

Influence of Focus Strategy on Customer Loyalty among Small and Medium Enterprises in Garissa Town, Kenya

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Abstract: In today's rapidly changing economic and business environments small and medium enterprise compete for customers, revenue, market share with products and services that meet customer's needs. In this way, they gain competitive strategy which aims to establish a profitable and sustainable position against the forces that determine industry competition. However, Small and medium enterprise firms are increasingly facing numerous challenges in their quest to maintain their market share in this global business environment. This study investigated the influence of focus strategy on customer loyalty among small and medium enterprises in Garissa Town, Kenya. This study was carried out through a descriptive research design. The target population consisted of 450 retail businesses which were registered as retail business with ministry of trade in the county government of Garissa in year 2017. Stratified proportionate random Sampling technique was used to select the sample. The sample size was 75 respondents were obtained. The data collection instruments used for this study were questionnaires for all the respondents. Descriptive statistical analysis such as mean and standard deviation were used to analyse quantitative data and presented in terms of tables, frequencies, graphs and charts. Because the study involved more than three variables multiple regression analysis was used. The study examined that focus strategy and strategic alliance strategy had a positive and significant influence on customer loyalty. The study concluded that focus strategy enables SMEs to generate strong customer loyalty by tailoring their business to the needs of a small group. The study recommended that Small and Medium Enterprises in Garissa Town should focus on the most profitable market segment that bring in more revenue and more on the value chain as this will increase differentiation in the product offered in turn increasing the revenues.

Keywords: Focus Strategy, Customer Loyalty.

I. INTRODUCTION

An organizational strategy aims at achieving advantage for the organization through transforming resources within a changing environment and to fulfill stakeholder's expectations (Botten & McManus, 2012). These authors also view strategy as a long-term business plan for the effective management of environmental opportunities and threats in light of a company's strengths and weaknesses. Johnson, Scholes and Wittington (2016) view competitive strategies from a business level perspective and believe that it is the achievement of

competitive advantage by business unit in its particular market.

Organizations have over the years adopted competitive strategies that have enabled them to cope with increasing internal and external environmental complexities. According to Barney (2010) a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player. According to Malburg (2013) low cost, differentiation, focus and combination strategies are generally accepted important dimensions that support the strength of strategies adopted by different organizations that can lead to superior performance levels in the present competitive market conditions.

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market (Malburg, 2010). Merits of focus strategy include having power over buyers since the firm may be the only source of supply. Organizations that adopt focus strategy gain a high degree of customer loyalty, which in turn discourages competing firms from attempting to compete directly with them. However, Gopichandran, Shah, Patel and Harinarayana (2013) focus strategy is characterised by lower bargaining power of suppliers which means that the firm will tend to pass higher costs to customers since there is no much choice of substitutes for the product or service.

Customer loyalty enhances business value and cost-effectiveness to business. The trust as a construct of interest is widely recognised at the most basic element in examining the relationship concerning customer loyalty, in fact, it is a primary antecedent of customer loyalty (Eid, 2011). According to McIlraith (2014) loyalty is seen as driven mainly by service quality, thus, good service quality, reciprocally offers customer loyalty. Service quality is linked to customers' behaviours in the direction of service supplier as well as their willingness to remain with the service provider.

SME's are considered to be the principal driving force of economic development in almost all economies (Leitner &

Guldenberg, 2012). In Kenya, SMEs are vital for spurring economic growth and employment creation and should be in the forefront in adoption of generic strategies. According to Gakure and Amurle (2013), the SMEs sector employs 74% of the labour force and contributes over 18% of the country's Gross Domestic Product (GDP). Despite its great contribution to Kenyan society, and the numerous policy prescriptions, the SMEs sector encounters a series of challenges and constraints that inhibit its growth. The result is stagnated growth, lack of competitiveness, high failure rate, and an average lifespan of five years (CBS, 2016). On the other hand, Gakure and Amurle (2013) argues that for a long time strategic planning is known to be an essential activity that generates positive outcomes for firms of all sizes. However, little is known of adoption of generic strategies among SMEs in Africa and in particular Kenya

Statement of the Problem

Small and Medium Enterprise (SMEs) often do not have the means to ensure continuous successful implementation of strategic planning as they maintain lower levels of resources, have limited access to human, financial and customer base and less-developed management capacity and administrative systems (Gerber, 2011). According to Onugu (2015), unlike large enterprises, SMEs are characterized by their flexibility, responsiveness, pursuit of opportunities, risk-taking, innovation, unconventional thinking and creativity. Small and medium enterprise firms are increasingly facing numerous challenges in their quest to maintain their market share in this global business environment. They are exposed to extreme competition from the mega organizations that have massive resources. These large companies sometimes venture into those businesses that were usually the preserve of small businesses; if this trend continues then small and medium enterprises must employ competitive strategies to survive the ever changing environment.

Small and medium-sized enterprises (SMEs) play a vital role in economies throughout the world and are a key component of wealth creation and national economic development (Hill, Nancarrow, & Tiu Wright, 2014). Bartlett and Bukvic (2012) argue that despite the important role, it is also known that few SMEs successfully grow while the majority stay small or fail due to internal, external, financial and social constraints such as limited resources, bureaucracy, lack of information, high taxes, cost of credit and lack of state support. In Garissa County, SMEs face a great challenge of competing with existing super markets mainly to retain their customers.

Mita, Ochieng and Mwebi (2017) study examined that influence of generic strategies on performance of metal works SME businesses in Naivasha town which found a positive and significant relationship between generic strategies adopted and organizational performance. Rosli (2012) carried out an exploratory investigation on competitive strategy of Malaysian small and medium enterprises and established that the SMEs have placed high emphasis on firm management,

marketing and human resource management; and moderate emphasis on total innovation. Singh, Garg and Deshmukh (2016) study focused on strategy development by SMEs for competitiveness and found that SMEs have not given due attention for developing their effective strategies in the past. Therefore, this study sought to investigate the influence of focus strategy on customer loyalty among Small and Medium Enterprises in Garissa Town, Kenya.

II .LITERATURE REVIEW

Chelanga, Rono and Boit (2017) study examined the effect of differentiation and focus strategies on the financial performance of Small and Medium Enterprises. The target population of the study was made up of 7384 SMEs and a sample of 95 SMEs was picked using systematic random sampling. Structured questionnaires were used to collect data, which was then analyzed using descriptive and inferential statistic. Findings indicated that differentiation strategy and market focus strategy were positively and significantly related to financial performance. However, the study focused on financial performance of SMEs.

Hooley, Greenley, Fahy and Cadogan (2011) study investigated the relationship between market-focused resources, competitive positioning and firm performance. The findings of this study reveal positive association between positioning strategy and firm performance although individual predictive variables (subpositioning strategies) have partial effects. Specifically, five subpositioning strategies (top of the range, services, value for money, reliability and the brand name) emerge as impacting firm performance.

Mohsenzadeh and Ahmadian (2016) study focused on the mediating role of competitive positioning strategy in the effect of firm competencies and export performance. A questionnaire was used for data collection which was randomly distributed among 200 of managers and export experts of top export companies in Iran. The results of the data analysis showed that competitive strategies mediate the effect of production capability and export performance. However competitive strategies do not mediate the effect of marketing competency and export performance. However, the study used qualitative data which involves small sample size.

III. RESEARCH METHODOLOGY

This study was carried out through a descriptive research design. The target population consisted of 450 retail businesses which were registered as retail business with ministry of trade in the county government of Garissa in year 2017. Stratified proportionate random Sampling technique was used to select the sample. The sample size was 75 respondents. The data collection instruments used for this study were questionnaires for all the respondents. Descriptive statistical analysis such as mean and standard deviation were used to analyze quantitative data and presented in terms of tables, frequencies, graphs and charts. Because the study

involved more than three variables multiple regression analysis was used.

IV. FINDINGS

The findings of the influence of focus strategy on customer loyalty among Small and Medium Enterprises in Garissa Town, Kenya, Kenya are indicated in Table 1.

Table 1: Focus Strategy on Customer Loyalty

Statement	Mean (M)	Standard Deviation (SD)
SMEs often develop tremendous expertise about the goods and services that they offer	3.35	1.743
Through focus strategy very high prices can be charged	3.97	1.079
The focus strategy concentrates on a narrow segment and within that segment seeks to achieve either a cost advantage or differentiation	4.78	0.895
Focus strategies produce high profit margins while serving a relatively low volume of customers.	4.85	0.466
SMES are able to retain customers through brand loyalty and higher switching costs	4.81	0.396
Aggregate Score	4.35	0.916

The results in Table 1 show that the respondents strongly agreed that focus strategy influences customer loyalty among retail business in Garissa Town, Kenya as shown by aggregate score of 4.35 with significance variance of 0.916. These findings concur with the findings of Chelanga *et al.* (2017) study examined the effect of differentiation and focus strategies on the financial performance of Small and Medium Enterprises and established that differentiation strategy and market focus strategy were positively and significantly related to financial performance.

The respondents strongly agreed that focus strategies produce high profit margins while serving a relatively low volume of customers (M=4.85, SD=0.466), SMES are able to retain customers through brand loyalty and higher switching costs (M=4.81, SD=0.396) and that the focus strategy concentrates on a narrow segment and within that segment seeks to achieve either a cost advantage or differentiation (M=4.78, SD=0.895). These findings are agree with the findings of Hooley *et al.* (2011) study which revealed a positive association between positioning strategy and firm performance although individual predictive variables (subpositioning strategies) have partial effects.

The respondents agreed that through focus strategy very high prices can be charged (M=3.97, SD=1.079). These findings are in line with the findings of Mohsenzadeh and Ahmadian (2016) study that focused on the mediating role of competitive positioning strategy in the effect of firm competencies and export performance and showed that competitive strategies mediate the effect of production capability and export performance.

The respondents indicated to a moderate extent that SMEs often develop tremendous expertise about the goods and

services that they offer (M=3.35, SD=1.743). These findings contradicts with the findings of Chelanga *et al.* (2017) whose study established that differentiation strategy and market focus strategy were positively and significantly related to financial performance and also in contrary to Hooley *et al.* (2011) study which revealed a positive association between positioning strategy and firm performance.

V. CONCLUSIONS AND RECOMMENDATIONS

The study concluded that focus strategy enables SMEs to generate strong customer loyalty by tailoring their business to the needs of a small group. SMEs provide products with attributes most valued by their established niche market segment, thus establish a reputation of quality, service and excellence based on the needs of that group.

The study recommended that Small and Medium Enterprises in Garissa Town should focus on the most profitable market segment that bring in more revenue and more on the value chain as this will increase differentiation in the product offered in turn increasing the revenues. They should also focus on wider fraction of clients but being specific to any one geographical area due to the unpredictable and dynamic markets, This is because they need to cushion themselves from the off-peak or low seasons that the different clientele have at different times.

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