



Narrow Market Business Level Strategies and Performance of Micro and Small Enterprises: A Case of Salons and Beauty Spas in Nairobi County, Kenya

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Authors' contributions

This research work was carried out in collaboration between both authors. Author MWK designed the study, performed statistical analysis, wrote the protocol, wrote the first draft of the manuscript, edited and made all the corrections. Authors EG and EK supervised all the processes involved in preparing the manuscript. All authors read and approved the final manuscript.

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ABSTRACT

Despite the fact that empirical research on performance and narrow market business level strategies have been widely conducted, there is no consensus on the effect of focused cost and focused differentiation on micro and small enterprises performance, necessitating this study to add to the body of knowledge. The purpose of this study was to determine the influence of generic narrow market strategies on the performance of micro and small businesses, with a focus on salons and beauty spas in Nairobi, and more specifically to: determine the impact of focused cost leadership strategy and focused differentiation strategy on the performance of salons and beauty spas in Nairobi County. The study employed a descriptive research design, with the 279 salons and beauty spas in Nairobi County serving as the study's target population and a sample size of 165 participants obtained. A structured questionnaire was used to collect data, which was analysed quantitatively. The study concludes that at 5% level of significance; focused cost strategy has positive significantly moderate influence on performance of micro and small enterprises, and focused differentiation strategy has moderate positive significant effect on performance of micro and small enterprises. The

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study recommends that micro and small enterprises should sustain expertise and ensures creativity as well as continuous improvement and devise mechanisms for crafting competitive affordable and attractive rate in addition to strategies for premium products in a niche narrow market.

Keywords: *Focused cost leadership strategy; focused differentiation strategy; generic strategies, micro and small enterprises performance; narrow market; performance; salons and beauty spas*

1. INTRODUCTION

In the face of increasing competition, implementation of business strategies is becoming extremely important [1]. According to Hill, Jones and Schilling [2], the most important strength of any business should concentrate on meeting the needs of the target audience to enable the organization to obtain above-average profit margins. Three fundamental business-level strategy techniques; cost leadership, differentiation, and focus strategies are turning out to be effective competitive strategies for ensuring competitive advantage with the intent of improving performance [1]. In order to address the narrow market, the Porter [3] generic model has expanded the focus strategy into focused cost leadership and focused differentiation, resulting in four main topologies which are an addition to focused cost and focused differentiation to the cost leadership and differentiation strategies at the business-level strategy. Ford and Håkansson [4] assert that organizations are faced with making decisions in gaining competitive advantage either to compete on price/cost or the range of the market. These concerns lay the groundwork for four general approaches: cost leadership, focused cost leadership, differentiation, and focused differentiation.

The focused cost leadership strategy tries to serve a limited market niche at an affordable lowest cost that the target can afford. This method works best when a company can't afford to offer many products and/or services at cheap costs and can't focus on a broader cost leadership strategy. This method does not ensure that a business will have the most competitive prices in the industry but instead, when compared to other firms in the target market, it charges minimal fees. They concentrate on a single specialty or distinct characteristic and strive to provide that niche or feature at the lowest possible cost to their target market segment. Of course, if there is fierce rivalry in this niche, the company must ensure that it can maintain its position. A market niche

approach that focuses on a limited client group and competes with the lowest prices is characterized as a focused cost leadership strategy. This necessitates a business's cost model being lower than that of its rivals. For the cost focus strategy to attain success; the business needs to be new with modest resources, the products should be used for multiple purposes, the organization has inadequate resources to tap into the broader segment of its market, rivals should not be targeting the identified niche, and industry leaders should not be viewing niching as part of their strategy [5].

In addition, focused differentiation entails a limited pool of potential customers. The benefit of this plan is that the company would be able to serve its clients more efficiently. This technique is also known as a "unique" or "niche-focused" strategy [6]. The capacity to provide the specific client base in issue with more unique and favourable features is the rivalry with the focused differentiation strategy. The selection of a profitable market subset, a concentration on areas where the competition exhibits weakness, and a focus on areas where product substitution is most difficult are the primary components of this strategy. The focused differentiation aims at providing special high premium products or services to a narrow market niche. Businesses pursuing this strategy charge premium prices for their products but they make those products specifically for a certain high-end market [5].

Lastly, a company may also choose to pursue an integrated low-cost differentiation strategy. This is achieved through incorporating better product or service attributes at a lower cost than competitors. It is also referred to as best-cost provider. Ideally, the best cost provider strategy is a hybrid of differentiation and low-price strategies and the target audience, in this case, are a segment of value-conscious consumers that is normally bigger than a market niche, but smaller than a wide market [7]. A firm must have the expertise, resources, and capacities to incorporate upscale characteristics at a lower

cost than rivals in order to successfully adopt this approach. This strategy could be favored by various conditions such as markets that have both ranges in the needs of buyers that make differentiation common and where the majority of buyers are sensitive to both value and price [7].

For a long time, the hair and beauty business has been given second-class treatment, if not outright disregard, by key economic stakeholders. Individuals view it as unskilled labour and as something that one does as a last resort or supplementary income source and not much out of choice. Salons and beauty spas, on the other hand, fall under the category of micro and small enterprises (MSEs), which face specific problems such as finance availability, poor market research, insufficient access to required information and a lack of market for products and services. Even with these obstacles, they play an important role in providing jobs for a huge part of the population in Nairobi. In recent years, many salons and beauty spas have emerged in most neighbourhoods in Nairobi County, instigating a growth of partnerships between the manufacturers of beauty products and salons and beauty spas [8]. In nearly every area of Nairobi County, a slew of tiny salons and beauty spas have sprung on the fringes of the Central Business District (CBD). This has increased the level of competitiveness. Furthermore, there is an increase in the need for sophisticated salons and beauty spas as a result of the rising demand for male hairdressers. In the current environment, clients require salons and beauty spas that are specialized [9].

1.1 Statement of the Problem

Despite micro and small enterprises' significant contribution to Kenya's economy through job creation and economic development, their performance has been static for a long time [10]. Hair salon microbusinesses in Kenya are not growing in terms of employment or revenue, which is causing considerable worry. The majority of these companies began with one to four people and never expanded. Despite the large number of salons that are opening, their productivity in terms of sales and economic contributions is insignificant. Such challenges might adversely affect the ability of the micro and small enterprises to contribute to job creation and the growth of the GDP in the country and might negatively affect the socio-economic development of the nation. Moreover, Chelanga et al. [6] assert that, despite the micro and small

enterprises' important role, attainment of tangible benefits has remained a fantasy due to the lack of good business strategy. Despite a large body of empirical research on performance and generic strategies, the joint effect of focused cost and focused one performance of MSE success in Nairobi. Such a situation necessitates extensive study on business-level strategy is still contestable hence this study.

1.2 Objectives

The study was informed by the Porter's generic strategy model and the Ansoff Model as a theoretical framework guides applicable to every stage of the research process, including the problem definition, literature review, methodology, presentation and discussion of the findings, and the conclusions reached. This theoretical framework aided in the development of the conceptual framework [11]

The main objective of this study was to assess the influence of narrow market business level strategies on the performance of micro and small enterprises with a focus on salons and beauty spas in Nairobi County and to specifically seek to;

1. To establish the influence of focused cost strategy on the performance of salons and beauty spas in Nairobi County
2. To find out the effect of focused differentiation strategy on the performance salons and beauty spas in Nairobi.

2. LITERATURE REVIEW

Essentially, this chapter encompasses outcomes of literature review emanating from informing theories (theoretical) and previous research related to this study (empirical) which gave rise to a conceptual structure and research gaps.

2.1 Theoretical Framework

Any research work must be guided by a theory, validating or disapproving a phenomenon [12]. Theory helps to decipher the way things are and the foundation for specific actions. For all research, the theoretical framework is essential to clarify the implicit theory more clearly [13]. Researchers may also take their limitations and alternative theories into consideration, which challenge their perspectives. Accordingly, this study reviewed the Porter's generic strategy model as the underpinning theory.

Michael Porter outlined Porter's generic strategy model in 1980 describing how an enterprise has a competitive advantage over its selected market scope [3]. Four generic strategies are available, lower costs, differentiation, focus on cost leadership and focused differentiation. A firm can seek one of two comparative edge approaches; lowering cost of its product than that of its rivals or differentiation across customer-valued characteristics in order to charge higher prices [14]. Porter's generic strategy model illustrates how successfully cost-cutting tactics, differentiation strategies, and market-focus strategies interact in porters' generic strategies [15]. The focus strategy is based on keeping competitors out of the market for a certain consumer [6]. Essentially, those are consumers with unusual criteria who serve as the target market for the company's services or products. Such methods are unique to each firm and are significantly impacted by industry factors [3]. In a single market segment, this strategy allows firms to focus on one of the two cost-cutting or differentiation strategies outlined above. It is assumed that specific needs can be fulfilled more fully by focusing on this group of narrow customers [3]. Client loyalty is strong among companies that employ this strategy, making it harder for companies to compete directly against them. However, this technique may result in lower production quantities and fewer customers for businesses. However, it is characterized by lower negotiating strength of suppliers and, as there is not a large choice of products or services, the company tends to pass on more expenses for customers. This is inconvenient for customers who cannot buy at the prices determined by the company [15]. This can include a combination of quality, convenience, price, style and other product or service characteristics [1]. This theory is likely to be applied by MSEs to improve their competitive abilities in any industry. Thus, the Porters generic strategies model is important in this study in highlighting the niche generic strategies; focus on cost leadership and focused differentiated as key to gaining competitive edge which would then ensure superior performance.

2.3 Empirical Review

Customarily, empirical assessment is important for validating different assumptions, to enhance and to continue to advance human knowledge in many areas. Consequently, this are of the research looks at several academic research that

back up the theory that generic narrow market strategies and performance are linked.

In the research by Njuguna and Waithaka's [16], attention cost is positively and significantly associated to organisational performance. While the study by Mohamed and Gichinga [17] suggest insignificant effect of focus strategy on organisational performance in Mogadishu Somalia's mobile cellular providers the research by Muia [18] show cost leadership and performance as having positive significant relationship. Muia [18] shows generic strategies should assessed determine which has a greater impact on company performance. The research by Muraguri [1] revealed focus as accounting for 5.3 percent of change in organizational performance.

According to the research by Njuguna and Waithaka [16], focus differentiation strategies are significantly and positively associated to organisational performance. Gure and Karugu [14] found that focus strategy has a substantial impact on SMEs' organisational performance in Nairobi County, Kenya while Isaboke [19] showed micro and small enterprises use the combined strategy to obtain a competitive advantage rarely. Buul and Omundi [20] study results indicated that market-oriented strategic flexibility moderates the market-oriented sales relationship examined and affects the environment with sales growth in most firms. In the study by Onyango [23], it was found that firms that use the focus strategy prefer to target a certain geographic area or a subset of clients. Focus strategy exhibited a positive significant relationship with firm Competitiveness, The available empirical researcher has not adequately addressed the narrow market strategies (focused cost leader strategies and focused differentiations strategies) as driver performance of MSEs. It is for this reason that the current research was done to fill this void.

3. RESEARCH METHODOLOGY

The present study employed a descriptive research methodology to evaluate the impact of narrow market business level strategies elements on performance of MSEs operating in Nairobi, with a focus on salons and beauty spas. The descriptive study approach was chosen because it ensures a thorough account of the issue while also reducing any potential bias in the data collection procedure.

In this study, the target population was 279 salons and beauty spas in Nairobi County (Nairobi City Council Licensing office, 2020). Nairobi County had 8 administrative divisions; Central, Dagoretti, Embakasi, Kasarani, Kibera, Makadara, Pumwani, and Westlands.

The investigation was guided by the proposed formulation of Yamane (1967) in order to determine the sample dimensions;

$$n = \frac{N}{1+N(e^2)}$$

Where n is the sample size, N is the target population size and e is the level of precision (specifically ±5% precision at 95% confidence level).

$$\text{Thus } n = \frac{279}{1+279 \times (0.05)^2} = \frac{279}{1+279 \times (0.025)} = \frac{279}{1+0.6975} = \frac{279}{1.6975} = 164.35 \approx 165$$

Consequently, 165 participants were the population of the sample.

In order to establish the suitable population sample size per administrative division, the study used proportionate sampling. This sample size for each administrative division was obtained by multiplying the number of salons and beauty spas in that administrative divisions population with sample size and dividing this by the target population. This ensured that every person in the population had an equal chance of being picked, avoiding biased selection. Respondents were chosen from among managers and owners of salons and beauty spas in Nairobi County in that they possessed necessary data and have obligatory experience appropriate for offering adequate and accurate information. Because the population was homogeneous, the investigator opts for adopting simple random sampling selection approach. Since sample was chosen at random, it had a composition and features that were comparable to the population on average [21].

In the present analysis, primary data used and this was assembled utilizing a standardized questionnaire with closed-ended questions [22]. The questionnaire was preferred because it is free of presenter bias and the answers provided are clear to the participants; it gave participants enough time to provide well-thought-out answers; it used large samples to make findings more accurate and reliable; and it was less expensive,

especially when the universe is large and geographically dispersed. The questionnaire was meant to gather information on the 5-point scale of Likert. The likert scale comprises ratings that contribute to translating quality answers into quantifiable values [23].

The questionnaire administration was done on drop-and-pick approach in the course of gathering primary data. The questionnaires were sent to participants and the investigator will ask them to validate any issues arising from the data submitted and to allow them time to complete and return the survey.

Content validity tests was assessed on the tool's ability to produce correct, accurate, and sufficient data. The research enlisted the help of a supervisor and a strategic management specialist, both of whom have extensive expertise and understanding in the field. While the supervisor evaluates the instrument to determine the idea being evaluated, a strategic management expert determined if the tool can correctly measure narrow market business level strategies as a predictor of salon and beauty spa performance in Nairobi. The instrument reviewer next provided their feedback on the questions' representativeness and appropriateness. The tool was then reviewed using edits, insertions, and deletions as needed.

In this research, the Cronbach alpha technique, was used for testing reliability. This approach yields Cronbach's Alpha coefficient possessing an absolute value of Cronbach's Alpha coefficient ranging from 0 to 1 [22]. When it is higher than or equal to 0.7 in the social sciences, it indicates excellent consistency across the items in the tool; otherwise, the instrument is considered to be inconsistent. When the instrument as consistent, it was adopted for data collection otherwise it was reviewed, through editing and deletion, until it was consistent.

Descriptive statistics were utilized to assist describe patterns, trends, and correlations, as well as to make the data analysis easier for the researcher to comprehend and interpret. Different data representations were also: figures, tables and narratives. The mean, standard deviation, frequencies and percentages were employed for the study of descriptive statistics for analysis of data trends.

Secondly, inferential statistics were then produced to establish the relationship between

the Independent Variables (IVs) and the Dependent Variable (DV). Using inferential statistics, the study established a model to estimate dependent variable (response; performance of MSEs operating in Nairobi County) in terms of the independent variable (predictor; cost leadership, differentiation, focused cost and focused differentiation) based on the model shown below;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + e \dots\dots(i)$$

Where:

Y = performance of micro and small enterprises in Nairobi County

X₁ = Focused cost leadership

X₂ = Focused differentiation

β₀ is a constant (which is the value of dependent variable when all the independent variables are 0).

β_{1,2} is the regression coefficients or change induced by X₁, and X₂.

e = error term.

4. RESULTS AND DISCUSSIONS

The study administered 165 questionnaires to the respondents. However, 116(70.30%) responded. A response rate of 116(70.30%), which as per the words of Mugenda and Mugenda [24], it was very high and adequate for yielding favourable results. Those who showed that they were between 18 and 25 years were 41(35.65%). Those between 36 to 45 years were 34 (30.43%) and those between 46 to 55 years were 22(19.13%). Meanwhile those who showed that they were less than 18 years were 11(9.57%) while those between 56 to 65 years were 4(3.48%) and those over 65 years were 2(1.74%). The results indicated that the group with the largest number of respondents were those with college diplomas 52(45.22%), then secondary school leavers who were 39(33.91%), while those who showed that they were primary school drop outs were 15(13.04%). These were followed by those who showed they were undergraduate degrees, who made 9(7.83%) of the total response each. These results indicate that most of the MSEs, 52(45.22%) were sole proprietor business while 26(22.61%) were family-owned businesses, 18(15.65%) were partnerships and 17(14.78%) were private limited companies. Their SMEs had between less than 11 employees were majority at 67(58.26%), while 19(16.52%) indicated that they had between 10 to 20 employees. Those who showed that their enterprises had between 21 and 30 employees

were 15(13.04%) while those who indicated their enterprises had between 31 and 40 employees were 13(11.30%) and those who indicate their SMEs had more than 40 employees were 1(0.87%). Most MSEs, which formed 46(40.00%), indicated they had been in operation for between over 10 years followed by those with between five (5) and 10 years who formed 40(34.78%) of the total response. The SMEs which had been in business for less than 5 years were 29(25.22 %) of the respondents.

4.1 Descriptive Analysis

The outcomes helped to establish the manner in which focused cost and focused differentiation influenced the performance of salons and beauty spas in Nairobi County.

4.1.1 Focused cost strategy and performance of salons and beauty spas in Nairobi

The third objective was to establish the influence of focused cost strategy on the performance of salons and beauty spas in Nairobi. The study started by establishing the status of focused cost strategy based on results obtained from data collected using questions.

Founded on Table 1 results, most of the respondents, 41(35.96%), showed that designing competitive pricing highly influenced performance of the salons and beauty spas in Nairobi. While most of the respondents, 42(36.84%), showed that low-cost unique products highly influenced performance of salons, it was shown that most of the respondents, 48(42.11%), indicated that cost convenience (affordability by the target markets) highly influenced performance of salons. Most of the respondents, 40(35.09%), showed that effective sales channel to reach customers highly influenced performance of salons. In the results, it was shown that most of the respondents, 37(32.46%), showed that target market by demographics highly influenced performance of salons. In addition, most of the respondents, 41(35.96%), showed that saving money moderately influenced performance of salons as most of the respondents, 42(36.84%), showed that investing in small volume for cost advantage moderately influenced performance of salons. On average, it was shown that focused cost strategy highly influenced the performance of salons and beauty spas in Nairobi County.

4.1.2 Focused differentiation strategy and performance salons and beauty spas in Nairobi

The fourth objective; to assess the effect of focused differentiation strategy on the performance of salons and beauty spas in Nairobi, was meant to establish the status of focused differentiation strategy using results produce from analysis of data collected from questions Then the study assessed the effects of focused differentiation strategy on performance of salons and beauty spas in Nairobi County using the data collected from the and results captured in Table 2.

The results obtained in Table 2 showed that most of the respondents, 43(38.05%), showed that premium products in a niche market highly affected performance of salons and beauty spas in Nairobi, while most of the respondents, 48(42.11%), showed that knowledge gathering highly affected performance of salons and beauty spas in Nairobi. According to the results, most of the respondents, 45(39.47%), showed that distinguishing customer by geographic location highly affected performance of salons. More results show that most of the respondents, 40(35.09%), showed that building customer loyalty very highly affected performance of salons and beauty spas in Nairobi. Other results show that most of the respondents, 46(40.35%), showed that developing new products highly affected performance of salons and beauty spas in Nairobi, while most of the respondents, 43(37.72%), showed that creating customer awareness had a high effect on performance of salons and beauty spas in Nairobi. On average, focused differentiation strategy highly affected performance of salons and beauty spas in Nairobi County.

4.1.3 Performance salons and beauty spas in Nairobi

The study then evaluated the status of performance salons and beauty spas in Nairobi to establish the extent to which business level strategies affected it. The results obtained for performance of salons and beauty spas in Nairobi County were recorded in Table 3.

According to the Table 3 results, on the performance of salons and beauty spas in Nairobi County due to business level strategies, it was shown that most of the respondents, 43(37.72%), were neutral on the assertion that

their sales had been increasing very year to show that there was moderate sales revenue increase over the period of the business. While 46(40.35%) agreed to the statement that they been collecting sufficient revenue to run the business and keep for reinvesting in the business, another 46(40.35%) showed that they were neutral on that sentiment. This implies that the salons and beauty spas in Nairobi County were reinvesting their income form sales into their businesses. However, it is not clear whether the ploughed back (reinvested) were the retained earnings or just the sales revenue. Furthermore, as 46(40.35%) were showed that they were neutral on the proclamation that profitability of the business had been increasing every year enough to reinvest, other results show that 46(40.35%), were neutral to the assertion that their customers were always satisfied by our services and products. This means that they were not always making substantial profits and their customers were moderately satisfied.

When 52(45.61%) agreed to the assertion that the business had been focusing on customer retention by keeping a register of our customer and always contacting them and appreciating them, 48(42.11%) agreed that all the customers who visiting them for the first time always came back for repeat service (customer loyalty) so, although the customer satisfaction was moderate, there was high customer retention and this ensured customer loyalty. It was shown that 50(43.86%) indicated that they were neutral on assertion that the business had been delivering its services/products efficiently to shows that services/products was moderate. Other results show a majority of 57(50.00%) displaying that they were not sure whether had been registering growing client base over time or not. This means growth of client base was moderate despite high retention rate and high customer loyalty.

4.2 Inferential Analysis

The study carried out inferential analysis for establishing existence of a relationship between the study variables (through correlation analysis) and importantly for predicting study model (using multiple regressions analysis).

4.2.1 Correlation analysis

The study performed a correlation analysis for establishing existence a relationship between the independent variables (IVs); focused cost strategy, and focused differentiation strategy and

Table 1. Analysis by effect of focused cost strategy on performance

	Not at all		Low		Moderate		High		Very High	
	N	%	N	%	N	%	N	%	N	%
Designing competitive pricing	5	4.39%	12	10.53%	36	31.58%	41	35.96%	20	17.54%
Low-cost unique products	6	5.26%	13	11.40%	37	32.46%	42	36.84%	16	14.04%
Cost convenience (affordability by the target markets)	6	5.26%	13	11.40%	30	26.32%	48	42.11%	17	14.91%
Effective sales channel to reach customers	4	3.51%	13	11.40%	40	35.09%	38	33.33%	19	16.67%
Target market by demographics	6	5.26%	18	15.79%	33	28.95%	37	32.46%	20	17.54%
Saving money	4	3.51%	14	12.28%	41	35.96%	33	28.95%	22	19.30%
Investing in small volume for cost advantage	4	3.51%	12	10.53%	42	36.84%	36	31.58%	20	17.54%

Source: Research Data (2021)

Table 2. Effects of focused differentiation strategy on performance

	Not at all		Low		Moderate		High		Very High	
	N	%	N	%	N	%	N	%	N	%
Premium products in a niche market	6	5.31%	7	6.19%	36	31.86%	43	38.05%	21	18.58%
Knowledge gathering	6	5.26%	9	7.89%	35	30.70%	48	42.11%	16	14.04%
Distinguish customer by geographic location	8	7.02%	11	9.65%	32	28.07%	45	39.47%	18	15.79%
Building customer loyalty	5	4.39%	13	11.40%	33	28.95%	40	35.09%	23	20.18%
Developing new products	6	5.26%	9	7.89%	34	29.82%	46	40.35%	19	16.67%
Creating customer Awareness	6	5.26%	7	6.14%	39	34.21%	43	37.72%	19	16.67%

Source: Research Data (2021)

Table 3. Analysis by Status of performance

	Strongly Disagree		Agree		Neutral		Agree		Strongly Agree	
	N	%	N	%	N	%	N	%	N	%
Sales volumes	10	8.77%	19	16.67%	43	37.72%	39	34.21%	3	2.63%
investing in the business	8	7.02%	9	7.89%	46	40.35%	46	40.35%	5	4.39%
Profitability has been increasing	9	7.89%	14	12.28%	46	40.35%	41	35.96%	4	3.51%
customers are always satisfied	6	5.26%	10	8.77%	46	40.35%	45	39.47%	7	6.14%
focusing on customer retention	7	6.14%	8	7.02%	41	35.96%	52	45.61%	6	5.26%
Customer loyalty	5	4.39%	9	7.89%	48	42.11%	48	42.11%	4	3.51%
delivering its services/products efficiently	7	6.14%	14	12.28%	50	43.86%	39	34.21%	4	3.51%
registering growing client base	4	3.51%	18	15.79%	57	50.00%	30	26.32%	5	4.39%

Source: Research Data (2021)

DV; performance of MSEs in Nairobi County and sought to determine whether this relationship was significant. This is where the study used the Pearson's product moment correlation at 5% (0.05 level) significance. The correlation results are shown in Table 4.

These correlation results, show that; at 0.05 level of significance; and under the Pearson correlation each of the IVs; focused cost strategy (p-value = .000), and focused differentiation strategy (p-value = .000) was significantly related to the DV, performance of MSEs in Nairobi County. Since each relationship had a probability value (p-value) less than 0.005, then each IV were significantly related to the DV. The results show that focused cost strategy (r = 0.489, p-value = 0.000) had the highest relationship and then followed by focused differentiation strategy (r = 0.404, p-value = 0.000). Again, it was shown that relationship between each of; focused cost strategy (r = 0.489, p-value = 0.000) and focused differentiation strategy (r = 0.404, p-value = 0.000) and DV was moderate since for each of them the correlation coefficient was greater than 0.3 and less than 0.6.

4.2.2 Regression analysis

The study tested for the goodness of fit of the model explain performance of MSEs in Nairobi

County in terms of focused cost strategy, and focused differentiation strategy.

In testing the goodness of fit of the model, the sought to find out whether the each of coefficients of; focused cost strategy, and focused differentiation strategy ($\beta_1, \beta_2, \beta_3$, and β_4) was zero (that is $\beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ or at least one is not zero (at least $\beta_i \neq 0$). The model would be fit if at least one $\beta_i \neq 0$ otherwise it is not fit. According to results in Table 5 (F= 28.148, p-value = 0.000), the probability value (p-value = 0.000) is less than 0.05. This means that at 5% significance level ($\alpha = 0.05$) then at least one of the coefficients is not equal to zero (at least $\beta_i \neq 0$). Therefore at least one or all of the predictors; focused cost strategy, and focused differentiation strategy is useful in predicting the performance of MSEs in Nairobi County. Thus, the model is useful in explaining to performance of MSEs in Nairobi County in terms of; focused cost strategy, and focused differentiation strategy.

Since focused cost strategy, and focused differentiation strategy are predictors of performance of MSEs in Nairobi County, the study regressed these against the employee performance to establish a model where the results are shown in Table 5.

Table 4. Correlation results

		Performance of MSEs in Nairobi County	Focused cost	Focused differentiation
Performance of MSEs in Nairobi County	Pearson Correlation	1		
	Sig. (2-tailed)			
Focused cost	N	116		
	Pearson Correlation	.489**	1	
Focused differentiation	Sig. (2-tailed)	0		
	N	116	116	
Focused differentiation	Pearson Correlation	.404**	.318**	1
	Sig. (2-tailed)	0	0.001	
	N	116	116	116

Source: Research Data (2021)

Table 5. Model goodness of fit

ANOVA ^a					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.794	4	1.198	18.661	.000 ^b
Residual	7.129	111	.064		
Total	11.923	115			

a. Dependent Variable: Performance of micro and small enterprises in Nairobi County

b. Predictors: (Constant), Focused differentiation, Focused cost

Source: Research Data (2021)

According to results (T= 3.474; p-value = 0.005), then p-value is less than 0.05 which means that at 5% (α = 0.05) significance level, there is strong evidence of focused cost strategy not being zero. This means that focused cost strategy is useful as a predictor of performance of MSEs in Nairobi.

The results (T= 2.848; p-value = 0.005) indicate that the p-value is less than 0.05. The study therefore finds at 5% (α = 0.05) significance level, focused differentiation strategy is not zero, which implies that focused differentiation strategy is useful as a predictor of performance of MSEs in Nairobi County.

The coefficient for focused cost strategy (β₃= 0.231), and focused differentiation strategy (β₄= 0.224) were used to estimated model fitted

$$Y = 0.369 + 0.231X_1 + 0.224X_2 \dots\dots\dots (i)$$

Thus, performance of MSEs in Nairobi County = 0.369 + 0.231 (focused cost strategy) + 0.224 (focused differentiation strategy). Inference is made therefore that the constant levels of performance of MSEs in Nairobi County before incorporating narrow market business level strategies is 0.369. Through the examination of coefficient for narrow market business level strategies; focused cost strategy also had positive impact on performance of MSEs in Nairobi County having a coefficient of 0.231 which indicates one unit change in focused cost strategy can result a change on employee

performance by 0.231 units. Focused differentiation strategy also had positive effect on performance of MSEs in Nairobi County having a coefficient of 0.224 which indicates a one-unit change in Focused differentiation strategy can result a change on employee performance by 0.224 units.

Table 6 results indicate that the coefficients of; focused cost strategy, and focused differentiation strategy are positive, indicating that they are directly proportional to the performance of MSEs in Nairobi County. So, an increase in any of these variables; focused cost strategy, and focused differentiation strategy leads to an increase in performance of MSEs in Nairobi County and vice versa.

Lastly, the study model was obtained as shown in Table 7.

According to Table 4.7 results, the coefficient of determination is 0.3805. This means that 38.05% of changes in performance of MSEs in Nairobi County is explained by focused cost strategy, and focused differentiation strategy. Therefore, focused cost strategy, and focused differentiation strategy are strong determinants of performance of MSEs in Nairobi County. In inference, it was shown that the performance of MSEs in Nairobi County was significantly and positively explained by focused cost strategy, and focused differentiation strategy. Focused cost strategy, and focused differentiation strategy jointly contribute 28.05% to performance.

Table 6. Regression Results

Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.039	.149		-.264	.793
Focused cost	.231	.067	.292	3.474	.001
Focused Differentiation	.224	.079	.224	2.848	.005

a. Dependent Variable: Performance of micro and small enterprises in Nairobi County
 Source: Research Data (2021)

Table 7. Model Summary for performance

Model Summary ^b				
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.634 ^a	.4021	.3805	.25342	2.275

a. Predictors: (Constant), Focused differentiation, Focused cost leadership
 b. Dependent Variable: Performance of micro and small enterprises in Nairobi County
 Source: Research Data (2020)

4.3 Discussions

4.3.1 Discussion on focused cost strategy and performance

The study found that there was partial employment of focused cost strategy for enhancing performance of MSEs. The study established that the MSEs in Nairobi were not always charging at competitive rate that were attractive to customers when they were few (competitive price) as they rarely designed low-cost unique products which met the need of customer in that region (unique affordable products). Furthermore, sales channel established by for these businesses to reach all customers in given areas were hardly effective. The results show that the MSEs seldomly used customer demographics (such as gender, age, class) to establish goods/services to be provided in specific area and infrequently sought to save money and even hardly invested in smaller volumes of to save money where the customers (cost advantage in narrow market). The study by Muli(2017) shows cost leadership as having a favourable link with performance and therefore idea is of having; value reduction and sales promotion should be maintained secure, in order to maintain the principle of charging a cheaper price, to reduce costs and to cut expenses, outsourcing, better domestic efficiency, and the procurement of raw material at lower prices.. Firms must analyse and specify a reasonable pricing in order to charge in the most cost-effective manner possible, ensuring that the company profits after the sale of the insurance policy. Furthermore, a company should not forgo income in order to be a cost leader.

Meanwhile, it was found that employment of focused cost strategy highly affected performance of MSEs in Nairobi County. This was confirmed in the inferential result where the regression results show that focused cost strategy has positive significant effect on performance of MSEs in Nairobi County ($p=0.001$; $\beta=0.292$) and the correlation results show a moderate significant relationship between cost leadership and on performance of MSEs in Nairobi County ($r=0.489$; $p<0.01$). It was found that designing competitive pricing, adopting low-cost unique products approach, adopting cost convenience (affordability by the target markets) strategy, designing effective sales channel to reach customers, segmenting target market by demographics, and investing in small volume for cost advantage highly affected performance of

MSEs in Nairobi County while saving money moderately, affected performance of MSEs in Nairobi County. This disagrees to the findings in the study by Mohamed and Gichinga [17] which found that focus strategy has a negligible effect on performance to suggest that the current focus is insufficient for increasing performance. Although the correlation results agree to those by Muraguri [1] who showed that the focus method account for 5.3 percent of performance, which was not statistically significant ($F = 1.887$, $p = 0.179$). Muraguri [1] suggests that it has a negative effect, suggesting that a change in focus strategy.

4.3.2 Discussion on focused differentiation strategy and performance

The study findings indicate that application of focused differentiation strategy was inadequate while also the performance of MSEs in Nairobi County was moderate According to the results, although MSEs in Nairobi County sought to serve fewer customers but fulfil their specific needs and charge a premium price (premium products in a niche market) for high end customers, they infrequently acquired information about customers and their likes (knowledge gathering). That is they rarely prioritized knowledge gathering which to an extent limited distinguishing (classifying) their customers by locations, lifestyles, restricting priority for building customer loyalty to ensure customer willingness to continue consuming their products/services. These MSEs were always seeking to develop new products to satisfy they clients as they were not always creating customer awareness for our services/products through promotion and related means.

However, it was found that focused differentiation strategy was a significant estimator of performance of MSEs in Nairobi County where the regression results show that cost focused differentiation strategy has positive significant effect on performance of MSEs in Nairobi County ($p<0.005$; $\beta=0.224$). in addition, the correlation results show a moderate significant relationship between focused differentiation strategy and on performance of MSEs in Nairobi County ($r=0.404$; $p<0.01$). According to the results, designing premium products in a niche market highly, knowledge gathering, distinguishing customer by geographic location, building customer loyalty, developing new products, and creating customer awareness had a high effect on performance of MSEs in Nairobi County. The

findings confirm those in the study by Gure and Karugu [25] which found that focus strategy has a substantial impact on performance of SMEs in Nairobi County, Kenya. However, because an hybrid of these approaches required a mix of differentiation and focus strategy, it was more difficult to implement, but SMEs sought to focus on a single market, product, or area in order to grow market share. The research also revealed the need for linked methods in order to get effective results.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

The study concludes that at 5% level of significance, focused cost strategy has positive significantly moderate influence on performance of MSEs in Nairobi County ($p=0.001$; $\beta=0.292$) and the correlation results show a moderate significant relationship between focused cost leadership and on performance of MSEs in Nairobi County ($r=0.489$; $p<0.01$). the element of focused cost strategy enhancing performance of MSEs in Nairobi County are; having competitive rate and attractive to customers in narrow markets, low-cost unique products that are meeting customer needs and demands with respect to their region (unique affordable products), sales channels, customer specific products, save money and using cost advantage in narrow market strategy (investing in smaller volumes of to save money in narrow market).

While concluding the research indicate that at 5% significance level, focused differentiation strategy has moderate positive significant effect on performance of MSEs in Nairobi County ($p<0.005$; $\beta=0.224$) with correlation results showing a moderate significant relationship between focused differentiation strategy and on performance of MSEs in Nairobi County ($r=0.404$; $p<0.01$). Focused differentiation strategy influences performance of MSEs in Nairobi County through; designing premium products in a niche market, knowledge gathering, distinguishing customer by geographic location, building customer loyalty, developing new products, and creating customer awareness.

Lastly, the study reveals that at 5% (0.05) level of significance, each of; focused cost strategy, and focused differentiation strategy has a positive significant effect on performance of MSEs in

Nairobi County. The study infers that 38.05% of changes in performance of MSEs in Nairobi County is explained by focused cost strategy, and focused differentiation strategy.

5.2 Recommendations

Based on the results obtained, the findings and discussions, the research made some policy recommendations as well as recommendation for future research which are captured in this section.

5.2.1 Recommendations on research findings

Policy recommendations were made for use by MSEs in Nairobi. The research recommends that MSEs in Nairobi County should fortify their focused cost leadership to ensure that the enterprises are sensitive to competitively changing market prices in narrow market. They should devise mechanisms for arriving at competitive affordable, attractive rate in narrow markets through designing low-cost unique products which would ensure saving money and cost advantage.

The research recommends that MSEs in Nairobi County develop strategies for establishing premium products in a niche market to a narrow market. They should also invest considerably in research for the purpose of knowledge gathering about customer demands.

5.2.2 Suggestion for further studies

The study used data collected from Nairobi County, which limited the scope of the study findings to Nairobi County. Nairobi County is one out of the 47 counties in Kenya. This scope limited the applicability of the study for failing to consider other MSEs in Nairobi County. So, other studies should be conducted to assess the effects of narrow market business level strategies on performance MSEs in Kenya due to differences in challenges faced in different areas.

The study found that 38.05% variation in performance of MSEs in Nairobi County is explained by focused cost strategy, and focused differentiation strategy. This means that there are other factors that account for the remaining 61.95%. So the study recommends that other studies should be conducted to establish what influences the 61.95% change of performance of MSEs in Nairobi County.

5.3 Contribution to the Body of Knowledge

The study was conducted for Nairobi City County on narrow market business level strategies that influences its performance and contributes to the knowledge on strategic management practices. First the study has shown that the MSEs would improve their performance in narrow markets (using focused costs leadership and focused differentiation strategies) simultaneously. Most of the previous studies had always associated focused cost leadership and focused differentiation strategies with either small microenterprises (SMEs) or the larger medium sized enterprises. So, the present study shown existence of consensus on the narrow market strategies.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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