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The Role of Service Quality Strategy in Sustaining Competitive Advantage: Analysis of Modern Coast Express

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ABSTRACT

Sustaining Competitive Advantage is an issue of most concern to companies in the service industry in order to keep up with the increasingly competitive environment, as well as to attract new customers and retain the existing ones. Strategies with proper resources and drivers to sustain the advantages is what companies are trying to work on. Service quality strategy is one of these drivers and is a considerable aspect for customers and their perceptions about different bus companies in this case. With increasing competition for customers on the Nairobi-Mombasa route in Kenya, bus companies are slowly shifting from profit-orientation to service-orientation in a bid to woo customers. Service quality is strategic key to ensure survival in this cut-throat competition. The general objective of this research study was to establish the role of service quality strategy in sustaining competitive advantage in the public transport business, with particular analysis of Modern Coast Express. The specific objectives of this project were to find out how customer relationship strategies, loyalty scheme strategies and strategic brand management influenced sustainable competitive advantage in the bus company. From this, research questions were derived on how the three variables influence sustainable competitive advantage. The study employed a survey research design in data collection which was descriptive in nature. Quantitative data collection method was adopted whereby data was gathered using questionnaires administered to the respondents. Both qualitative and quantitative methods of data analysis were used to analyze the research variables. In general, results revealed that customer relationship strategies, loyalty scheme strategies and strategic brand management have significant and positive effects on sustainable competitive advantage at Modern Coast Express. This research recommends that to gain and sustain competitive advantage in public transport business in Kenya, managers should take into consideration and develop customer relationship strategies, loyalty scheme strategies and strategic brand management.

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1.Introduction

Transport contributed 9.1% of GDP in Kenya in 2013 (KNBS, 2015). According to Kenya Revenue Authority, the number of new buses and coaches registered increased from 1,264 in 2010 to 2,062 in the year 2013, indicating a 63% increase within 4 years, according to Kenya National Bureau of Statistics (KNBS, 2015). Public transport is fundamental in growing economies since it facilitates the movement of factors of production and finished goods to the market (Murambi & Bwisa, 2014), and the economic survey of 2009 shows that about 11.5% of the workforce is employed in the transport industry. According to Orero, McCormick, Mitula, Chitere & Ommeh (2012), public transport in Kenya is majorly by private investors whose ownership structure has been atomized. But recently with the registration of PSVs into SACCOs, the sector has been regulated.

Customers, who are the users of public transport, are the driving force of all passenger transport providers' survival and growth, as they endeavor to satisfy customer needs (Murambi & Bwisa, 2014). This is gained through service quality. This study aims to establish the role of service quality strategy in sustaining competitive advantage, in particular with long-

distance bus companies. Even before the Standard Gauge Railway (SGR) begins to operate on Kenyan soil, major investments are being made in public transport systems so as to make them more competitive. New services are being developed and old services are being improved (Friman & Felleson, 2009). But, according to Fujii & Kitamura (2005), an increase in supply (quantitatively or qualitatively) does not automatically result in a corresponding increase in demand and satisfaction by customers. Therefore, according to Murambi & Bwisa (2014), in order to ensure that investment actually attracts both the potential and existing customers, knowledge of service quality should provide managers and owners in public transport business with valuable information as to how to sustain competitive advantage.

Buses Operating Nairobi-Mombasa Route

Within the context of public transport business in Kenya, the Nairobi – Mombasa route is deemed to be the most competitive in terms of passenger traffic and service delivery (Nzuve & Mbugua, 2007). With the SGR service coming soon to Kenya coupled with regulation of PSVs, competition may

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even be stiffer. Bus companies operating that route are slowly changing from profit-orientation from service-orientation, or rather from 'quantity' to 'quality' (Kolossa, 2006). Service quality is strategic key for a bus company to survive in this cut-throat business. The transport is not just movement from point A to point B, but more of a travelling experience.

Mombasa-bound buses have set a trend in offering value-added products and services at competitive rates so as to woo the customers (Nzuve & Mbugua, 2007). Such products and services offered include: complimentary wireless internet connection; hostesses on board; snacks & soft drinks offered on board; theme lighting; air conditioning; Samsung Galaxy tabs attached to each seat; individual charger sockets; reclining, comfortable & spacious seats; on-board toilet; entertainment with LED TV screens or AVOD system; online bookings & Android mobile applications; and sheer customer service at booking offices among other features. The notable bus companies in this case that deliver service quality to some extent include: Modern Coast Express Limited, Mash East Africa Limited, Spanish Coach, Dreamline Express, Coast Bus and Horizon Coach. Other notable bus companies include: Simba Coach, Transline Classic, Tahmeed Coach, Randa Coach, Mombasa Raha and Buscar. Focus of this research will be on Modern Coast Express.

Modern Coast Express

Incorporated on 26th May 2007, Modern Coast Express is a luxury bus company that operates in Kenya, Uganda, Tanzania and Rwanda. It is among the most recognized luxury bus companies operating within the East African region. Its main headquarters is in Mombasa, Kenya, and has branches/booking offices in Nairobi, Kitui, Malindi, Eldoret, Kitale, Kisumu, Busia, Malaba, Narok, Kisii, Migori, Kakamega, Mumias, Rongo, Homa Bay, Thika, Embu, Meru and Maua in Kenya; Tanga, Dar es Salaam, Arusha, Moshi, Mombasa and Mwanza in Tanzania; Jinja, Kampala and Mbarara in Uganda; and Kigali in Rwanda. The company has a fleet of over 70 buses, all of which are Scania models consisting of Scania A80, F270, F310, F330, K410, P124, P360 and P410 makes (Modern Coast website, 2015).

The bus company has over 500 employees and ferries an average of 1,700 passengers per day. Their state-of-the-art coaches have amenities such as: air-conditioning; complimentary wi-fi internet connection; snacks and soft drinks; hostesses on board; charger sockets; on-board entertainment with LED screens (Modern Coast website, 2015). What makes this company stand out among competitors is its efficient online booking systems as well as unique Scania bus types. It has also won awards on road safety.

Apart from passenger transport, the company also offers parcel services (Modern Coast Courier), Vantage Point (clearing & forwarding) and transport business (MCBC Limited).

Statement of the Problem

Competition in this business world is becoming more dynamic and challenging (Mantymaa, 2013). There is increasing awareness by customers that competition among businesses is taking place. Public transport businesses in Kenya, in particular with Mombasa-bound buses operating the Nairobi-Mombasa route, try to find ways to increase customer satisfaction, earn revenue, and attain competitive advantage by providing customer services (Nzuve & Mbugua, 2007). Besides that, competitive advantage has always been

important to businesses so as to sustain better standing comparing with their competitors within the industry and have their own market share. According to Yap, Ramayah & Shahidan (2012), gaining and sustaining competitive advantage through customer service delivery in today's business service organizations is a very serious task for managers, since they need to find a way to deliver superior value to their customers. Customers in this context tend to have a higher bargaining power.

Service quality strategy can be defined in many ways. Since it is improving in its features, many researchers describe their own elements and facets of service quality. However, some of these facets have something in common. According to Rowley (2006), there is a relation between service quality and sustainable competitive advantage but none of them measures the impact of the specific service quality dimension on the service delivery of the business. Moreover, there is no recognition of the expectations of about service quality strategy in relation to customer service delivery in the public transport business.

Some companies are losing business and the reasons of customers switching to another company are due to poor quality services being offered to them (Pomp, Shestalova & Rangel, 2005). The Nairobi-Mombasa route is the most competitive in Kenya, hence more bus companies are slowly becoming service-oriented rather than profit-oriented (Nzuve & Mbugua, 2007). However, Mukabanah (2014) argues that public transport businesses in Kenya are profit driven, rarely concentrate on customer service delivery, and are not sensitive to social equity and social justice. Customer switching costs to another bus company are low. Therefore, to retain customers and sustain service delivery over other rival companies in PSV business, there is urgent need for emphasis on service quality and its strategies, which has clearly not been displayed by bus companies in Kenya. This is a problem for managers and proprietors who seek to survive in the cut-throat competitive business. Even though there is a slow shift to service-orientation by bus companies, it is clearly still not from a professional angle.

Lee & Lin (2005) suggest that more studies are required for emphasizing service quality as a strategic tool in sustaining competitive advantage. Bus companies in Kenya haven't fully considered service quality as a critical function for their strategies because different viewpoints of service quality are still unknown to them.

Specific Objectives of Paper

- 1) To find out how customer relationship strategies contribute to sustainable competitive advantage in Modern Coast Express.
- 2) To investigate how loyalty scheme strategies influence sustainable competitive advantage in Modern Coast Express.
- 3) To examine in what ways strategic brand management influence sustainable competitive advantage in Modern Coast Express.

2. Methodology

The research design for this study was descriptive in nature using a survey method whereby questionnaires were used to collect information and data. This study investigated, analyzed and reported on some specific service quality strategy determinants that influence sustainable competitive advantage in Modern Coast Express bus. The specific service quality strategic determinants identified are customer relationship strategies, loyalty scheme strategies and strategic

brand management. The study identified how these variables influence sustainable competitive advantage in the respective bus company. The sampling frame of this study were the management and employees at Modern Coast Express. Secondary data was obtained from literature sources, which is, through review of published literature such as articles, academic journals, text books, websites and published theses.

3. Results

Correlation Analysis

To compute the correlation between the dependent variable (sustainable competitive advantage) and the independent variables (customer relationship strategies, loyalty scheme strategies and strategic brand management), Pearson's Bivariate correlation coefficient was used. The relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive correlation), according to Sekaran (2010). Kothari (2013) stipulates that the correlation coefficient is calculated to determine the strength of the relationship between dependent and independent variables. As shown in the table below, the results generally indicate that the independent variables (customer relationship strategies, loyalty scheme strategies and strategic brand management) were found to have positive significant correlations on sustainable competitive advantage at 1% level of significance. There was a strong positive and significant correlation between customer relationship strategies and sustainable competitive advantage ($r = 0.612$, $P < 0.01$). There was a strong positive and highly significant correlation between loyalty scheme strategies and sustainable competitive advantage ($r = 0.597$, $P < 0.01$). There was a moderately positive and highly significant correlation between strategic brand management and sustainable competitive advantage ($r = 0.471$, $P < 0.01$). The results imply that customer relationship strategies (CRS), loyalty scheme strategies (LSS) and strategic brand management (SBM) significantly influenced sustainable competitive advantage (SCA) at Modern Coast Express.

		CRS	LSS	SBM	SCA
CRS	Pearson correlation	1			
	Sig. (2-tailed)				
	n	158			
LSS	Pearson correlation	.196	1		
	Sig. (2-tailed)	.059			
	n	158	158		
SBM	Pearson correlation	.397	.166	1	
	Sig. (2-tailed)	.000	.003		
	n	158	158	158	
SCA	Pearson correlation	.612*	.597*	.471*	1
	Sig. (2-tailed)	.000	.000	.000	
	n	158	158	158	158

*Correlation is significant at the 0.01 level (2-tailed)

Multiple Regression Analysis

So as to assess the link between the dependent variable (sustainable competitive advantage) and the independent variables (customer relationship strategies, loyalty scheme strategies and strategic brand management), multiple regression analysis was used.

Standard multiple regression analysis was used using customer service delivery as the dependent variable, and the three service quality strategy determinants of sustainable competitive advantage: customer relationship strategies, loyalty scheme strategies and strategic brand management as the predicting variables. The tables below present the regression results. First table shows that the adjusted R^2 was

0.683 indicating the combination of customer relationship strategies, loyalty scheme strategies and strategic brand management which explains 68.3% of the variation in sustainable competitive advantage at Modern Coast Express.

Model	R	R ²	Adjusted R ²	Standard error of estimate
1	.830	.689	.683	.29230

e. Predictors: (Constant), CRS, LSS, SBM

f. Dependent Variable: y (SCA)

From the ANOVA in the table below, the overall standard multiple regression model (the model involving constant, customer relationship strategies, loyalty scheme strategies and strategic brand management) is significant in predicting how customer relationship strategies, loyalty scheme strategies and strategic brand management determine sustainable competitive advantage in Modern Coast Express. The regression model attains a high degree of fit as reflected by an R^2 of 0.689 ($F=113.3$; $P = 0.001 < 0.05$).

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	48.438	10	4.843	113.383	.000
Residual	21.873	147	.149		
Total	70.312	157			

e. Predictors: (Constant), CRS, LSS, SBM

f. Dependent Variable: y (SCA)

The table below presents regression coefficient results on how customer relationship strategies, loyalty scheme strategies and strategic brand management determine sustainable competitive advantage at Modern Coast Express. The multiple regression equation was that: $Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + e$ and the multiple regression equation became: $Y = 5.860X_1 - 0.439X_2 - 0.731X_3 + 0.477X_4$. As shown in the table below: there was positive and significant effects of customer relationship strategies on sustainable competitive advantage ($\beta = 0.257$; $t = 6.508$; $P < 0.05$). There was positive and significant effects of loyalty scheme strategies on sustainable competitive advantage ($\beta = 0.358$; $t = 9.716$; $P < 0.05$). There was also positive and significant effects of strategic brand management on sustainable competitive advantage ($\beta = 0.305$; $t = 8.294$; $P < 0.05$).

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.860	.440		13.330	.000
CRS	.439	.068	.257	6.508	.000
LSS	.731	.075	.358	9.716	.000
SBM	.477	.058	.305	8.294	.000

a. Dependent Variable: y (SCA)

4. Discussion

Role of Customer Relationship Strategies on Sustainable Competitive Advantage

Pearson Bivariate correlation was used to compute the correlation between customer relationship strategies and sustainable competitive advantage. The findings showed that there was a strong positive and highly significant correlation between customer relationship strategies and sustainable competitive advantage ($r = 0.612$; $P < 0.01$). Standard multiple regression was conducted and there was positive and significant effects of customer relationship strategies on sustainable competitive advantage ($\beta = 0.257$; $t = 6.508$; $P < 0.05$). These results are consistent with that of Abu (2011) which found a positive significant correlation between customer relationship and sustainable competitive advantage.

They are also consistent with research by Alipour & Mohammadi (2011) whereby the relationship between customer relations and sustainable competitive advantage was significant and meaningful at 5% deviation using spearman correlation test, therefore proving that customer relations as a strategy is an important tool in achieving and sustaining competitive advantage. Because the hypothesis of Alipor & Mohammadi (2011) related to the effect of customer relationship in sustainable competitive advantage had been tested for data analysis and all hypotheses were accepted, then CRS is effective for sustainable competitive advantage in companies. Therefore, if CRS is executed successfully in the bus company – as Yong & Kim (2006) argue – it will not be easy to be imitated nor replicated by other competing bus companies.

Role of Loyalty Scheme Strategies on Sustainable Competitive Advantage

Pearson Bivariate correlation was used to compute the correlation between loyalty scheme strategies and sustainable competitive advantage. The findings showed that there was a strong positive and highly significant correlation between loyalty scheme strategies and sustainable competitive advantage ($r = 0.597$; $P < 0.01$). Standard multiple regression was conducted and there was positive and significant effects of loyalty scheme strategies on service delivery ($\beta = 0.358$; $t = 9.716$; $P < 0.05$). These results are consistent with findings of Onwonga (2013) whereby there was a positive correlation between customer loyalty and sustainable competitive advantage with the matrix showing a coefficient of 0.486 which translates that the two constructs – customer loyalty and sustainable competitive advantage – are positively related. According to Onwonga (2013), the resultant r-value of 0.486 ($r = 0.486$; $P < 0.01$) showed that the relationship between customer loyalty and sustainable competitive advantage was positive. This is in agreement with Ihalainen (2011) who stipulated that loyalty scheme strategies eventually bring about a company's profitability and financial stability which are aspects of sustainable competitive advantage. Mantymaa (2013) stated that loyal customers don't defect from a company as easily and will generate more revenue and profits to a company as compared to its competitors, showing the importance of customer loyalty in competitive businesses, with satisfied customers resulting from LSS tending to centralize their needs in the same bus company. Moreover, the results agree with literature from Basavaiah & Velayudhan (2009), Robinson (2011) and Singh & Khan (2012) who stress that customer loyalty schemes do effect sustainable competitive advantage, in addition to research by Verona & Pandelli (2002); Lee & Lin (2005); Christian (2006); Kotler & Keller (2006); Chandrashekar et al. (2007); Coelho & Henseler (2012); Kailash (2012); Nguyen & Mutum (2012); and Yap et al. (2012) who mention that customer loyalty scheme strategies play a major role in sustainable competitive advantage.

Role of Strategic Brand Management on Sustainable Competitive Advantage

Pearson Bivariate correlation was used to compute the correlation between strategic brand management and sustainable competitive advantage. The findings showed that there was a moderately positive and highly significant correlation between strategic brand management and sustainable competitive advantage ($r = 0.471$; $P < 0.01$). Standard multiple regression was conducted and there was

positive and significant effects of customer relationship strategies on sustainable competitive advantage ($\beta = 0.305$; $t = 8.294$; $P < 0.05$). These results are consistent with research by Denoue & Saykiewicz (2009) who stated that service delivery based on brand equity has strong ability to survive difficult times since a strong and well-accepted brand benefits from loyal customers even in difficult situations of service quality problems. Denoue & Saykiewicz (2009) further add that sustainable competitive advantage to SBM is based on brand attractiveness by customers which helps the company to dominate the market in a provided product category and attain above average market share and profitability, hence necessitating the link between SBM and service delivery.

Results are also supported by Pullig (2008) who stipulated that SBM forms positive differential response in the client base, meaning that the Modern Coast Express brand is easily recognizable when encountered with advertisements or when the buses are on the roads in view of public to see. This form of branding creates more awareness to the public who wish to sample the product, and due to brand equity, there are more customer referrals which translates to larger market share and increased profitability which are sustainable competitive advantage aspects. A customer would first think of Modern Coast Express (in this case based on research findings) when travelling to or from Mombasa and pay for its premium price of the company brand's offering, even if the price is slightly higher than its competitors in the same route. This means that when someone asks for a referral, Modern Coast Express is the first one that is recommended to others. Keller (2013) further stipulates that, through SBM, brand equity and brand value influences positive responses by customers to the brand which include: readily recognizable brand, a brand quickly recalled and easily when needed; one that customers willingly pay premium price to acquire; and one that is easily recommended to others. Therefore, there is a strong relationship between SBM and sustainable competitive advantage. Modern Coast Express currently uses the slogan "Travel in Style". The bus company uses animal symbol – a lion – signifying dominance. This is a strategy, which means that customers are more influenced by rational reasons rather than emotional attraction of products and services (Miletic, 2010). Therefore, it is acknowledged that sustainable competitive advantage is sustained through SBM (Kotler & Kapferer, 2008).

5. Conclusion

The following conclusions were drawn based on findings of this research. It was concluded that there was a positive and significant correlation between the three service quality strategy determinants and sustainable competitive advantage. The results reveal from multiple regression analysis and conclude that all the service quality strategy determinants – customer relationship strategies, loyalty scheme strategies and strategic brand management – have significant and positive effects on sustainable competitive advantage in the public transport business, in particular with Modern Coast Express. This confirms the varying importance of service quality as a strategy in bolstering and sustaining competitive advantage in public transport companies not only in Kenya but across the globe.

For a bus company to remain competitive and enjoy a large market share as well as accrue more profits, there is need to focus on the customer. This is through creating and sustaining good relationships between the company and

customer base; working on strategies and programs to increase customer loyalty; and build, measure and manage brand equity so that public are more aware of the existence, image and goodwill of the bus company. Businesses exist because of customers, and without a bus or PSV company being customer-centric, then it won't remain competitive. Therefore, the service quality strategy is fundamental in sustainable competitive advantage in the public transport business.

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