality differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant, the study

findings revealed that: - majority of customers Strongly Agree (47.4%), Agree (40.4%), Neutral (7.0%), Disagree (3.5%) and lastly (1.8%) Strongly Disagree. The study findings revealed that: - majority of employees strongly Agree (48.3%), Agree (40%), Neutral (6.7%), Disagree (3.3%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether the use product differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant r, the study findings revealed that: - majority of customers Strongly Agree (52.6%), Agree (24.6%), Neutral (14.0%), Disagree (7.0%) and lastly (1.8%) Strongly Disagree. However customers strongly Agree (56.1%), Agree (25%), Neutral (13.3%), Disagree (6.7%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether the use of customer service strategy influences you to be loyal to this restaurant, the study findings revealed that: - majority of customers Strongly Agree (50.8%), Agree (26.3%), Neutral (15.8%), Disagree (5.3%) and lastly (1.8%) Strongly Disagree. Majority of employees Strongly Agree (51.7%), Agree (26.7%), Neutral (15%), Disagree (5%) and lastly (1.7%) Strongly Disagree.

The researcher sought to find out whether the use of cost strategy in your restaurant influences you to be loyal to this restaurant, the study findings revealed that: - majority of customers strongly Agree (42.1%), Agree (35.1%), Neutral (14.0 %), Disagree (5.3%) and lastly (3.5%) Strongly Disagree. Findings further revealed that: - majority of customers strongly Agree (43.3%), Agree (35%), Neutral (13.0 %), Disagree (5%) and lastly (3.3%) Strongly Disagree.

4.11 Hypothesis Testing

The study adopted the regression model to evaluate how each of the independent variables quality, product, customer and low cost relate to the dependent variable (Customer Loyalty). The results are illustrated in table 4.9. below

Table 4.12 Focus Strategy and Customer Loyalty (Regression Model)

Variables Entered/Removed ^a						
Model	Variables Entered	Variables Removed	Method			
1	quality, product, customer and low cost ^b		Enter			
a. Dependent Variable: Customer Loyalty						
b. All requested variables entered.						
Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.874 ^a	.764	.753	.18728		
a. Predictors: (Constant), quality, product, customer and low cost						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.827	5	2.365	67.440	.000 ^b
	Residual	3.648	104	.035		
	Total	15.475	109			
a. Dependent Variable: Customer Loyalty						

b. Predictors: (Constant), quality, product, customer and low cost

Source: (Data analysis, 2016)

The model summary indicated that about 76.4% of the data could be accounted for in the regression model ($R^2 = 0.764$). From the above study it can be concluded that the model summary indicated that ($R^2 = 0.764$) implying that unit change in focus strategy can led to 76.4% of customer loyalty.

Table 4.13 Focus Strategy and Customer Loyalty (Regression coefficients)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.164	.370		3.147	.002
	Quality	.836	.056	.805	14.943	.000
	Product	.175	.045	.238	3.868	.000
	Customer service	-.179	.058	-.230	-3.080	.003
	Low cost	-.014	.050	-.019	-.285	.776

a. Dependent Variable: customer loyalty

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

Source: (Data analysis, 2016)

Ho1: There is no significant relationship between quality strategy and customer loyalty. Quality strategy: the regression results in table 4.13 indicated that there was significant relationship ($\beta=0.805$, $p = 0.000$) between quality and customer loyalty therefore the null hypothesis of the study was rejected. These findings indicate that quality impacts on customer loyalty.

Ho2: there is no significant relationship between product differentiation strategy and customer loyalty. Product differentiation: the regression results in table 4.13 indicated

that there was a significant relationship ($\beta=0.238$, $p = 0.000$) between product and customer loyalty, the null hypothesis was therefore rejected.

Ho3: There is no significant relationship between customer service and customer loyalty. Customer service: the regression results in table 4.13 indicated that there was a significant relationship ($\beta=0.230$, $p = 0.003$) between customer service and customer loyalty the null hypothesis was therefore rejected.

Ho4: There is no significant relationship between cost strategy and customer loyalty. Low cost: the regression results in table 4.13 shows no significant relationship between low cost and customer loyalty with ($\beta=.019$, $p =.776$) therefore the study failed to reject the null hypothesis.

The findings were interpreted to mean that quality of service influence the consumers' level of loyalty. The products offered influence the customer loyalty in a remarkable way. Customer service is the most important attribute consumers seek in the area of quality service. Negative wording in the request for a customer response caused the customer to misinterpret this particular determinant. Employee's customer services that are reliable will perform the tasks called upon them without the need for constant reminders and probing. This will contribute a lot towards the satisfaction of the customer's needs thus leading to repeat of customer in the hotels.

CHAPTER FIVE

SUMMARY AND DISCUSSION

5.0 INTRODUCTION

This chapter presents the summary and discussion of the findings presented in chapter four. The discussion is based on the objectives, research questions and hypotheses of the study.

5.1 Discussion of Findings

This section discusses the findings of the study.

5.1.1 To Establish the Effect of Quality Strategy on Customer Loyalty

The first objective sought to establish effect of quality strategy on customer loyalty. Service quality differentiation is the extent to which a company focuses on service quality as its core offering and the extent to which customers regard the organization as a quality service provider. Excellence in service quality is a key to achieve customer loyalty which is the primary goal of business organizations, due to the advantages of customer retention (Ehigie, 2006).

(Neu & Brown, 2005; Oliva & Kallenberg, 2003) Service quality differentiation translates into different ways to achieve competitive advantages through services. Potential strategic avenues for service quality differentiation capture customer support services, business consulting, integrated services, or operational service. Business consulting becomes especially salient when strategic consultancy advice is necessary to analyse the customer's business and identify problems in the customer's organization on the basis of experience (Davies, 2004; Davies *et al.*, 2007; Gebauer, 2008). Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of reporting

complaint and friendliness when reporting complaint (Kim, 2004).

The researcher further sought to find out the rate at which the visibility of the restaurant to the public (accessibility) is a factor in the determination of loyal customers. The study findings revealed that: - majority of customers strongly Agree (43.9%), However employees findings revealed that: - majority of customers strongly Agree (50%).

The researcher sought to find out the rate at which the attractiveness of the outward physical appearance of the restaurant (architectural) is an aspect in attracting loyal customers, majority of customers Strongly Agree(43.9%), They offer a comprehensive set of services including services for the installed products, design and construction services, high-value solutions, system integration services, or outsourcing services (Gebauer, 2008; Oliva & Kallenberg, 2003).

The researcher sought to find out the rate at which adequate and safe parking place in your establishment attracts loyal customers, the study findings revealed that: - majority of customers strongly Agree (49.1%), Accordingly, revenue and profits are mostly attributable to the services; products only become an add-on to services (Oliva and Kallenberg, 2003). For a service provider, service differentiation represents the main strategic priority, built on the company's customer centricity and innovativeness .In today's competitive marketplace, companies that take the best care of their customers have a strong competitive advantage.

The rate at which the type or social class of the customers who frequent the restaurant influence the loyalty of customers. The study findings revealed Customers (guests) expect excellent services and facilities. As a result, consumer confidence is boosted by quality customer service, more so when it becomes part of the features that set the service provider from other competing service providers. Therefore, it is evident that

differentiation through superior service for a reasonable price is a key strategy in the service industry.

The researcher sought to find out the rate at which Safe environment in your restaurant influences the loyalty of customers. In the restaurant industry food quality is considered to be an important part of the product quality (Siguaw & Enz, 1999). Yuksel & Yuksel (2002) found out that product quality is considered to be a significant determinant of dining satisfaction. Cacippo (2000) concluded that 5% increase in customer loyalty increases profits by 25%. A very satisfied customer is nearly 6 times more likely to be loyal and recommend the restaurant service than a normally satisfied customer.

5.2.2 Product Differentiation/Customer Loyalty

On the second objectives was to determine the influence of product strategy on customer loyalty. Findings on availability of international foods on the menu influences customer loyalty, the study findings revealed that majority of customers strongly Agree (42.1%), However employees respondents that international foods on the menu influences customer loyalty, the study findings revealed that: - majority of employees strongly Agree (42.1%), Product differentiation is a competitive business strategy where by firms attempt to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firm's products and services. Product differentiation strategy involves using the characteristics of the product you market to differentiate from your competitors. Every brand is built on a product (include services here as well). Products are almost always a combination of the tangibles and the intangibles.

The researcher sought to find out whether the availability of local/cultural foods on the menu influences customer loyalty, According to Austin (2010) Product differentiation is the term for variations in characteristics of products within the same market. Its aim is to create brand loyalty and price inelasticity, which can increase margins, create entry barriers, and mitigate the power of buyers who lack comparable substitutes (Akan 2006; Hlavacka, 2001). Without differentiation, products are commodities.

The researcher sought to find out whether the availability of one special type of food in your restaurant influences the loyalty of customers, the study findings revealed that: - majority of customers strongly Agree (49.1%). Hoopes (2003) suggests that only the combination of product differentiation with other factors can translate into valuable resources that are neither perfectly imitable nor easily substitutable. Firms have different resource endowments that enable them to construct specific competitive advantages over competitors. Thus, differentiation is the process of distinguishing the differences of a product or offering from others, to make it more attractive to a particular target market.

The researcher sought to find out whether Food that is of great value for money plays a part in customer loyalty, the study findings revealed that: - majority of customers Strongly Agree (49.1%), At times differentiation does not involve changing the product at all, but creating a new advertising campaign or other sales promotions instead. Firms that successfully differentiate themselves are rewarded for their uniqueness on the product characteristics, the delivery system, the quality of service, or the distribution channels with a premium price (Allen and Helms, 2006; Porter, 1985). The economics inherent in this generic strategy require that the premium

exceeds the extra cost incurred in being unique.

The researcher sought to find out whether the restaurant using latest methods of technology (point of sale service) influences the study findings revealed that: - majority of customers Strongly Agree (30.6%), Agree (29.8%), Neutral (17.5%), Disagree (10.5%) and lastly (3.5%) Strongly Disagree. Findings showed employees strongly Agree (40%), Agree (30%), Neutral (16.7%), Disagree (10%) and lastly (3.3%) Strongly Disagree.

The product can be a good starting point to attract customers and create customer loyalty. Customer loyalty expresses an intended behaviour to support a product, which is by communicating their experience to others through saying positive things. When the company's customers recommend someone to buy the product, a high degree of loyalty is reflected. Kotler & Keller (2003) believed that better product quality will maintain a high level of customer satisfaction, which encourages customers to make their next purchases. Thus, customer loyalty is gradually formed. Numerous studies showed that improved product quality benefits companies by building a long-term customer base, and creating a valuable asset for company—customer loyalty. In order to stand out in today's competitive market, firms should pay much attention to product quality, as it is believed to be the starting point for generating customer loyalty.

5.2.3 Customer Service Delivery/ Customer Loyalty

The third objectives sought to assess if customer services strategy influences customer loyalty. Customer service is one of the most important considerations in the evaluation of a customer (Jackson, 1985) and the effectiveness of the level of customer service will enhance customer retention and reduce switching between and among service providers. Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of reporting complaint and friendliness when reporting complaint (Kim, 2004). The researcher sought to find out whether, warm welcome of guests plays a role in customer loyalty, the study findings revealed that: - majority of customers Strongly Agree (42.1%), on well groomed restaurant staff attracts loyal customers, the study findings revealed that: - majority of customers Strongly Agree (52.6%), potential strategic avenues for service differentiation capture customer support services, business consulting, integrated services, or operational service. Levitt cited by Lynch (2000) argued that the main reason some organisations were in decline was because they had become so heavily product oriented, and were not sufficiently customer oriented.

The researcher sought to find out whether creative service staff in service styling techniques and procedures determine the loyalty of customers, the study findings revealed that: - majority of customers Strongly Agree (50.8%), and employees strongly Agree (51.7%). Customer service is one of the most important considerations in the evaluation of a customer (Jackson, 1985) and the effectiveness of the level of customer service will enhance customer retention and reduce switching between and among service providers (Oyeniyi & Joachim, 2008; McDougall & Levesque, 2000;

Wang & Shiek, 2006).

The researcher sought to find out whether proper handling of guest complaints is a factor in customer loyalty, the study findings revealed that: - majority of customers Strongly Agree (49.1%), if Customer Service is to be chosen as the key differentiator, the starting point for any retailer has to be a clear vision of what they want their customers to experience and how they intend to deliver that to the standard required and in a consistent way.

The researcher sought to find out whether prompt and courteous service in the restaurant attracts loyal customers, the study findings revealed that: - majority of customers Strongly Agree (43.9) branding and packaging, customer service is a crucial element of overall product strategy. It is as important to service marketers as it is to goods marketers and is a major enhancer of competitiveness. Scanlan (2000) observed that the reasons why customers switched to competitors were associated with dissatisfying service experiences during the service encounter. Indeed, problems experienced in the service encounter are a major cause of customer dissatisfaction and defection. Therefore, creating a positive service encounter is the essence of customer loyalty, retention and long-term relationships. Bitner and Booms cited by Scanlan (2000) concluded that the quality of service provided by the service provider could be the deciding factor on which the customers make decisions on the return visit and is an influencing factor in the customers' decision to form and maintain long-term relationship with the organization. Kotler and Armstrong (2004) state that, in their experience, one of the major ways a service firm can differentiate itself is by delivering consistently higher quality than its competitors. They also observed that customer retention is perhaps the best measure of quality. It is evident that a service firm's ability to hang on to its customers depends on how consistently it offers value

to them. Customers (guests) expect excellent services and facilities.

The researcher sought to find out whether Flexible restaurant rules and regulations to customers while in the restaurant (e.g. on smoking) influences customer loyalty. This implies that customer orientation should emphasize the need for customer profile so that the services, goods and facilities provided could be better tailored to their needs. Secondly, it also allows for developing strategies that identify customers and competitors.

5.2.4 Costs Focus in a Customer Loyalty

The fourth objective was to establish the effect of cost strategy on customer loyalty. Offering products at the lowest price in your restaurant as compared to competitors plays a part in customer loyalty, the study findings revealed that: - majority of customers Strongly Agree .The low cost strategy is also known as the cost-leadership strategy. This strategy is one that dictates the firm have lowest costs for a given product. It involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). Thus, the very definition implies there can only be one firm with this strategy. While there may be competition to obtain the position of lowest cost, only one firm can be the lowest.

The researcher sought to find out whether Offering products at the same price as competitors attracts loyal customers, majority of respondent Strongly Agree .The low cost strategy means the firm has driven down its production and overhead costs to the bare minimum. These cost cuts can occur in several ways. Efficient facilities, experience, and control of customer accounts can all help drive down costs. This is in

addition to the normal waste cutting that firms do. Cost leadership, in basic words, means the lowest cost of operation in the industry. The cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience. A cost leadership strategy aims to exploit scale of production, well defined scope and other economies, producing highly standardized products, using high technology. A company could be the lowest cost producer, yet not offer the lowest-priced products or services. If so, that company would have a higher than average profitability. However, cost leader companies do compete on price and are very effective at such a form of competition, having a low cost structure and management.

The researcher sought to find out whether Accurate and fast billing influences the loyalty of customers, the study findings revealed that: - majority of customers Strongly Agree (52.6%), the goal is to have the lowest average cost per unit in the entire industry. Michael Porter (2003) cites three generic strategies that a firm can adopt, one of them is the cost focus strategy. This is a very challenging approach for many companies, because niche markets with limited overall buying power can inhibit your ability to buy products and supplies at lower costs.

The researcher sought to find out whether Variety of methods of payment (e.g. cash, phone or cards) attracts loyal customers, the study findings showed that majority of customers strongly Agree .According to Alison (2010) the low cost strategy means the firm has driven down its production and overhead costs to the bare minimum. To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals and match the firms' low costs and prices. The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and

personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs.

Price insensitivity is measured by the willingness to pay a higher price, continue to purchase with a price increase, and continue the relationship even if alternatives are less expensive. (Bloemer & Odekerken-Schröder, 2002. Ibrahim & Najjar, 2008)

Perceived price fairness is considered an important factor for customer satisfaction because customers evaluate the value of service on basis of the price they paid (Anderson, 1994). Restaurant customers may be very sensitive to price fairness; customers utilize comparisons of menu item quality vs. price paid, or price paid. Level of service given to assist them in the decision making processes. Cost is a major factor to customers and it can majorly affect customer loyalty. Wong & Zhou (2006); Consuegra, *etal.*, (2007) performed empiric research confirm that service price as one of customers' loyalty factors, becomes an important object of research.

5.6 Focus Strategy

The researcher sought to find out whether the use of quality differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant, the study findings revealed that: - majority of the respondents Strongly Agree .The purpose of pursuing a focus strategy is to offer unique products or services to customers so as to obtain a price premium and achieve loyalty (Yin, 2012). This facilitates a firm's erection of entry barriers and reduces buyers' bargaining power through customer loyalty and price in elasticity.

The researcher sought to find out whether the use product differentiation strategy plays a part in attracting customers to repeatedly purchase from this restaurants, the

study findings revealed as majority of respondents Agree . In other words, by implementing differentiated customized services or personalized products, a firm can build its customer loyalty when substitute products or services are unavailable in the market (Aaker, 2001; Allen & Helms, 2006). These characteristics of the products and services in this industry enable firms to charge their customers a higher price than their rivals based on the cost of the delivery system, service quality, and the distribution channels involved in creating or producing their unique products and services .

The researcher sought to find out whether customer service strategy plays a part in attracting loyal customers, the study findings revealed that a majority of the respondents Strongly Agree. Scanlan (2000) observed that the reasons why customers switched to competitors were associated with dissatisfying service experiences during the service encounter.

The researcher sought to find out whether the use of cost strategy in your restaurant influences you to be loyal to this restaurant, the study findings revealed that the customers want value for their money and accurate and effective billing. Cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience. A cost leadership strategy aims to exploit scale of production, well defined scope and other economies, producing highly standardized products, using high technology. A company could be the lowest cost producer, yet not offer the lowest-priced products or services. If so, that company would have a higher than average profitability. However, cost leader companies do compete on price and are very effective at such a form of competition, having a low cost structure and management. The goal is to have the lowest average cost per unit in the entire industry.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter presents conclusion and recommendation from the study and the areas for further study.

6.1 Conclusions of the Study

Based on the findings quality strategy on customer loyalty can be concluded that, the location of the restaurant plays a part in attracting loyal customers, visibility of the restaurant to the public (accessibility) is a factor in the determination of loyal customers. More so, the attractiveness of the outward physical appearance of the restaurant (architectural) is an aspect in attracting loyal customers. Adequate and safe parking space in the establishments attracts loyal customers and Safe environment in your restaurant influences the loyalty of customers.

The second objective product differentiation on customer loyalty. Concludes that the availability of international foods on the menu influences customer loyalty, the availability of local/cultural foods on the menu influences customer loyalty, the availability of health sensitive foods on the menu influences customer loyalty, availability of one special type of food in the restaurant influences the loyalty of customers, food and beverage presentation (visual appeal and taste) in the establishments plays a part in customer loyalty , food that is of great value for money plays a part in customer loyalty , restaurant using latest methods of technology (point of sale service) influences customer loyalty and interior decoration of the restaurant(good ambience) plays a part in attracting loyal customers.

The third objective on the effect of customer service on customer loyalty, warm welcome of guests plays a role in customer loyalty. Well groomed restaurant staff attracts loyal customers. Creative service staff in service styling techniques and procedures determines the loyalty of customers. Proper handling of guest complaints is a factor in customer loyalty, prompt and courteous service in the restaurant attracts loyal customers, giving discounts to repeat customers attracts loyal customers and flexible restaurant rules and regulations to customers while in the restaurant (e.g. on smoking) influences customer loyalty.

Lastly on the effect of low cost focus on customer loyalty, offering products at the lowest price restaurant as compared to competitors plays a part in customer loyalty, offering products at the same price as competitors attracts loyal customers, accurate and fast billing influences the loyalty of customers, variety of methods of payment (e.g. cash, phone or cards) attracts loyal customers and offering products at the lowest price compared to the raw material costs and profits to be generated helps in attracting loyal customers.

6.2 Recommendations

From the above conclusions the study made the following recommendations:-

On quality strategy restaurant managers need to recognise the importance and value of repeat customers to their restaurants and that it is depends on the quality strategy they implement. Moreover, restaurant managers should try to create an extremely loyal customer base through quality of services they offer in order for customers to dine in the restaurant, like it, think very highly of it and thus not easily dine in another restaurant.

Product differentiation on customer loyalty, restaurant managers needs to develop and measure the benchmark scores for the attributes in their products that would boost customer loyalty and compare them with similar restaurants on the types of products offered. There is need to building strong brands. It is essential for the restaurant business to work on their brands because strong brands enable the restaurant operators to charge premium prices as well as to foster customer loyalty.

Customer service and customer loyalty, there is need for establishment to have warm welcome of guests, creative service staff in service styling techniques and procedures, proper handling of guest complaints, prompt and courteous service in the restaurant attracts loyal customers.

Cost strategy and customer loyalty, the restaurant managers need to consider ways that might enhance the customer's emotional ties to the restaurant cost of products. Therefore, the restaurant need to deliver value for the money to the customers, charge products at fair price, more so accurate fast billing influences the loyalty of customers, variety of methods of payment. .

6.3 Recommendation for Further Study

Finally, it is proposed that future research may be conducted to find out customer loyalty factors in other types of restaurants besides specialty restaurants for instance star rated hotels. Research may also be done on the degree of loyalty in regards to competitive strategy.

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APPENDICES

APPENDIX 1: DATA COLLECTION PERMIT

 University of Eldoret
P.O. Box 1125-30100, ELDORET, Kenya
TEL: 0572507092
WEBSITE: uoeld.ac.ke
EMAIL: deansbms@uoeld.ac.ke

**OFFICE OF THE DEAN
SCHOOL OF BUSINESS AND MANAGEMENT SCIENCES**

OUR REF: SBMS/PGMBM/003/13 19TH MAY 2015

TO WHOM IT MAY CONCERN


Dear Sir/Madam,

RE: **DATA COLLECTION : ROSE ANDES0 LUBUKHA; SBMS/PGMBM/003/13**

The above matter refers;

This is to confirm that the above named person is a bonafide student at University of Eldoret in the School of Business and Management Sciences, pursuing Masters in Business Management. She has successfully defended her proposal entitled: *"Focus strategy as a determinanat of customer loyalty. A survey of selected speciality restaurant in N0airobi"*. She has been recommended to proceed to the field to collect data that will be used for academic purposes only.

Any assistance accorded to her will be highly appreciated.


DR. ROBERT I. OTUYA
DEAN, SCHOOL OF BUSINESS & MANAGEMENT SCIENCES

APPENDIX II: INFORMED CONSENT LETTER

LETTER OF INTRODUCTION

I am a post graduate student pursuing a master of business management at the University of Eldoret. I am conducting a research to find out if focus strategy is a determinant of customer loyalty: A survey of selected specialty restaurants in Nairobi. This study will enable me to make suggestions to the hospitality industry for the purpose of improving the service of the industry to meet the needs of the customers.

May I kindly request you to participate in my study. Your participation and opinion will be of great help to me and to the hotel industry. Your responses to the items in the questionnaires will be treated with utmost confidentiality, and will not be used for any other purposes except for this study. To ensure your anonymity, no name or other means of identification are requested in this survey. You are free to withdraw from the study at any time you deem fit. You may also request the researcher to inform you about the findings of this study.

Thank you very much for accepting to participate in this study. If you have any questions or comments on this study please contact me using this email: andesorose@yahoo.com

Yours sincerely,

Rose Andeso Lubukha

ANDESOROSE@YAHOO.COM

Researcher

APPENDIX III: QUESTIONNAIRE FOR RESTAURANT EMPLOYEES.**TOPIC: A STUDY OF FOCUS STRATEGY AS A DETERMINANT OF CUSTOMER LOYALTY: A SURVEY OF SELECTED SPECIALITY RESTAURANTS IN NAIROBI.**

I am a student from the University of Eldoret in the department of Business Management. This research is based on establishing **focus strategy as a determinant of customer loyalty in speciality restaurants in Nairobi.**

Section I: PERSONAL DETAILS**1. Gender:**i) Male ii) Female **2. Age bracket:**i) 18-25 ii) 26-28 iii) 36-45 iv) 46-60 v) OVER 60

3. Highest level of education attained.

- i) Secondary
- ii) College
- iii) University

4. What position do you hold in the establishment?

- i) Hotel manager
- ii) Hotel assistant manager
- iii) Hotel supervisor

5. How long have you worked in the establishment?

- Less than 5 years:
- 6 – 10 years
- 11 to 15 years
- Over 16 years

SECTION II – FOCUS STRATEGY**7. What type of customers frequent your establishment?**

Your perception of customers that frequent your establishment. Customers are always attracted to specific or special aspects in a restaurant and different types of customers have different tastes and preferences. Look at the types of customers below and

indicate if they are the types that are your regular customers. **Based on the likert scale below, please indicate the applicable answer by a tick.** Where strongly agree represents your most frequent customers, agree represents frequent customers, neutral represents average, disagree represents less frequent customers and strongly disagree represents a none.

. Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

TYPE OF CUSTOMER	1	2	3	4	5
Elderly					
Youths					
Tourists					
Families					
Business people					

9. Do you have special foods just specific to your restaurant that attracts specific customers?

Customers are always attracted to specific or special aspects in a restaurant and different types of customers have different tastes and preferences. Look at the types of foods below and indicate if they are specific to your restaurant. You can tick more than one.

TYPE OF FOOD	yes	No
Local cultural foods		
Indian foods		
Italian foods		
Chinese foods		
Vegeterian foods		

RESTAURANT QUALITY / CUSTOMER LOYALTY

To what extent do you think the following attributes affect customer loyalty? Customers always have different expectations from restaurants. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

- ✓ **Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.**

Restaurant Quality/Customer Loyalty					
The location of the restaurant plays a part in attracting loyal customers					
The visibility of the restaurant to the public(accessibility) is a factor in the determination of loyal customers					
The attractiveness of the outward physical appearance of the restaurant (architectural) is an aspect in attracting loyal customers					
Adequate and safe parking place in your establishment attracts loyal customers					
Restaurant environment plays a part in customer loyalty					
The type or social class of the customers who frequent the restaurant influence the loyalty of customers					
Safe environment in your restaurant influences the loyalty of customers					

PRODUCT DIFFERENTIATION / CUSTOMER LOYALTY

Your perception of customer loyalty in regards to product differentiation of the restaurant. Customers are always attracted to specific or special aspects of products in a restaurant. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick. . **Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.**

Product Differentiation/ Customer Loyalty					
The availability of international foods on the menu influences customer loyalty					
The availability of local/cultural foods on the menu influences customer loyalty					
The availability of health sensitive foods on the menu influences customer loyalty					
Availability of one special type of food in your restaurant influences the loyalty of customers					
Food and beverage presentation (visual appeal and taste) in your establishment plays a part in customer loyalty					
Food that is of great value for money plays a part in customer loyalty					
Your restaurant using latest methods of technology (point of sale service) influences customer loyalty					
Interior decoration of the restaurant(good ambience) plays a part in attracting loyal customers					

CUSTOMER SERVICE DELIVERY / CUSTOMER LOYALTY

Service delivery in a restaurant plays a part in customer loyalty. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

- ✓ Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

Customer Service/ Customer Loyalty					
Warm welcome of guests plays a role in customer loyalty					
Well groomed restaurant staff attracts loyal customers					
Creative service staff in service styling techniques and procedures determine the loyalty of customers					
Proper handling of guest complaints is a factor in customer loyalty					
Prompt and courteous service in the restaurant attracts loyal customers					
Giving discounts to repeat customers attracts loyal customers					
Flexible restaurant rules and regulations to customers while in the restaurant (e.g. on smoking) influences customer loyalty					

COST FOCUS / CUSTOMER LOYALTY

Low cost focus in a restaurant plays a part in customer loyalty. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

- ✓ **Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.**

COST/ CUSTOMER LOYALTY					
Offering products at the lowest price in your restaurant as compared to competitors plays a part in customer loyalty					
Offering products at the same price as competitors attracts loyal customers					
Accurate and fast billing influences the loyalty of customers					
Variety of methods of payment (e.g. cash, phone or cards) attracts loyal customers					
Offering products at the lowest price compared to the raw material costs and profits to be generated helps in attracting loyal customers					

SECTION III: IMPACT OF FOCUS

9. Do you agree that the type of target market affects the loyalty of customers?

Yes

No

FOCUS STRATEGY / DEGREE OF CUSTOMER LOYALTY

Your perception of degree of loyalty in regards to focus strategy. Customers are always attracted to specific or special aspects in a restaurant. Look at the strategies below and indicate if you agree or disagree that it determines some degree of customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick. Where strongly agree represents very high degree of repeat purchase, agree represents high degree of repeat purchases, neutral represents an average degree of repeat purchases, disagree represents a low degree of repeat purchases and strongly disagree represents a very low degree of repeat purchases.

. Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

	1	2	3	4	5
FOCUS STRATEGY/ CUSTOMER LOYALTY					
The use of quality differentiation strategy plays a part in attracting repeat customers					
The use product differentiation strategy plays a part in attracting repeat customers					
The use of customer service strategy influences repeat customers					
The use of cost strategy in your restaurant influences repeat customers					

Please use the space below for any additional comment.

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Thank you for taking your time to fill this questionnaire

APPENDIX IV: QUESTIONNAIRE FOR RESTAURANT CUSTOMERS.**TOPIC: A STUDY OF FOCUS STRATEGY AS A DETERMINANT OF CUSTOMER LOYALTY: A SURVEY OF SELECTED SPECIALITY RESTAURANTS IN NAIROBI.**

I am a student from the University of Eldoret in the department of Business Management. This research is based on establishing **focus strategy as a determinant of customer loyalty in speciality restaurants in Nairobi.**

Research ethics: Response from you will only be used for academic purposes and will be treated with utmost confidentiality. Kindly answer the following questions and tick where appropriate. Please be objective – all comments will be taken into account.

Section II: PERSONAL DETAILS**1. Gender:**

i) Male

ii)Female

2. AGE BRACKET:i) 18-25 ii) 26-28 iii) 36-45 iv) 46-60 v) OVER 60

3. Highest level of education attained.iv) Secondary v) College vi) University **SECTION III – FOCUS STRATEGY****5. How long have you been a customer to this establishment?**One month Less than 6 months Less than one year Over one year **9. Do you frequent this restaurant because of special foods just specific to this restaurant?**Yes No

If yes, tick below

TYPE OF FOOD	yes	No
Local cultural foods		
Indian foods		
Italian foods		
Chinese foods		
Vegetarian foods		

RESTAURANT QUALITY / CUSTOMER LOYALTY

To what extent do you think the following attributes affect your loyalty to this restaurant? Customers always have different expectations from restaurants. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

- ✓ Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

RESTAURANT QUALITY/CUSTOMER LOYALTY					
The location of the restaurant attracts me to this restaurant.					
The visibility of the restaurant to the public(accessibility) is a factor that attracts me to this restaurant					
The attractiveness of the outward physical appearance of the restaurant (architectural) is an aspect that attracts me to this restaurant					
Adequate and safe parking place in this establishment attracts me to this restaurant					
Restaurant environment plays a part in attracting me to this restaurant					
The type or social class of the customers who frequent the restaurant influence my loyalty					
Safe environment in your restaurant influences my loyalty to this restaurant					

PRODUCT DIFFERENTIATION / CUSTOMER LOYALTY

Your perception of customer loyalty in regards to product differentiation of the restaurant. Customers are always attracted to specific or special aspects of products in a restaurant. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

✓ Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

PODUCT DIFFERENTIATION/ CUSTOMER LOYALTY					
The availability of international cuisines on the restaurant menu influences my loyalty as a customer					
The availability of local/cultural cuisine on the menu influences my loyalty as a customer					
The availability of health sensitive foods on the menu of the restaurant influences my loyalty as a customer					
Availability of one special type of cuisine in the restaurant influences the my loyalty as a customer					
Food and beverage presentation (visual appeal and taste) in this establishment plays a part in attracting my loyalty to this restaurant					
Food that is of great value for money plays a part in my loyalty as a customer					
Restaurant using latest methods of technology (point of sale service) influences loyalty					
Interior decoration of the restaurant(good ambience) plays a part in attracting me to this restaurant					

CUSTOMER SERVICE DELIVERY / CUSTOMER LOYALTY

Service delivery in a restaurant plays a part in customer loyalty. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

- ✓ Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

CUSTOMER SERVICE/ CUSTOMER LOYALTY					
Warm welcome of guests to this restaurant plays a role in my loyalty					
Well groomed restaurant staff attracts me to this restaurant					
Creative service staff in service styling techniques and procedures determine my loyalty					
Proper handling of guest complaints is a factor in customer loyalty					
Prompt and courteous service in the restaurant plays a role in my loyalty as a customer					
Giving discounts to you plays a part in my loyalty					
Flexible restaurant rules and regulations to customers while in the restaurant (e.g. on smoking) influences my loyalty					

LOW COST FOCUS / CUSTOMER LOYALTY

Low cost focus in a restaurant plays a part in customer loyalty. Look at the factors below and indicate if you agree or disagree that it determines customer loyalty. Based on the likert scale below, please indicate the applicable answer by a tick.

- ✓ Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

LOW COST/ CUSTOMER LOYALTY					
Offering products at the lowest price compared to other restaurants plays a part in your loyalty					
Offering products at the same price as other restaurants attracts me to this restaurant					
Accurate and fast billing influences the loyalty of customers					
Variety of methods of payment (e.g. cash, phone or cards) attracts my loyalty					
Offering products at the lowest price compared to the raw material costs and profits to be generated attracts me to this restaurant					

SECTION IV: IMPACT OF FOCUS

9. Do you agree that the type of target market affects your loyalty as a customer?

Yes

No

FOCUS STRATEGY / DEGREE OF CUSTOMER LOYALTY

Your perception of degree of loyalty in regards to focus strategy. Customers are always attracted to specific or special aspects in a restaurant. Look at the strategies below and indicate if you agree or disagree that it determines some degree of your loyalty as a customer. **Based on the likert scale below, please indicate the applicable answer by a tick. Where strongly agree represents very high degree of repeat purchase, agree represents high degree of repeat purchases, neutral represents an average degree of repeat purchases, disagree represents a low degree of repeat purchases and strongly disagree represents a very low degree of repeat purchases. .**

Where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5- strongly agree.

	1	2	3	4	5
FOCUS STRATEGY/ CUSTOMER LOYALTY					
The use of quality differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant					
The use product differentiation strategy plays a part in attracting you to repeatedly purchase from this restaurant					
The use of customer service strategy influences you to be loyal to this restaurant					
The use of cost strategy in your restaurant influences you to be loyal to this restaurant					

Please use the space below for any additional comment.

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Thank you for taking your time to fill this questionnaire