

**MARKETING STRATEGIES AND PERFORMANCE OF PRIVATE
HOSPITALS IN NAIROBI COUNTY**

SIMON MUGO MWANGI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULLFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF
SCIENCE IN MARKETING DEGREE, SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

OCTOBER 2015

DECLARATION

This research project is my original work and has not been presented for the award of any degree in any university.

Signature.....

Date.....

SIMON MUGO MWANGI

D65/60683/2013

This research project has been submitted for examination with my approval as the University supervisor.

Signature.....

Date.....

DR. MARY W. KINOTI

Senior Lecturer and Project Supervisor

Department of Business Administration

School of Business, University of Nairobi

DEDICATION

I dedicate this research project to our newest family member, Brendan Mugo Davis, my parents and my entire family, for their faith, financial support and encouragement throughout my writing of this project.

ACKNOWLEDGEMENT

Special thanks to almighty God for giving me wisdom, endless favors and the ability to reach this point in my university life.

This research project would not have been possible without the support of many people. I would like to express my deepest and sincere gratitude to my supervisor, Dr. Mary Kinoti, who provided exceptional supervision throughout my proposal writing and offered invaluable assistance and support.

My deepest gratitude also goes to the University's Library staff who were immensely helpful with their valued support. Without their support, this proposal would not have been completed.

TABLE OF CONTENTS

DECLARATION	i
DEDICATION.....	ii
ACKNOWLEDGEMENT	iii
LIST OF TABLES	vii
ABBREVIATIONS AND ACRONYMS	viii
ABSTRACT	ix
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 The Concept of Marketing Strategy.....	2
1.1.2 Organizational Performance	3
1.1.3 The Health Sector in Kenya	3
1.1.4 Private Hospitals in Kenya.....	4
1.2 Research Problem.....	5
1.3 Objectives of the Study	6
1.4 Value of the Study.....	6
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Theoretical Foundation of the Study	8
2.2.1 The Ansoff Growth Matrix.....	8
2.3 Marketing Strategies.....	9
2.3.1 Product Strategy.....	9
2.3.2 Pricing Strategy	10

2.3.3 Distribution Strategy	11
2.3.4 Promotion Strategy	11
2.3.5 Physical Evidence Strategy	12
2.3.6 Process Strategy.....	13
2.3.7 People Strategy	14
2.4 Organizational Performance	14
2.5 Marketing Strategies and Organizational Performance.....	16
CHAPTER THREE	18
RESEARCH METHODOLOGY	18
3.1 Introduction.....	18
3.2 Research Design.....	18
3.3 Target Population	18
3.4 Data Collection	18
3.5 Data Analysis	18
CHAPTER FOUR.....	20
DATA ANALYSIS, FINDINGS AND DISCUSSION.....	20
4.1 Introduction.....	20
4.2 Respondent Characteristics.....	20
4.2.1 Gender of the Respondents.....	20
4.2.2 Experience of Respondents	21
4.3 Marketing Strategies Adopted by Private Hospitals	21
4.3.1 Product Strategy.....	23
4.3.2 Pricing Strategy	23
4.3.3 Distribution Strategy	23
4.3.4 Promotion Strategy	24

4.3.5 People Strategy	24
4.3.6 Process Strategy.....	25
4.3.7 Physical Evidence Strategy	25
4.4 Marketing Strategies and Organizational Performance.....	25
CHAPTER FIVE.....	27
SUMMARY, CONCLUSION AND RECOMMENDATIONS	27
5.1 Introduction.....	27
5.2 Summary.....	27
5.3 Conclusion	28
5.4 Implications for Policy and Practice	29
5.5 Recommendations for Further Research	29
5.6 Limitations of the Study	30
REFERENCES.....	31
APPENDICES.....	i
APPENDIX I: Letter of Introduction	i
APPENDIX II: Research Questionnaire.....	ii
APPENDIX III: List of Private Hospitals in Nairobi.....	x

LIST OF TABLES

Table 4.1: Gender of the Respondents	20
Table 4.2: Experience of Respondents	21
Table 4.3: Marketing Strategies Adopted by Private Hospitals	22

ABBREVIATIONS AND ACRONYMS

MOH—Ministry of Health

NGO—Non-governmental organization

SBU—Strategic business unit

ROA—Return on Assets

NRTH—National Referral and Teaching Hospital

FBO—Faith based organization

GOK—Government of Kenya

SWAP—Sector wide approach

NHSSP II—National Health Sector Strategic Plan II

GBD—Global Burden of Disease

HIV—Human immunodeficiency virus

IEA—Institute of Economic Affairs

IEA/SID-- Institute of Economic Affairs/ Society for International Development

ABSTRACT

The study was conducted to determine the relationship between marketing strategies and the organizational performance of private hospitals in Nairobi County. To achieve this, primary data was collected using structured questionnaires; the questionnaires were administered to 28 private hospitals in Nairobi County that are registered with the Medical Practitioners and Dentists Board of Kenya using the drop-and –pick method. Data analysis involved reducing the accumulated data to a manageable size, developing summaries and looking for patterns and applying statistical techniques through descriptive statistics. The study established that there is a link or relationship between marketing strategies and the organizational performance of private hospitals in Nairobi County. Based on the conclusions the study recommends that private hospitals should start adapting principles of strategic marketing for those that are reluctant or have not implemented their marketing strategies. Marketing strategies should be formulated in light of the external environment which is made up of elements that are uncontrollable to an organization. The researcher further recommends that similar studies be done in the counties of Kisumu, Kakamega, Rift Valley. These counties are very promising in terms of growth and health services are being devolved, the counties are home to middle size cities that are strategically located, have a big population and are attractive locations for the opening of new private hospitals.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Marketing tactics and know-how are crucial in commercializing products and inventions successfully in the marketplace. Marketing provides a long-term competitive advantage for companies. Today, cost efficiency does not provide long-term competitive advantage. Traditionally, marketing has been viewed as an operational approach instead as a strategic function in organizations. Morgan, Clark and Gooner (2002) argue from a strategic point of view that marketing budgets should be seen as capital expenditure to build revenue generating marketing assets rather than be seen as overhead expenditure because marketing resources ultimately drive long-term marketing performance. However, it is not easy for marketing managers to convince corporate executives in the absence of valid, reliable, and credible marketing performance assessment systems. Difficulty to assess the marketing performance is attributed to external and mostly uncontrollable factors, such as customers and competitors (Neely, 2002).

The rapid growth of health care facilities providing direct medical services has substantially increased the number of decision makers who need to be familiar with performance information. Effective decision making in their jobs depends on an accurate interpretation of performance information. Many health care decision makers involved directly in health care delivery – doctors, nurses, dieticians, pharmacists, radiologists and physical therapists – are medically or scientifically trained, but lack education and experience in business administration. However, advancement and promotion within health care organizations increasingly entails assumption of business administrative duties, requiring almost an instant knowledge of financial information. Communication with the organization's financial executives is not always helpful. As a result, executives without a strong knowledge of finance often end up ignoring financial information (Cleverly and Cameron, 2007).

Governing boards of health care facilities, which are significant users of performance information, are expanding in size. However, many board members even those with backgrounds in business are being overwhelmed by financial reports and statements. An important distinction exists between the financial reports and statements of business organizations and those of health care organizations—that is, only some board members are

familiar in the case of health care organizations. Therefore, governing board members must recognize these differences if they are to carry out their governing missions satisfactorily (Ronen, Pliskin and Pass, 2006). In Kenya, health services are provided through a network of over 4,700 health facilities, with the public sector system accounting for about 51 percent of these facilities. The government health service is supplemented by privately owned and operated hospitals and clinics, and faith-based hospitals and clinics, which together provide between 30 and 40 percent of the hospital beds in Kenya (Ministry of Health, 2011). Private sector health care is defined to include all the providers outside the public sector. The private sector includes both for-profit and not-for-profit entities, such as faith-based organizations and non-governmental organizations. The private sector covers a wide range of health care providers such as doctors, nurses, midwives, clinical officers and pharmacists (Barnes et al, 2010).

1.1.1 The Concept of Marketing Strategy

A company's strategy is the management's action plan for running the business and conducting operations. Thus a company's strategy is all about how. How management intends to grow the business, how it will build a loyal clientele and outcompete rivals, how each functional piece of the business (research and development, supply chain activities, production, sales and marketing, distribution, finance and human resources) will be operated, and how performance will be boosted. (Thompson, Strickland and Gamble, 2013).

West, Ford and Ibrahim (2010) describe marketing strategy as a means that aims to improve the strategic performance of an organization through the use of sub-strategies such as the development of new products, the development of new segments and/or customers, specialized delivery arrangements, after-sales service improvement, market forecasting and market-share analysis. Three types of strategy can be specifically defined in relation to organizational structure. Varadarajan and Jayachandran (2000) note that strategy exists at multiple levels in an organization: corporate, business and functional levels. Corporate strategy describes a company's overall direction in terms of its general attitude towards growth and the management of its various businesses and product lines to achieve a balanced portfolio of products and services. Additionally, corporate strategy is the pattern of decisions regarding the types of businesses in which a firm should be involved, the flow of financial and other resources to and from its divisions and the relationship of the organization to key groups in its environment. Sometimes called competitive strategy, business strategy is usually

developed at divisional level and emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market segment served by that division. Just as corporate strategy asks what industry the company should be in, business strategy asks how the company or its strategic business units (SBUs) should compete or cooperate in each industry. Within the constraints of the corporate and business strategies, functional departments such as marketing, finance, R&D and production develop strategies to pull together their various activities and competencies so as to improve performance. Thus from the above definitions, marketing strategy is a functional strategy (West, Ford & Ibrahim, 2010).

1.1.2 Organizational Performance

A performance measure is the standard with which progress of the strategic objective can be measured and with which the organization vision and objectives are made measurable. Traditionally, many organizations relied on financial measures of performance such as sales and profits, Return on Assets (ROA) and stock returns (O'Sullivan, Abela and Hutchinson, 2008). After decades of being frustrated by inadequacies of traditional performance measurement systems, managers and academic researchers have devised a balanced scorecard which includes financial and operational measures. The balanced scorecard allows managers to look at business from four perspectives; financial, customer satisfaction, innovation and learning, and internal process perspective (Kaplan and Norton, 1998).

Lusthaus et. Al. (2002) has further identified four key indicators of performance as effectiveness, efficiency, relevance and financial viability. Today, many organizations use a composite of performance measures as suggested by the balanced scorecard and other scholars as opposed to over-relying on financial measures only. Therefore, financial and non-financial performance measures play a significant part in assessing the degree of organizational performance. Over the past few decades, there have been many new innovations at the management, institutional and other levels aimed at improving organizational performance. These include interventions such as total quality management, re-engineering, decentralization and performance management.

1.1.3 The Health Sector in Kenya

A hierarchical structure, the Kenyan health system is administered from the top down by the Ministry of Health (MOH), an institution which remains broken into two sister Ministries since the post-election turmoil of 2007: the Ministry of Medical Services, and the Ministry of Public Health and Sanitation. Health facilities are distributed regionally, with the most sophisticated services available in the major cities or only at the national level. At the top of the service spectrum are the National, Referral, and Teaching Hospitals (NRTH) such as Kenyatta National Hospital in Nairobi. The next best level of care is found in the provincial hospitals, followed by sub-district hospitals. Beneath the sub-district level, there are health centres, dispensaries, and at the bottom of the heap, community health organizations. At the health centre level and below, a minimal level of care can be expected, with serious conditions being referred to the nearest hospitals or private facilities. Health centres tend to focus on basic services such as diagnosis, counseling and testing, maternal and child health, and the prescription of medication. At some centres, simple surgical procedures such as male circumcision may also be available. The Kenyan health system is also strongly impacted by the work of non-governmental organizations (NGOs), including faith-based organizations (FBOs) and private health facilities.

In 2008, the Government of Kenya (GOK) operated 48% of the country's health facilities, with NGOs/FBOs operating a combined 15% (13% FBO, 2% NGO), and the private for-profit sector operating 34% of all facilities. Overall, and as outlined in the National Health Sector Strategic Plan II (NHSSP II), the health system is relying on a Sector Wide Approach (SWAP) that aims to integrate the efforts of public, private not for-profit (NGO/FBO), and private for-profit health facilities into a unified drive towards "health for all" (Turin, 2010).

1.1.4 Private Hospitals in Kenya

The private healthcare sector in Kenya has made a remarkable contribution in the delivery of healthcare services. It has filled a resource gap for health development by improving efficiency and the quality of care by promoting competition and complementing public sector services. Kumaranayake (1998) provides three main reasons for the increase in private sector activity within the health sector. First, an explicit deliberate policy choice of health sector reforms were carried out purposely to encourage the development of the private sector as an alternative means of healthcare provision. This has been spurred by increasing resource constraints and the poor performance of the public sector. The second is a response to weak

provision of public health services. The public health sector has become inefficient in delivery of health services, accounting for 30% wastage of resources. The poor remuneration of personnel, low morale, lack of ownership of the services by communities, poor logistic support, and little opportunities for continuing education have further degraded the quality of services. Mushrooming of unregistered clinics run by unqualified personnel has slowly taken advantage of the inefficiency in public health services (Oduwo et al, 2001; IEA, 1998; IEA/SID, 2001). Poor remuneration in the public healthcare sector has forced doctors to resort to private clinics or seek employment in other countries (Nyangena, 2000). The poor performance of the public healthcare system could also have contributed to the growth in traditional medicine as an alternative source of healthcare. The third reason for the increase in private healthcare services arises from the need to respond to increased consumer affluence (such as the expanding middleclass) and preference for greater quality services. Studies by Berman et al (1995) and Hursh-Cesar et al (1994) found that in many low and middle-income countries, the demand for private healthcare has been driven by its perception as a higher-quality service.

1.2 Research Problem

Several studies have been conducted on private hospitals. Gichae (2011) carried out a study on the adoption of social marketing concept by private hospitals in Nairobi. According to Gichae (2011) findings, advertising is considered a tool for creating awareness; however, only 26 percent of the private hospitals use it. In addition, less than half of the institutions surveyed do evaluations of their social marketing programs and policies that they implement while 7.1 percent do none of the social marketing programs stated. Gichae (2011) used a census study of all the private hospitals in Nairobi. Another study by Okech (2013) was on the challenges of implementing strategic plans by private hospitals in Nairobi. Okech (2013) established that various challenges were being experienced during the implementation of a strategic plan. Firstly, changes in government policies posed challenges for on-going plans. Secondly, inadequate finance was the strongest challenge during strategy implementation. In an attempt to deal with the noted strategy implementation challenges, private hospitals undertook hospital restructuring, increasing communication within the hospital, continuous staff training on strategic objectives and meetings between top management and staff as mitigation measures. Okech (2013) also used a census survey.

In addition, Waithaka (2013) carried another study on the challenges of strategy implementation in public and private hospitals in Nairobi County. From his findings, Waithaka (2013) notes that communication is a key success factor in strategy implementation by effectively communicating with customers, vendors and employees. Moreover, top management's commitment to the strategic direction itself is the most important factor. Waithaka (2013) used stratified random sampling by way of a 50 percent sample for both public and private hospitals in Nairobi county. Lastly, Mburu (2007) carried a study on the competitive strategies adopted by private hospitals in Mombasa. Mburu (2007) analyzed that low cost strategy at 36 percent was the most cited generic strategy by the respondents through workforce rationalization, outsourcing of services and seeking low-cost financing. Differentiation strategies were cited by private hospitals as the most significant non-price strategies through attracting well known physicians, specialist diagnostic equipment and the hospital's ambience. As part of their focus strategy, private hospitals indicated they compete for corporate clients and insurance providers. Mburu (2007) used a census study for private hospitals in Mombasa county. No study has been done on marketing strategies and the performance of private hospitals in Nairobi county. This study therefore seeks to fill this research gap by investigating the relationship between marketing strategies and the performance of private hospitals in Nairobi county.

1.3 Objectives of the Study

This study seeks to determine the relationship between marketing strategies and the organizational performance of private hospitals in Nairobi.

1.4 Value of the Study

The government has laid out aggressive plans in Kenya Vision 2030 because Kenya's private healthcare sector is one of the most developed and dynamic in Sub-Saharan Africa. In recognition of this the Government of Kenya has developed strategies to develop the private healthcare sector in its Vision 2030 strategic plan which includes social health insurance to increase access to healthcare and promoting public-private partnerships. Academicians too will be able to synthesize the ideas presented, develop new ways of generating and expanding knowledge on the subject matter.

The management of private hospitals will benefit from this study because the rapid growth of health care facilities providing direct medical services has substantially increased the number

of decision makers who need to be familiar with financial and non-financial performance measures. Many health care decision makers involved directly in health care delivery – doctors, nurses, dieticians, pharmacists, radiologists and physical therapists – are medically or scientifically trained, but lack education and experience in business administration. However, advancement and promotion within health care organizations increasingly entails assumption of business administrative duties, requiring almost an instant knowledge of financial and non-financial performance measures.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents a review on literature of the study. The chapter covers both theoretical and empirical literature review.

2.2. Theoretical Foundation of the Study

The Ansoff growth matrix assists organizations to map strategic product-market growth. It is a marketing planning tool which usually aids a business in determining its product and market growth by focusing on whether the product are new or existing and whether the market is new or existing.

2.2.1 The Ansoff Growth Matrix

The Ansoff matrix has four alternatives of marketing strategies—that is, Market penetration; Product development; Market development; and Diversification. Market penetration covers products that are in existence and in an existing market. The risk involved here is small since the products are already known to consumers in an already existing market and there can be further exploitation of the products without the need to change the product or the outlook of the product. Market penetration can be increased through the use of promotional methods, using various pricing policies to attract more clientele, increasing product usage or by making distribution more extensive. Product development growth strategy introduces new products into existing markets and it can range from the introduction of a new product in an existing market or it can involve modifying an existing product. Modification of the product changes its presentation and increases the product's performance or quality, which can appeal to the already existing market. Market development or market extension strategy concerns the firm selling its existing products to new markets through further market segmentation that aids in identifying a new clientele base by using different approaches such as, entering new geographical markets, developing new distribution channels such as e-commerce, new product packaging and different pricing policies so as to attract a new market segment. Market development is a much riskier strategy as compared to market penetration since it assumes that the existing markets have been fully exploited thus the need to venture into new markets. Diversification growth strategy involves an organization marketing or selling new

products to new markets at the same time. It is the riskiest strategy among the others as it involves two unknowns—that is, new products being created and a firm being unaware of development problems that might occur as well as the fact that there is a new market being targeted. Related diversification and unrelated diversification are the two diversification growth strategies. Related diversification means the firm remains in the same industry it is familiar, while in unrelated diversification there is usually no previous industry relations or market experience (Kotler, 2011).

2.3 Marketing Strategies

According to Baker and Hart (2012), the aim of the development of an organization's marketing strategy development is to establish, build, defend and maintain its competitive advantage with the adapting of marketing mix elements to environmental forces.

2.3.1 Product Strategy

Diversification of services is achieved through new product or service development. The eight stages of new product development begin with the first stage of Idea generation. Organizations get their ideas for new product development from marketing research, employees, consultants, competitors, customers, distributors and suppliers. The second stage of idea screening involves shifting through the ideas generated and selecting ideas that are feasible and practical to develop. The third stage involves concept development and testing. The organization may have come across what they believe to be a feasible idea; however, the idea needs to be taken to the target audience. The idea that is taken to the target audience is not a working prototype at this stage, it is just a concept. The fourth stage involves marketing strategy development. This stage addresses how the product/service idea will be launched within the market. A proposed marketing strategy will be written laying out the marketing mix strategy of the product, the segmentation, targeting and positioning strategy, and market and sales forecasting. The fifth stage involves conducting a business analysis. The business analysis stage looks more deeply into the cash flow the product could generate, what the cost will be, how much market share the product may achieve and the expected life of the product.

The sixth stage involves the development of the new product. At this stage a prototype is produced. The prototype will undergo a series of tests and will be presented to a selection of people made up of the target market segment so as to see if changes need to be made. The seventh stage involves test marketing. Thus, the product is tested within a specific geographic

area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed modified before national launch. The eighth and last stage involves commercialization. Here, the product is launched on a national scale. Decisions regarding launching nationally include: the timing of the launch, how the product will be launched, where the product will be launched and whether there will be a national roll out or whether it will be region by region (Baker and Hart, 2012). Lovelock (2011) argues that the key aspect of the service strategy in hospitals is to meet the problems which are created by the characteristics of services. This can be achieved by having a range of high quality services, means of branding, new service development, and customer service.

2.3.2 Pricing Strategy

The product or service should always be seen as representing good value for money. This does not necessarily mean it should be the cheapest available; one of the main tenets of the marketing concept is that customers are usually happy to pay a little more for something that works really well for them. There are several pricing strategies available to marketers. Penetration pricing is where the organization sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price. Skimming pricing is where the organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer. Competition pricing involves setting a price in comparison with competitors. A firm has three options and these are to price lower, price the same or price higher. Psychological pricing is when the seller considers the psychology of price and the positioning of price within the market place. Premium pricing is when the price set is high to reflect the exclusiveness of the product. Cost based pricing involves the firm adding a percentage to costs as profit margin to come to their final pricing decisions (Kotler, 2011).

Nagle and Holden (2012) point out that if effective product development, distribution and promotion sow the seeds of organizational success; efficient pricing strategy is the harvest. While effective pricing strategy can never compensate for poor execution of the first three elements, ineffective pricing can surely avoid those efforts from resulting in financial success. The price strategy should be integrated and consistent with the other marketing mix strategies in the organization to achieve the organization objectives (Palmer, 2011). The degree of complexity of pricing strategy amongst the service sector is comparatively

significant due to the high degree of homogeneity between most service groups and shared service delivery and operating systems.

2.3.3 Distribution Strategy

Services such as air travel, banking and health care often involve distribution channels. The service provider renders the service to the end users rather than producing it like a physical product and moving it through marketing intermediaries to the end user. Because of this the distribution networks for services differ somewhat from those of goods. Services are normally rendered when needed rather than being placed into inventory. Similarly, services may not be transported although the service provider may go to the user's location to render the service. Processing and storage are normally not involved with services. Servicing and repair functions may not apply to many functions. Other functions that apply to both goods and services include: buying and selling, financing, advertising and sales promotion, and communications. Service channel levels are of two levels: first is service provider directly to end user channel level and secondly is service provider through agent/broker and then to the end user channel level (Cravens & Piercy, 2012).

Health care organizations, whose products are primarily services, must consider three distribution decisions: physical access, time access, and informational and promotional access (Jones, 2013). For example, dental offices in shopping malls operate in locations (physical access) that are more convenient for the consumer. They are also open on weekends and in the evening, providing better time access. Time access deals with three distinct issues: the opening hours, the length of waiting time (in the service providing waiting area) and the time between calling and having an appointment (Renner & Palmer, 2013). And they rely on the traffic within the shopping mall (promotional access) rather than word of mouth or physician recommendation (referral) to generate demand (Jones, 2013).

2.3.4 Promotion Strategy

Promotion is the communication aspect of the marketing mix. The selection of the portfolio of activities may depend on the company's marketing and sales strategies and budget allocations. Advertising is a mode of promotion that is usually paid. Mass media such as television, radio or newspapers and magazines is most often the carrier of these messages. Apart from these, billboards, posters, web pages, brochures and direct mail also fall in the same category. Public relations and sponsorship tries to increase positive mention of the

product or brand in influential media outlets. These could include newspapers, magazines, talk shows and new media such as social networks and blogs. Personal selling connects company representatives with the consumer. These interactions can be in person, over the phone and over email or chat. This personal contact aims to create a personal relationship between the client and the brand. Direct marketing targets specific influential potential users through telemarketing, customized letters, emails and text messages. Sales promotions are usually short term strategic activities which aim to encourage a surge in sales. These could be 'buy one get one free' options, seasonal discounts, contests, samples or even special coupons with expiration dates (Kotler, 2011).

Andaleeb (2012) discussed advertising as being an important tool for hospitals for two reasons. First, advertising is a competitive tool for hospitals. Its effective use should assist hospitals to attract and retain clients in a rapidly changing environment where the clients are increasingly involved in selecting the right hospital. Second, a nationwide survey showed that 50 percent of consumers remembered seeing or hearing a hospital advertisement. Word of mouth can operate through both channels. Informational influence occurs when information is accepted as evidence of reality (Lovelock, 2011). In contrast, normative influence operates through compliance, which means that the individual conforms to the verbalized expectations of referent others (Wangenheim & Bay`on, 2009).

2.3.5 Physical Evidence Strategy

Physical evidence has been defined as the environment in which the service is delivered, when the firm and customer interact and any tangible components that facilitates performance of the service (Zeithaml and Bitner, 2009). Physical environment includes the appearance of physical structure landscaping, vehicles, interior furnishing, equipment, uniforms, signs, printed materials and other visible cues that provide evidence of service quality. Physical evidence is thus, an element of services marketing mix which enables the consumer to evaluate a firm. The intangibility of service products makes it difficult for consumers to evaluate service offerings, particularly quality and value for money, prior to purchase. Also this intangibility can make it difficult for the marketer to position new service product offerings. In view of this, marketers often need to make the service offering tangible through the way they manage the physical evidence that accompanies the service.

(Lovelock, 2011 and Palmer, 2011) have pointed out the vital importance of physical evidence in service businesses in order to send a consistent message and retain a coherent

image about the organization. Palmer (2011) has focused on the vital role of providing tangibles as a significant component of the company service offer. Lovelock (2011) has argued that physical evidence is one of the vital components of the 7Ps of the services management paradigm by which the company can provide tangible objects to customers during the service delivery process and tangible metaphors used in such communications as advertising, symbols, and trademarks.

2.3.6 Process Strategy

The process of service delivery can be thought of as the expressive performance of a service. Its descriptors are Duration—that is, the total time involved before and during the service encounter. Work-area appearance—that is, the non-design aspects of the service environment, such as the day-to-day cleanliness and tidiness of the service location, which are inherently variable in nature. Employee appearance—that is, the personal aspects of a contact employee's presence, including both hygiene factors and the manner in which costumes are worn. Empathy, assurance and employee effort—that is, which encompass the skills, knowledge and professionalism of customer-contact employees. For example, how well contact employees are able to understand the customer's situations and treat them accordingly, and the amount of energy expended by an employee on behalf of a customer during a service encounter, which includes the employee's ability to be responsive to a customer's needs. Reliability—that is, the ability to deliver an accurate service that has been promised to a customer on the first, and each subsequent, service encounter. Customer participation—that is, not the "designed-in" elements of customer participation, but the customer's own style of consuming the service, and customer-to-customer interactions (Grönroos, 2010).

Zeithaml and Bitner (2009) discovered that the top management challenges across service industries were maintaining service quality, hiring employees, and employee training. Process has three major components, which are the flow of activities (standardized or customized), number of steps (simple or complex) and customer involvement. The patient's opinion of a service is influenced by his or her experience of the service process. This can be divided into three phases - namely joining, intensive consumption, and detachment (Palmer, 2011). In medical services, the joining phase occurs when the patient joins in the service process in order to consume a core health service. The core surgical service is delivered in the intensive consumption phase. In surgical services the delivery and intensive consumption of

services are simultaneous processes, with interactions occurring between the patient and the tangible and intangible production resources of the medical service provider (Ennew, 2011). The intensive consumption phase is followed by the detachment phase, during which the patient leaves the surgical service process. Every phase can contain various auxiliary elements, in the form of facilitating or supporting services (Grönroos, 2010).

2.3.7 People Strategy

In health care, more than in other services, the product is the person. When the patient thinks of medical care he or she thinks of the physician (Ahmad, 2011). The patient envisions medical care in terms of the people who deliver it. People play a crucial role in service organizations, especially during the service delivery process when the participants have interactions with customers. Currently the role of people in service delivery varies considerably across service contexts. However, the health sector is one field where health staffs are considered to be of particular importance. It is widely argued that the overall quality of the delivered service for organizations such as health services is influenced, among other things, by the nature of the relationship between the customer and health providers.

Storbacka et al (2012) labelled routine and critical interactions as routine and critical episodes. Customer relationships have a number of different types of episodes, and these differ with respect to content, frequency, duration, and regularity. The doctor has significant discretion in meeting customer needs, and evaluation of the interaction is largely based on the attributes of experience and credence (Avlonitis and Indounas, 2011). Experience attributes can be evaluated only during or after the consumption of medical service. Credence attributes are hard to evaluate, even after the consumption of a medical service has occurred (Ojasalo, 2010).

2.4 Organizational Performance

The analysis of organizational performance is a crucial step in the organizational assessment process. Yet, measuring performance is one of the most problematic issues in the field of organizational theory (Steers, 2012; Zammuto, 2010). While there are a number of approaches to assessing organizational performance, there is little consensus as to what constitutes a valid set of criteria. In other words, the concept of organizational performance is, at least in part, individually constructed. The influence or power of different stakeholders determines which performance message is dominant. In the private sector, for example, people who invest in an

organization—an important stakeholder group—are more interested in profitability and return on investment as a performance issue than are the organization's employees or beneficiaries. Each interest group or stakeholder in an organization may have a different concept of what constitutes good performance. Amid all these levels and layers of complexity, the elements that should be assessed in analyzing the performance of an organization include: effectiveness, efficiency, relevance and financial viability.

The balanced scorecard supplements traditional financial measures with criteria that measures performance from three additional perspectives—those of customers, internal business processes, and learning and growth. It therefore enables companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth. The scorecard is not a replacement for financial measures; it is their complement. The balanced scorecard meets several managerial needs. First, the scorecard brings together, in a single management report, many of the seemingly disparate elements of a company's competitive agenda—that is, becoming customer oriented, shortening response time, improving quality, emphasizing teamwork, reducing new product launch times, and managing for the long term. Second, the scorecard guards against sub-optimization. By forcing senior managers to consider all the important operational measures together, the balanced scorecard lets them see whether improvement in one area may have been achieved at the expense of another. It provides answers to four basic questions: Firstly, how do customers see us? (customer perspective); Secondly, what must we excel in? (internal business perspective); Thirdly, can we continue to improve and create value? (innovation and learning perspective) and Fourthly, how do we look to shareholders? (financial perspective) (Ioppolo, Saija, and Salomone, 2012).

How a company is performing from its customers' perspective has become a priority for top management. The balanced scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. Customers' concerns tend to fall into four categories: time, quality, performance and service, and cost. To put the balanced scorecard to work, companies should articulate goals for time, quality, and performance and service and then translate these goals into specific measures. Customer-based measures are important, but they must be translated into measures of what the company must do internally to meet its customers' expectations. The internal measures for the balanced scorecard should stem from the business processes that have the greatest impact on customer satisfaction—factors that affect cycle time, quality,

employee skills, and productivity, for example. To achieve goals on cycle time, quality, productivity, and cost, managers must devise measures that are influenced by employees' actions.

The customer-based and internal business process measures on the balanced scorecard identify the parameters that the company considers most important for competitive success. A company's ability to innovate, improve, and learn ties directly to the company's value. That is, only through the ability to launch new products, create more value for customers, and improve operating efficiencies continually can a company penetrate new markets and increase revenues and margins—in short, grow and thereby increase shareholder value. Financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement. Typical financial goals have to do with profitability, growth, and shareholder value.

2.5 Marketing Strategies and Organizational Performance

Marketing has traditionally been viewed and treated more as an operational rather than strategic function in companies. It has focused on decisions related to analyzing and selecting target markets, product and brand development, promotion, and channels of distribution. This perhaps somewhat biased standpoint presents marketing as a task of creating, promoting and delivering goods and services to consumers and businesses (Kotler, 2011). It is generally accepted that acquiring a new customer may turn out to be considerably more expensive than building customer loyalty among firm's current customers (Kotler, 2011). This strongly speaks for the need for higher levels of customer orientation among companies. Similarly to reward systems that base on short-term performance, short-term marketing focus may start working against longer-term market orientation, business performance and strategic intentions of a company.

From strategic point of view, as Morgan, Clark and Gooner (2002) argue, marketing budgets should be seen as capital expenditure in building revenue generating marketing assets rather than overhead expenditure; marketing resources ultimately drive long-term marketing performance. It is not easy, however, for marketing managers to convince executives in the absence of valid, reliable, and credible marketing performance assessment systems. In addition to corporate executives, also marketing managers are also often unable to uncover and confidently support cause-and-effect relationships between marketing inputs, marketing processes and marketing performance outcomes. (Morgan, Clark and Gooner, 2002)

Difficulty to assess the marketing performance is evident since it depends on external, largely uncontrollable factors, such as customers and competitors (Neely, 2002). Additionally, links to business performance are very often complex and may include some irrationality; for example, success sometimes is based purely on luck. Thus, as the aggravated example shows, high performance of a product or a company may not have much to do with the goodness of management.

According to previous studies (e.g. Hooley et al., 2001; Fahy and Smithee, 1999), marketing capabilities and assets possess potential to be important sources of competitive advantage for companies. As a component of marketing orientation of a company, also innovation orientation that situates between internal and external views has been showed to influence performance (e.g. Matsuno, Mentzer and Ozsomer, 2002). In addition, marketing with strong market orientation seems to be increasingly important for firms (e.g. Kohli and Jaworski, 1990). This is due to strong inward focus of resource-based view of the firm which is at risk to ignore dynamic market conditions and nature of demand. Clearly, firms should thus start adapting principles of strategic marketing.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design and the target population. It also describes the types and sources of data that were utilized in this research, the data collection methods and the data analysis process.

3.2 Research Design

The design of this research was a descriptive, cross-sectional research design on marketing strategies and the organizational performance of private hospitals in Nairobi. A descriptive research design helps describe or summarize data in a meaningful way such that patterns emerge from the data.

3.3 Target Population

The study population was all 28 private hospitals in Nairobi that are licensed by the Medical Practitioners and Dentists Board of Kenya as of June 10, 2015. Thus a census study was used instead of sampling theory since the population is small.

3.4 Data Collection

The researcher collected data from all private hospitals in Nairobi that are registered with the Medical Practitioners and Dentists Board. Research questionnaires were personally administered to marketing or service managers. The questionnaire had two sections; section covered demographic information on respondents while section B covered the research questions. The drop-and-pick method of distribution was used to administer the research instrument because of the need to collect detailed and well thought out responses. It also offered respondents the time and privacy to fill in the questionnaire at their convenience.

3.5 Data Analysis

In this study, data was cleaned and then coded according to the variables. The data cleaning was done to eliminate errors. Coding refers to the analytical process through which the quantitative data was categorized to facilitate analysis. Thereafter, the data was classified, tabulated and summarized in the SPSS statistical software. The report writing was done in

Microsoft Word format. The quantitative data was analyzed through descriptive statistics—that is, by measures of central tendency and measures of spread. The analyzed data was presented in the form of frequency tables, charts and bar graphs.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, findings, discussion and presentation. The purpose of this study was to investigate the relationship between marketing strategies and performance of private hospitals in Nairobi county.

4.2 Respondent Characteristics

This section presents the research findings on the respondent organizations in terms of response rate by gender and respondents' years of experience. The researcher targeted 28 private hospitals that are registered by the Medical Practitioners and Dentists Board. It is organized into two broad parts. Part one presents the demographic or respondent characteristics of the hospitals studied while the other part contains the research results on marketing strategies and the organizational performance of private hospitals in Nairobi county. The research findings are based on 25 (89%) respondents out of the original target population of 28 private hospitals in Kenya that are registered by the Medical Practitioners and Dentists Board of Kenya.

4.2.1 Gender of the Respondents

This section presents the research findings on the gender of the respondents. The findings are contained in Table 4.1

Table 4.1 Gender of the Respondents

GENDER OF THE RESPONDENTS	FREQUENCY	PERCENT
Female	17	68%
Male	8	32%
TOTAL	25	100%

Source: Author (2015)

The results in Table 4.1 show that 68 percent of the respondents were female, while 32 percent of the respondents were male.

4.2.2 Experience of Respondents

This section presents the research findings on the response rate based on the gender of the respondents. The findings are contained in Table 4.2

Table 4.2 Experience of Respondents

YEARS OF SERVICE	FREQUENCY	PERCENT
5 years and below	15	60%
6-10 years	10	40%
11-15 years	0	0%
16 years and above	0	0%
TOTAL	25	100%

Source: Author (2015)

The results in Table 4.2 show that 60 percent of the respondents have worked at their respective organizations for a period of 5 years and below, while 40 percent have worked for a period of between 6 to 10 years. No respondents have worked for a period of more than 11 years and above

4.3 Marketing Strategies Adopted by Private Hospitals

This section presents the results on marketing strategies adopted by the private hospitals. The respondents were asked to indicate their level of agreement by using a 5-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. The responses were analyzed using descriptive statistics mainly percentages, mean scores and standard deviation. The findings are contained in Table 4.3 which contains the mean and standard deviation from the 7P's that were measured. Each element has three sub-strategies. The mean scores show the level of agreement by the respondents. A mean score of above 3.2 shows that respondents agree with the statement. On the other hand, a mean score of between 2.9 to 3.2 shows that respondents neither agree nor disagree—that is, they are neutral to the statement. Lastly, a mean score of up to 2.8 shows that respondents disagree with the statement. Standard deviation is a measure of the dispersion of a set of data from its mean; therefore, the more spread the data, the higher the deviation (Miller, 1999).

Table 4.3 Marketing Strategies Adopted by Private Hospitals

PRODUCT STRATEGY	MEAN	STANDARD DEVIATION
Introduces new health services	3.5	1.29
Offers a considerable range of health services	3.4	1.29
Uses customer service as a central element in the hospital's service strategy	4	1
PRICING STRATEGY		
Price discrimination according to market segments we serve	2	1
Pricing strategy according to competition	2.5	1.29
A predetermined rate of return that our hospital is looking for	2.5	1.29
DISTRIBUTION STRATEGY		
Our hospital branches to access our services to different geographical areas	3	1.581
24 hour service availability	3.5	1.29
A distinctive distribution capability to open a new branch of the hospital	3	1.581
PROMOTION STRATEGY		
Advertising in media such as television, newspaper and magazines	3	1.581
Sponsoring special events such as sports, charities and seminars	3.5	1.29
Encouraging patients to use word of mouth communication to recommend our hospital to other patients	4	1
PEOPLE STRATEGY		
Our patients are satisfied with our responsiveness in service delivery	4	1
Our patients are satisfied with the provider of the medical service	4	1
Our patients are satisfied with the staff's knowledge and explanation of medical conditions	4	1
PROCESS STRATEGY		
A short waiting time of not more than an hour	3	1
Patient feedback to improve health services	4	1
Confidentiality and privacy about our patient cases	4.5	0.707
PHYSICAL EVIDENCE STRATEGY		
A comfortable environment with good directional signs	4	1
Up-to-date and well maintained equipment	4	1
The cleanliness and appearance of our hospital facilities	4.5	0.707

Source: Author (2015)

4.3.1 Product Strategy

Product strategy measured three product element strategies, namely: the introduction of new health services; the offering of a considerable range of health services and the use of customer service as a central element in the hospital's service strategy. According to the findings, the use of customer service as a central element in the hospital's service strategy recorded the highest mean of 4. The introduction of new health services recorded a mean of 3.5, while offering a considerable range of health services recorded a mean of 3.4. According to Scott (1999), a mean score above 3.2 shows that respondents agree with the three statements under product strategy. In the service industry, customer service is critical for customer retention because it costs more to attract new customers than it costs to retain existing customers. The introduction of new health services and the offering of a range of health services adds economies of scope to an organization, thus a service firm can attract many customers who are seeking different service offerings from firms in the marketplace.

4.3.2 Pricing Strategy

Pricing strategy measured three pricing element strategies, namely: price discrimination according to the market segments served; pricing strategy according to the competition; and a predetermined rate of return that the hospital is looking for. According to the findings both pricing according to competition and pricing based on a predetermined rate of return reported a mean score of 2.5, while using price discrimination according to market segments served reported a mean score of 2. According to Scott (1999), a mean score of up to 2.8 shows that respondents disagree with the three statements. In medical services, prices or rates are usually priced high especially in private hospitals because provision of health services is capital intensive and private hospitals get into contract with insurance companies and this explains why insurance companies increase their premiums when private hospitals increase their prices.

4.3.3 Distribution Strategy

Distribution strategy measured three distribution element strategies, namely: hospital branches to access services to different geographical areas; 24 hour service availability; and the distinctive capability to open a new hospital branch. According to the findings, 24-hour service availability reported the highest mean of 3.5, while both making health services available in different geographical areas and having a distinctive capability to open a new

hospital or branch reported a mean score of 3. According to Scott (1999) a mean score of above 3.2 shows that respondents agree with making health services available on a 24-hour basis as opposed to a mean score of 3 for geographical spread and the capability to open a new hospital or branch. A mean score of 2.9 to 3.2 shows that respondents neither agree nor disagree (neutral). Geographical spread and the capability to open a new hospital is capital intensive and very few big hospitals have that capability. The big hospitals in Nairobi that have the capability to open a new hospital or branch include The Aga Khan hospital, Nairobi hospital and Mater hospital.

4.3.4 Promotion Strategy

Promotion strategy measured three promotion element strategies, namely: advertising in media such as television, newspapers and magazines; sponsoring special events such as sports, charities and seminars; and encouraging patients to use word of mouth communication when recommending the hospital to other patients. According to the findings, encouraging patients to use word of mouth advertising recorded the highest mean of 4. Sponsoring of sports events and charities recorded a mean of 3.5, while the use of advertising in various media recorded a mean of 3. According to Scott (1999) a mean score of above 3.2 shows that respondents agree with both sub-strategies of sponsoring sports and charities, and encouraging patients to use word of mouth advertising. However, a mean score of between 2.9 to 3.2 shows that respondents are neutral in regards to advertising in various media. In services marketing, word-of-mouth advertising is more effective than advertising in various media and private hospitals do not advertise heavily as fast moving consumer goods' companies do. Private hospitals usually advertise on television and newspapers to the general public about free medical camps.

4.3.5 People Strategy

People strategy measured three people element strategies, namely: patient satisfaction with responsiveness in service delivery; patient satisfaction with the provider of the medical service; patient satisfaction with the staff's knowledge and explanation of medical conditions. According to the research findings, all three of the above sub-strategies recorded a mean score of 4. According to Scott (1999) a mean score of above 3.2 shows that respondents agreed to the use of the three people sub-strategies in their attempt to improve performance at their respective private hospitals. The variability and inseparability characteristics of services present challenges to marketing practitioners. Variability refers to the customer experience

differences resulting from when different personnel serve the same customer. On the other hand, inseparability refers to the fact that both the medical service provider and the patient must be at the same place in order for service delivery and consumption of the service to take place. Thus the reason why respondents agreed with all three constructs on people strategy.

4.3.6 Process Strategy

Process strategy measured three process element strategies, namely: a short waiting time of not more than an hour; patient feedback to improve health services; and confidentiality and privacy about patient cases. According to the findings, respondents agreed with the following two process sub-strategies—getting patient feedback to improve health services and ensuring confidentiality and privacy about patient cases with a mean score of 4 and 4.5 respectively. However, respondents disagreed with having a short waiting time of less than an hour. This is because it usually takes more than an hour of waiting in order to get served especially at the bigger and more established private hospitals. Getting patient feedback in order to improve health services is critical in services marketing.

4.3.7 Physical Evidence Strategy

Physical evidence strategy measured three physical evidence element strategies, namely: a comfortable environment with good directional signs; up-to-date and well maintained equipment; and the cleanliness and appearance of the hospital. According to the research findings, respondents agreed with all the above sub-strategies with a mean of 4, 4 and 4.5 respectively. According to Scott (1999) a mean score of above 3.2 shows that respondents agree.

4.4 Marketing Strategies and Organizational Performance

Measuring performance is one of the most problematic issues in the field of organizational theory (Steers, 2010; Zammuto, 2010). The balanced scorecard supplements traditional financial measures with criteria that measures performance from three additional perspectives—those of customers, internal business processes as well as learning and growth. Deducing from the findings, since private hospitals in Nairobi county are in the service industry. Services compared to physical products present a new set of challenges to marketers due to the unique characteristics of services. These characteristics include Perishability—that is, services cannot be stored. Intangibility—that is, services cannot be seen, smelt or tasted. Inseparability—that is, of the service provider and consumer; and Heterogeneity or

variability—that is, different customer experiences from different service providers (Kotler, 2011).

Private hospitals are in the category of not for profit organizations. However, the assumption is that private hospitals can be very lucrative. From among the 7P's, pricing is the only revenue generator; the other 6P's are overhead expenditure. However, the research findings show that respondents disagreed that pricing of health services is based on either price discrimination according to market segments served nor pricing according to the competition, nor pricing based on a predetermined rate of return that the hospital is looking for—in order to improve performance and increase the customer base and profits. Most patrons of private hospitals have a medical cover because the cost of accessing good and reliable medical/health services is prohibitively expensive. Therefore, insurance companies get into contracts with private hospitals. Insurance premiums are therefore based on the cost of health services. This is why when private hospitals increase their rates, insurance premiums increase as well.

In regards to customer perspective of the balanced scorecard, private hospitals make use of customer service as a central element in service strategy; they also strive to ensure that patients are satisfied with the staff's knowledge and patient satisfaction with their responsiveness in service delivery in their attempt to improve performance. In regard to internal business process measures of the balanced scorecard, private hospitals implement 24-hour service availability, maintain confidentiality and privacy about patient cases as well as introducing new health services for improved business performance. Finally, in regards to organizational learning and growth, private hospitals make use of patient feedback in order to improve health services offered as well as encouraging patients to use word-of-mouth advertising so as to increase the customer base and improve business performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendations. The chapter also gives suggestions for further study.

5.2 Summary

The study established that there is a link or relationship between marketing strategies and the organizational performance of private hospitals in Nairobi county. Twenty eight private hospitals were surveyed. The hospitals are diverse in terms of their history or origins, locations within Nairobi county, number of staff, the caliber of medical personnel they attract for employment, diversification of services, development of partnerships, brand perception in the marketplace as well as which marketing strategies get implemented. Under pricing strategy where pricing is the only revenue generator among the seven service marketing-mix elements, private hospitals in an attempt to improve hospital performance and increase customer base and profits placed more importance on pricing health services based on a predetermined rate that the hospital is looking for followed by price discrimination according to market segments served and lastly as a pricing strategy is pricing according to competition, which is more prevalent among the smaller and newly established hospitals.

Under distribution strategy, in an attempt to improve hospital performance when developing a distribution strategy as an internal business process measure, the findings indicate that 24-hour service availability was the most prevalent distribution strategy followed by having hospital branches to access medical services to different geographical areas and the least prevalent was having the capability to open a new branch of the hospital. Opening a new branch of a hospital is capital intensive and this capability is limited to the bigger, well established private hospitals. The findings also indicate that under promotion strategy, the most prevalent strategy was hospital's encouraging patients to use word of mouth communication to recommend a hospital to other patients. Few private hospitals advertise in media such as television, newspapers and magazines and even fewer sponsor special events such as sports, charities and seminars.

The findings under people or personnel strategy indicate that the most prevalent strategy was ensuring that patients are satisfied with the provider of the medical service followed by making sure patients are satisfied with the staff's knowledge and explanation of medical conditions. Last but not least is ensuring patients are satisfied with responsiveness in service delivery in order to improve performance and customer satisfaction rate. Under process, the most prevalent strategy from the findings is ensuring confidentiality and privacy about patient cases followed by getting patient feedback in order to improve health services and lastly is making the waiting time by patients to be less than an hour. Under physical evidence, the most prevalent strategy implemented in order to improve performance and customer satisfaction is having a comfortable environment with good directional signs followed by having up-to-date and well maintained equipment.

5.3 Conclusion

Marketing of services involves the managing or manipulation of seven marketing-mix elements namely: product, price, promotion, place, people, process and physical evidence. From among the three variables incorporated in this study under product strategy, it was established from the data collected in an effort to improve hospital performance, private hospitals place more importance in using customer service as a central element in the hospital's service strategy followed by the hospitals strategizing to offer a considerable range of health services and lastly by making an effort to introduce new health services in the marketplace.

Deducing from the findings, marketing strategies have a relationship with the performance of private hospitals in Nairobi county. The balanced score card supplements traditional financial measures as well as meeting several managerial needs. Customer perspective has been taken into consideration when hospitals use customer service as a central element in the hospital's service strategy while others include encouraging patients to use word of mouth communication to recommend hospital services to other patients, patient satisfaction with the provider of the medical service and ensuring patients are satisfied with the staff's knowledge and explanation of medical conditions. Secondly, from the internal business perspective of the balanced score card, hospitals engage in availing 24-hour health services, assuring confidentiality and privacy about patient cases. Thirdly, in order to continually improve and create value through innovation and learning, hospitals engage in getting patient feedback in order to improve health services as well as offering a considerable range of health services.

Finally, when it comes to financial measures, hospitals mostly price their services based on a predetermined rate that the hospital is looking for.

Marketing resources ultimately drive long-term marketing performance. However, it is difficult for marketing managers to convince executives in the absence of valid, reliable and credible marketing performance assessment systems. Marketing managers, in addition to corporate executives are often unable to uncover and confidently support cause-and-effect relationships between marketing inputs, marketing processes, marketing performance and organizational performance outcomes (Morgan, Clark and Gooner, 2002). Based on the conclusions the study recommends that private hospitals should start adapting principles of strategic marketing for those that are reluctant or have not implemented their marketing strategies. Marketing strategies should be formulated in light of the external environment which is made up of elements that are uncontrollable to an organization. The external environment elements that are uncontrollable include political and legal factors, environmental, technological, social-cultural and ecological factors.

5.4 Implications for Policy and Practice

Public-private partnerships will enable the Kenyan government achieve its goals which are laid out in Kenya Vision 2030. In recognition of this the Government of Kenya has developed strategies to develop the private healthcare sector in its Vision 2030 strategic plan which includes social health insurance to increase access to healthcare and promoting public-private partnerships. This will enable the government realize its vision and the public will enjoy a higher quality of life. Governing boards of health care facilities, which are significant users of financial information, are expanding in size. However, many board members even those with backgrounds in business are being overwhelmed by financial reports and statements. An important distinction exists between the financial reports and statements of business organizations and those of health care organizations—that is, only some board members are familiar in the case of health care organizations. Therefore, governing board members must recognize these differences if they are to carry out their governing missions satisfactorily.

5.5 Limitations of the Study

The major limitation was difficulty in knowing the average time it would take a respondent to complete filling a questionnaire even though the researcher tried as much as possible to limit the number of questions in order to capture the main interest of the study. This required a lot

of patience since the goal of the researcher was to try as much as possible to get a 100 percent response rate. Out of the 28 private hospitals in Nairobi county, only three did not respond to the questionnaire presented since most respondents had commitments. Financial constraint also proved to be an issue due to the size of the county and the geographical spread of private hospitals within the county.

5.6 Recommendations for Further Research

The study sought to determine the relationship between marketing strategies and the organizational performance of private hospitals in Nairobi county. The researcher further recommends that similar studies be done in the counties of Kisumu, Kakamega, Bomet and Kiambu. Mombasa county and Nairobi county now have studies that have been carried out. Kisumu, Kakamega, Kiambu and Bomet counties are very promising in terms of growth and health services are being devolved. These counties are home to middle size cities that are strategically located, have a big population and are attractive locations for the opening of new private hospitals.

REFERENCES

- Ahmad, A. (2011). *The Impact of Competitive Environment on Services Marketing Mix Strategy of Health Organizations in Developing Countries: Jordanian Private Sector Hospital Senior Managers Perspective*. Unpublished PhD Thesis, The University of Huddersfield, UK.
- American Hospital Association (2007). *Guide to the Health Care Field*. Chicago: American Hospital Association.
- Andaleeb, S., (2012). Hospital Advertising the Influence of Perceptual and Demographic Factors on Consumer Dispositions. *Journal of Services Marketing*, 8(1), 48–59.
- Avlonitis, J., & Indounas, A. (2011). Pricing objectives and pricing methods in the services sector. *Journal of Services Marketing*, 19(1), 47–57.
- Baker, M., and Hart, S. (2012). *The Marketing Book 9th Edition*. London: Routledge.
- Barnes, J. et al, 2010. *The World Bank working paper no. 193, 2010: Private Health Sector Assessment in Kenya*. World Bank Publishers: Washington, D.C.
- Berman, P., K. Nwuke, K. Hanson, M. Kariuki, K. Mbugua, J. Ngugi, T. Omurwa and S. Ong'ayo (1995). *Kenya: non-governmental healthcare provision*. Data for decision making project: Harvard School of Public Health.
- Cleverly, W.O., and Cameron, A.E. (2007). *Essentials of Health Care Finance, 6th ed*. Jones and Bartlett Publishers: Boston.
- Cravens, D.W. and Piercy, N.F. (2012). *Strategic Marketing 10th Ed*. New York: McGraw Hill.
- Ennew, C. (2011). *Developing Marketing Strategy: Marketing Financial Services*. Butterworth: Heinemann.
- Fahy, J. and Smithee, A. (1999). Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. (10): 1-18.
- Gapenski, L.C. (2007) *Healthcare Finance, 4th ed*. Chicago: Health Administration Press.

- Gichae, M. W. (2011). *Adoption of Social Marketing Concept by Private Hospitals in Nairobi*. Unpublished MBA research project of the University of Nairobi.
- Grönroos, C. (2010). *Service Management and Marketing. A Customer Relationship Management Approach*. Chichester: Wiley & Sons.
- Hoffmeyer, R. And McCarthy, J. (2008). *Private Healthcare at a Glimpse*. New York: Free Press.
- Hooley, G., Greenley, G., Fahy, J. and Cadogan, J. (2001). Market-focused Resources, Competitive Positioning and Firm Performance. *Journal of Marketing Management*. 17(5- 6): 503-520.
- Hursh-Cesar, G., P. Berman, K. Hanson, R. Rannan-Eliya, J. Rittmann (1994). *Private and non-government providers: Partners for public health in Africa*. Conference report, 28 November –1 December 1994, Nairobi.
- IEA (Institute of Economic Affairs) (1998). *Our problems, our solutions: An economic and public policy agenda for Kenya*. Nairobi: Institute of Economic Affairs.
- IEA/SID (2001). *Kenya at the crossroads: Scenarios for our future*. Institute of Economic Affairs, Nairobi and Society for International Development, Rome Italy.
- Ioppolo, Giuseppe; Saija, Giuseppe; Salomone, Roberta (2012). *Developing a Territory Balanced Scorecard approach to manage projects for local development*. 29 (3): 629–640.
- Jones, R. (2013). Making health information accessible to patients. *Aslib Proceedings*, 55(5/6), 334–338.
- Kaplan, R.S., and Norton, D.P. (1998). The Balanced Score Card. *Harvard Business Review* 3.
- Kohli, A.K. and Jaworski, B.J (1990). Market Orientation: The Construct, Research Propositions, and Managerial Implications. *Journal of Marketing*. 54(2): 1-18.
- Kotler, P., & Armstrong, G. (2011). *Principles of Marketing*. Chicago: Pearson Educational.
- Kumaranayake, L. (1998). *Effective regulation of private sector health service providers*. London: Health Policy Unit, Department of Public Health and Policy, London School of Hygiene and Tropical Medicine.

- Lovelock, C. (2011). *Services Marketing People, Technology, Strategy (6th Ed.)*. Charlotte: Prentice Hall.
- Lusthaus et. Al (2002). *Organizational Assessment: A Framework for improving performance*. Ottawa: IDRC.
- Matsuno, K., Mentzer, J.T. and Özsomer, A. (2002). The Effects of Entrepreneurial Proclivity and Market Orientation on Business Performance. *Journal of Marketing*. 66(3): 18-32.
- Mburu, V. N. (2007). *Competitive Strategies Adopted by Private Hospitals in Mombasa*. Unpublished MBA research project of the University of Nairobi.
- Morgan, Clark and Gooner (2002). Morgan, N.A., Clark, B.H. and Gooner, R. (2002). Marketing productivity, marketing audits, and systems for marketing performance assessment: Integrating multiple perspectives. *Journal of Business Research*. 55(5): 363-375.
- Nagle, T., & Holden, R. (2012). *The Strategy and Tactics of Pricing*. Englewood Cliffs, NJ: Prentice-Hall.
- Neely, A. (2002). *Business performance measurement: Theory and practice*. Cambridge University Press.
- Nyangena, W. (2000). *Professional services in Kenya: Constraints and opportunities for trade*. World Bank.
- Oduwo, R.N, F.A. Opondo, Y. Kombe, H.O. Ondolo, W.O. Ogwido and M.S. Abdullah (2001). *Kenya country report of the macroeconomic adjustment program health project*. Government of Kenya, International Development Research Center, and National Health Research and Development Center.
- Ojasalo, J. (2010). *Quality Dynamics in Professional Services*. Swedish School of Economics and Business Administration, Helsinki.
- Okech, E.A. (2013). *Challenges of Implementing Strategic Plans by Private Hospitals in Nairobi*. Unpublished MBA research project of the University of Nairobi.
- O'Sullivan, D., Abela, A.V., and Hutchinson, M. (2008). Marketing Performance Measurement and Firm Performance, Evidence from the European high technology sector'. *European Journal of Marketing Vol. 43 No.56, 2009 pp 843-862*.

- Palmer, A. (2011). *Principles of Services Marketing (6th ed)*. UK: McGraw-Hill Publishing Company.
- Renner, C., & Palmer, E. (2013). Outsourcing to increase service capacity in a New Zealand hospital. *Journal of Management in Medicine*, 13(5), 325–338.
- Ronen, B., Pliskin, J.S., and Poss, S. (2006). *Focused Operations Management for Health Service Organizations*. Jossey-Bass Publishers: San Francisco.
- Steers, R.M. (2012). Problems in the measurement of organizational effectiveness. *Administrative Science Quarterly*, Vol. 20 No. 4, pp. 546-558.
- Storbacka, K. (2012). The Nature of Customer Relationship Profitability. Analysis of Relationships and Customer Bases in Retail Banking. Swedish School of Economics and Business Administration, Helsingfors, No.55.
- Swayne, L.E., Duncan, W.J., and Ginter, P.M. (2006). *Strategic Management of Health Care Organizations*. Oxford: Blackwell Publishing.
- Thompson, Strickland, and Gamble (2013). *Crafting and Executing Strategy: Concepts and Cases*. New York: McGraw-Hill/Irwin.
- Turin, D. R. (2010), "Health Care Utilization in the Kenyan Health System: Challenges and Opportunities." *Student Pulse*, 2(09).
- Varadarajan, P. R., & Jayachandran, S. (2000). Marketing strategy: An assessment of the state of the field and outlook. *Journal of the Academy of Marketing Science*, 27(2), 120–143.
- Waithaka, G.K. (2013). *Challenges of Strategy Implementation in Public and Private Hospitals in Nairobi County*. Unpublished MBA research project of the University of Nairobi.
- Wangenheim, F., & Bayón, T. (2009). The effect of word of mouth on services switching Measurement and moderating variables. *European Journal of Marketing*, 38(9/10), 1173–1185.
- West, D., Ford, J., and Ibrahim, E. (2010) *Strategic Marketing: Creating Competitive Advantage 2nd Ed*. London: Oxford University Press.

Grönroos, C. (2010) *Service Management and Marketing. A Customer Relationship Management Approach*. Chichester: Wiley & Sons.

Zammuto, R.F. (1984) "Comparison of multiple constituency models of organizational effectiveness", *Academy of Management Review*, Vol. 9 No. 4, pp. 606-616.

Zeithaml, V., & Bitner M. (2009) *Services Marketing: Integrating Customer Focus Across the Firm* (6th ed.). Irwin: McGraw-Hill.

APPENDICES

APPENDIX 1

LETTER OF INTRODUCTION

SIMON MUGO MWANGI

UNIVERSITY OF NAIROBI

P.O BOX 30197

NAIROBI, 00100.

Dear Sir/Madam:

RE: AUTHORIZATION TO COLLECT DATA.

I am a postgraduate student at The University of Nairobi pursuing a Master of Science in Marketing degree. I am writing a research project as a requirement for partial fulfilment for the award of a degree. The aim of my research is to investigate **Marketing Strategies and the Organizational Performance of Private Hospitals in Nairobi County**. Enclosed is a copy of my research questionnaire, which I kindly request your time to fill in.

The information that you provide in this questionnaire is for academic purposes only and will be treated with utmost confidentiality.

Thank you in advance for your time and cooperation.

Sincerely,

Simon Mugo.

APPENDIX II

RESEARCH QUESTIONNAIRE

**RESEARCH STUDY ON MARKETING STRATEGIES AND THE PERFORMANCE
OF PRIVATE HOSPITALS IN NAIROBI COUNTY**

INSTRUCTIONS: Write or tick where applicable.

SECTION A: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENT

1. Name of Hospital.....

2. Gender: Male Female

3. Years of Service 5 years and below 6—10 years
 11—15 years 16 years and above

4. Department.....

SECTION B: MARKETING STRATEGIES AND HOSPITAL PERFORMANCE

QUESTION 1: To what extent do you agree with the following statements on product strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

PRODUCT STRATEGY

In order to improve the hospital’s organizational performance and to develop an effective health strategy our hospital:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	Introduces new health services					
2	Offers a considerable range of health services					
3	Uses customer (patient) service as a central element in the hospital’s service strategy					

QUESTION 2: To what extent do you agree with the following statements on pricing strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

PRICING STRATEGY

In order to improve the hospital’s performance and increase the customer base and profits, we price our health services based on:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	Price discrimination according to the market segments we serve					
2	Pricing strategy according to the competition					
3	A predetermined rate that our hospital is looking for					

QUESTION 3: To what extent do you agree with the following statements on distribution strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

DISTRIBUTION STRATEGY

In order to improve the hospital’s performance and in developing our distribution (access) strategy as an internal business process measure, our hospital uses:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	Our hospital branches to access our services to different geographical areas					
2	24-hour service availability					
3	A distinctive distribution capability to open a new branch of the hospital					

QUESTION 4: To what extent do you agree with the following statements on promotion strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

PROMOTION STRATEGY

In order to improve the hospital’s performance and increase the customer base, we develop our promotional strategy by:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	Advertising in media such as television, newspapers and magazines					
2	Sponsoring special events such as sports, charities and seminars					
3	Encouraging patients to use word-of-mouth communication to recommend our hospital to other patients					

QUESTION 5: To what extent do you agree with the following statements on people strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

PEOPLE STRATEGY

In order to improve the hospital’s performance and to develop an effective people/personnel strategy for customer satisfaction our hospital concentrates on:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	Our patients are satisfied with our responsiveness in service delivery					
2	Our patients are satisfied with the provider of the medical service					
3	Our patients are satisfied with the staff’s knowledge and explanation of medical conditions					

QUESTION 6: To what extent do you agree with the following statements on process strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

PROCESS STRATEGY

In order to improve the hospital’s performance and to develop an effective process strategy for customer satisfaction, our hospital uses:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	A short waiting time of not more than an hour					
2	Patient feedback in order to improve health services					
3	Confidentiality and privacy about outpatient cases					

QUESTION 7: To what extent do you agree with the following statements on physical evidence strategy and hospital performance, on a scale of 1 to 5, where 1=Strongly disagree; 2=Disagree; 3=Neither agree nor disagree; 4=Agree; 5= Strongly agree

PHYSICAL EVIDENCE STRATEGY

In order to improve the hospital’s performance and to develop an effective physical evidence strategy, our hospital uses:

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1	A comfortable environment with good directional signs					
2	Up-to-date and well maintained equipment					
3	The cleanliness and appearance of our hospital facilities					

THANK YOU FOR YOUR TIME AND PARTICIPATION.

APPENDIX III

LIST OF PRIVATE HOSPITALS IN NAIROBI COUNTY

HOSPITAL NAME	COUNTY	DISTRICT	DIVISION	OWNER
1. Kayole Hospital	Nairobi	Embakasi Central	Embakasi	Private Enterprise
2. Metropolitan Hospital	Nairobi	Makadara	Makadara	Private Enterprise
3. Umoja Hospital	Nairobi	Embakasi West	Embakasi	Private Enterprise
4. Victory Hospital	Nairobi	Embakasi West	Embakasi	Private Enterprise
5. Wentworth Hospital	Nairobi	Embakasi East	Embakasi	Private Enterprise
6. Compassionate Hospital	Nairobi	Ruaraka	Kasarani	Private Enterprise
7. Guru Nanak Hospital	Nairobi	Starehe	Central	Private Enterprise
8. Huruma Maternity Hospital	Nairobi	Mathare	Mathare	Private Enterprise
9. Jamii Medical Hospital	Nairobi	Roysambu	Kasarani	Private Enterprise
10. Radiant Pangani Hospital	Nairobi	Starehe	Central	Private Enterprise
11. Nairobi South Hospital	Nairobi	Langata	Langata	Private Enterprise
12. Nairobi West Hospital	Nairobi	Langata	Langata	Private Enterprise
13. Nairobi Women's Hospital	Nairobi	Dagoretti North	Kilimani	Private Enterprise
14. The Karen Hospital	Nairobi	Langata	Langata	Private Enterprise

15. Lad Nan Hospital	Nairobi	Starehe	Kariokor	Private Enterprise
16. Juja Road Hospital	Nairobi	Starehe	Kariokor	Private Enterprise
17. St Francis Community Hospital	Nairobi	Kasarani	Kasarani	Private Enterprise
18. St John Hospital	Nairobi	Roysambu	Roysambu	Private Enterprise
19. Aga Khan Hospital	Nairobi	Westlands	Parklands	Private Enterprise
20. Avenue Hospital	Nairobi	Westlands	Parklands	Private Enterprise
21. Gertrude's Childrens' Hospital	Nairobi	Westlands	Karura	Private Enterprise
22. Langata Hospital	Nairobi	Langata	Langata	Private Enterprise
23. Melchezedek Hospital	Nairobi	Dagoretti North	Dagoretti	Private Enterprise
24. Meridian Equator Hospital	Nairobi	Langata	Langata	Private Enterprise
25. MP Shah Hospital	Nairobi	Westlands	Parklands	Private Enterprise
26. The Nairobi Hospital	Nairobi	Dagoretti North	Kilimani	Private Enterprise
27. Coptic Hospital	Nairobi	Dagoretti North	Kilimani	Private Enterprise
28. Mater Hospital	Nairobi	Langata	Langata	Private Enterprise

Source: Medical Practitioners and Dentists Board. www.medicalboard.co.ke

(Accessed: 6/10/2015)