The International Journal of Business Management and Technology, Volume 10 Issue 09 September 2026
ISSN: 2581-3889
Research Article Open Access

Effect of Cost leadership strategy on service delivery of Real Estate Agents firms in Kenya

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Abstract: The real estate industry in Kenya has witnessed increased competition with increase in number of real estate agent firms in operation. however, contextual literature depicts that service delivery remains a persistent challenge, with reports indicating growing consumer complaints, inefficiencies, delays and lack of transparency in transactions. The competitive business environment calls for firms that include real estate agent firms to identify and adopt cost leadership strategies so that they can gain a competitive advantage while enhancing service delivery. There is limited empirical evidence in Kenya, explaining the effect of cost leadership strategy on service delivery among real estate agent firms. In view of this gap the study sought to investigate the effect of cost leadership on service delivery among real estate agents firms in Kenya. The study was grounded on the Resource-Based View that enabled an integrated framework to contextualize service delivery through the service quality theory. Further, the study was founded on pragmatism philosophy and applied sequential explanatory mixed-methods research design. 80 real estate agent firms registered under the Kenya Property Developers Association (KPDA) formed the target population. Structured questionnaires and semi structured interviews were used to collect the data. Quantitative data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM), while qualitative data was analyzed thematically. The result showed that cost leadership had a positive and significant effect on service delivery ($\beta = 0.309$, $t = 4.341$, $p < 0.001$). Informed by the results and conclusions the study recommends that management of real estate agent firms in Kenya should prioritize the implementation of cost leadership strategies through systematic cost management, investment in digital transaction platforms, process automation and establish internal audit systems to monitor and control operational costs across all service delivery stages.

Keywords: Cost leadership strategy, Service delivery and Real estate agent firms

I. INTRODUCTION

Over the years the number of real estate agent firms operating in the real estate sector in Kenya, has grown substantially, leading to heightened competition among the firms (Atieno & Maina, 2024). However, the increase in the number of firms has not resulted to better service delivery. The Estate Agents Registration Board (EARB) 2024-2028 strategic report indicate rise in customer complaints concerning fraud, inefficiencies, delays, lack of transparency in transactions misappropriation of client funds, delays in property handovers, inadequate customer care, non-disclosure of property defects, and unethical practices such as double allocation of properties (EARB, 2024, Jebiwott et al., 2022; K'Akumu, 2022). As a result of these inefficacies, the public loses credibility in real estate agent firms, given that the efficiency and quality of services delivered by these firms directly influence market transparency, transaction costs, client satisfaction, and overall sector performance (Mohamad et al., 2024).

In the context of real estate agent firms service delivery refers to provision of services to clients in accordance with pre-established agreements or expectations. In real estate agency it is important to note that technical competence, transparency in transactions and accuracy in property information are important. For this reason, Chumba (2018) argues that the human element is crucial in-service delivery. Moreover, real estate agents are required to exercise a high degree of personal judgment concerning service delivery characteristics. In this study, SERVQUAL model was adopted to capture industry-specific service delivery aspects (Deb & Ali Ahmed, 2018).

Given the challenges, identifying cost leadership strategies such as competitive pricing, cost control measure, becomes important for the real estate agent firms so as to remain competitive and gain a competitive advantage. (Gathitu, 2024; Koutroumanis & Thomason, 2024). With cost leadership strategy firms can attract price-sensitive customers without sacrificing service quality. This allows them to offer services at competitive costs through operational efficiency, cost control measures, and economies of scale their expectations of value from a service determine their purchasing decisions (Chepchirchir et al., 2018). For real estate agent firms, cost leadership may involve streamlining operations, leveraging technology to reduce transaction costs, optimizing resource utilization, and offering competitive pricing.

1.1 Statement of the problem

In every business customer including those in real estate expect exceptional service delivery that is reliable, responsive, transparent, and professional. However, service delivery remains a persistent challenge especially with increased competition (Musundi, 2022; Okeke et al., 2024). The Estate Agents Registration Board (EARB) Strategic Plan 2024–2028 indicate increasing consumer complaints about fraud, poor professional standards, and lack of transparency in transactions reports (EARB, 2024), while data from Communication Authority of Kenya (2023) indicate 5 new cases representing 0.9% of the 521 cases reported for the year 22/23. Studies that have been conducted to determine the relationship between cost leadership and service delivery show that gaps still exist. Limited studies examine cost leadership strategies and service delivery specifically within Kenya's real estate agency sector (Kiprotich & Waithaka, 2025; Muthama, 2021; Nalucha & Mwanza, 2022) and studies done have not provided conclusive evidence. Therefore, this study sought to examines the effect of cost leadership strategy on service delivery, among real estate agent firms in Kenya.

1.2 The purpose of the study

The main objective of the study was to determine the effect of cost leadership on service delivery of Real Estate Agent firms in Kenya

1.3 Hypothesis

Ho1: Cost leadership strategy has no significant effect on service delivery among Real Estate Agent firms in Kenya.

II. Literature review

2.1 Theoretical Review

2.1.1 The Resource Based View Theory

The premise of the Resource-Based View (RBV) is that possession of organization's resources and their operationalization are key to attaining capabilities and attain superior competitive advantage. RBV was initiated by Wernerfelt (1984) and Barney (1991). A company's ability to maintain its competitive advantage depends on its possession of VRIN resources, which stand for valuable, rare, inimitable, and non-substitutable assets (Kero & Bogale, 2023). The resources can be tangible or intangible. The RBV posits that firms that have VRIN are better positioned to implement cost leadership strategies effectively and support reliable, responsive, and differentiated service delivery. However, companies run the danger of being vulnerable in competitive conditions and compromising service delivery efficiency if they lack a competitive advantage (Ndei & Kinyua, 2024).

However, the RBV theory has some weaknesses. Although RBV emphasizes on internally controlled resources, contemporary organizations increasingly create competitive advantage thorough strategic alliances and inter-organizational networks an aspect the theory inadequately addresses (Chimakati & Nzinga, 2023). However, despite the weaknesses, the RBV theory underpins the relationship between cost leadership strategies and service delivery and explains how cost may be used to enhance service delivery. According to Resource-Based View theory, cost leadership effectiveness depends on firms possessing that VRIN that enable cost reduction without compromising service quality (Nalucha & Mwanza, 2022). In addition, efficient operational systems and technology platforms represent valuable resources that support cost leadership strategy (Kiprotich & Waithaka, 2025).

2.1.2 Service Quality Theory

Parasuraman, Zeithaml, and Berry's (1985; 1988) Service Quality Theory serves as the basis for this study's conceptualization and measurement of service delivery, the dependent variable. The theory, provides measurable dimensions through which the quality-of-service delivery can be evaluated, namely; tangibles (physical facilities and materials), assurance (knowledge and courtesy of employees), responsiveness (willingness to help customers promptly), and reliability (accurately delivering promised services). This framework has been widely adapted across service sectors including real estate to assess service delivery quality (Deb & Ali Ahmed, 2018; Sam et al., 2018). However, the service quality theory has limitations when applied to professional service sectors like real estate agency. The model does not adequately capture sector-specific dimensions such as property information accuracy, transaction transparency, legal compliance, timeliness in property transactions, and technical expertise in property valuation. These dimensions are critical in the real estate sector where information asymmetry is high and trust is paramount. In addition, the theory ignores costs that many be incurred to improve the quality of service and does not factor the effect of the external environment that may affect the quality of the service. Despite these limitations, the theory provides a useful foundation that can be customized for real estate agent firms. For this study, service delivery is operationalized through responsiveness, reliability, assurance, and tangibles, which capture essential service quality dimensions while acknowledging that real estate service delivery encompasses additional technical and ethical dimensions.

2.2 Empirical Review

2.2.1 Cost Leadership Strategy and service delivery

Cost leadership strategy involves firms achieving competitive advantage by becoming the lowest-cost producer or service provider through operational efficiency, economies of scale, and tight cost control (Chepchirchir et al., 2018). Empirical evidence shows mixed findings on the effect of cost leadership on service delivery. Kinuthia and Wambua (2025) used a descriptive research methodology with 87 respondents to examine how competing tactics affected the service delivery positioning of 38 commercial banks in Nairobi, Kenya. The study found that banks place significant importance on cost leadership approach, confirming that cost leadership improves operational efficiency, reduces operational costs, and attracts price-sensitive customers.

Similarly, Muthama (2021) examined competitive strategies among 100 logistics firms in Nairobi using descriptive cross-sectional design targeting top executives. Findings revealed that logistics firms heavily rely on cost leadership strategies that improve service quality through maintaining consistency while controlling costs. While, Chepchirchir et al. (2018) used a descriptive research approach to investigate 15 logistics firms operating out of Kenya's Jomo Kenyatta International Airport in regards to cost leadership. Cost leadership and performance were found to have a favorable and statistically significant link. These studies reinforce that cost leadership positively impacts organizational outcomes when firms leverage technological, administrative and operational capabilities. The studies demonstrate positive relationships between cost leadership strategy and service delivery outcomes, supporting the proposition that cost efficiency enhances service quality when properly applied.

However, Nalucha and Mwanza (2022) study on the effectiveness of competitive strategies employed by real estate organizations in Lusaka, Zambia. Found that cost leadership strategy was ineffective, among real estate firms in Zambia. Thus, proposed that firms should implement the strategies based on their goals and capabilities. Similar, Swallehe (2024) conducted an empirical study on low-cost strategy among 171 small and medium enterprises in Tanzania using cross-sectional design with stepwise multivariate analysis. Low pricing, waste reduction, and cost management were the main ideas behind the cost strategy. According to the study, the lack of success of the cost leadership approach was most often caused by a lack of resources or a failure to effectively align firm resources in order to obtain a competitive advantage.

2.3 Conceptual Framework

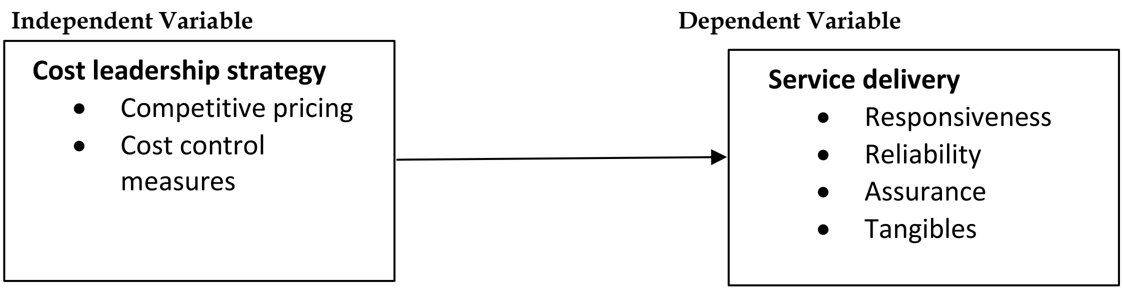

Figure 1. Conceptual model

III. Research Methodology

This study adopted pragmatism as the research philosophy. Pragmatism emphasizes solving practical problems through methods that best address the research questions, allowing researchers to combine quantitative and qualitative approaches based on what works best for the inquiry (Romero-Sánchez et al., 2024). In addition, pragmatism aligned with the study's practical orientation of generating actionable insights for real estate practitioners and policymakers. Sequential explanatory mixed-methods research design was used with a cross-sectional time horizon. The aim was to clarify and expand on the quantitative findings. Sequential explanatory design entails first gathering and evaluating quantitative data, then gathering and analyzing qualitative data. The quantitative phase tested hypothesized relationships using Partial Least Squares Structural Equation Modelling (PLS-SEM), while the qualitative phase provided deeper understanding of how and why these relationships exist, addressing limitations of purely quantitative approaches that may overlook contextual nuances and implementation processes (Taherdoost,2022). The target group consisted of 80 real estate agent firms registered under Kenya property developers association (KPDA).

Iv. Results and Discussion

4.1 Descriptive statistics

4.1.1 Cost leadership strategy

Table 1 presents descriptive statistics of the independent variable cost leadership, which was measured using two indicators, competitive pricing and cost control measures. The analysis focused on respondents' perceptions regarding competitive pricing, cost control mechanisms, operational efficiency, and economies of scale within the firms. The results show the percentages of respondents who selected each category, alongside the mean and standard deviation.

Table *1*: Cost Leadership Strategy

Statement	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Mean**	**SD**
The firm offers affordable pricing without compromising service quality	12.9%	25.0%	26.5%	17.4%	18.2%	3.03	1.295
The firm uses competitive pricing to increase market share	12.9%	19.7%	32.6%	25.0%	9.8%	2.99	1.168
The firm implements strict cost control mechanisms across all operations	12.9%	18.2%	28.0%	18.9%	22.0%	3.18	1.320
The firm achieves operational efficiency through streamlined processes	18.9%	15.9%	23.5%	28.0%	13.6%	3.01	1.324
The firm benefits from economies of scale in service delivery	15.2%	13.6%	26.5%	24.2%	20.5%	3.21	1.330
Composite score						**3.08**	**1.287**

The composite mean score for cost leadership was 3.08 with a standard deviation of 1.287, meaning the effective use of cost leadership strategies have an effect on service delivery. However, a considerable proportion of respondents disagreed (25.0%) or strongly disagreed (12.9%), suggesting that some firms faced challenges in balancing affordability with quality service provision. The findings correspond to those of Musundi (2022) who assessed cost leadership strategy in relation to financial and non-financial performance of SMEs in the real estate industry. The findings that showed respondents to a great extent used cost leadership strategy to positively influence non-financial performance of the firms.

Further, the qualitative findings showed that the use of cost leadership strategy improved service delivery in real estate agent firms. The firms using cost leadership strategy were able to satisfy the needs of their customers hence attract both first-time buyers and seasoned investors. Among the cost leadership strategy used by the firm was offering affordable while maintaining professional standards, thus boosting service delivery outcomes. One manager stated that:

"*Keeping fees fair allows us meet client satisfaction and attract both first time buyers and seasoned investors thereby improving service delivery*".

Other managers affirmed that their target was to reduce operational cost without compromising with quality of services in order to manage the competition and satisfy the needs of their customers. One manager reported that:

"*Cost efficiency combined with in house valuation expertise sets us apart from firms that outsource leading to repeat clients and long tenures hence enhancing service delivery*".

4.1.2 Service delivery

The descriptive statistics of service delivery conceptualized as the dependent variable was measured using responsiveness, reliability, assurance and tangibles of service in real estate agent firms in Kenya. The study examined respondents' perceptions regarding responsiveness, service quality, staff competence, professionalism, and customer problem resolution within the firms. Table 2 presents the percentage distribution of responses together with the mean and standard deviation values for each statement.

Table 2: *Service Delivery*

Statement	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Mean**	**SD**
The firm responds promptly to customer requests and inquiries	18.9%	19.7%	19.7%	21.2%	20.5%	3.04	1.413
The firm provides consistent service quality to all customers	10.6%	23.5%	32.6%	18.9%	14.4%	3.03	1.197
The firm's staff possess adequate knowledge to answer customer questions	16.7%	22.0%	26.5%	21.2%	13.6%	2.93	1.285
The firm's staff maintain a professional appearance	13.6%	21.2%	24.2%	25.0%	15.9%	3.08	1.284
The firm takes immediate action to resolve customer issues	12.9%	24.2%	22.0%	24.2%	16.7%	3.07	1.293
Composite score						**3.03**	**1.294**

The grand mean for service delivery was 3.03 with a standard deviation of 1.294. The results suggest that respondents moderately agreed that firms provided satisfactory service delivery. The findings therefore imply that firms demonstrated moderate effectiveness in responsiveness, professionalism, service quality, and customer problem resolution. However, the relatively high standard deviation values indicated differences in respondents' experiences and perceptions, implying inconsistencies in service delivery practices across firms within the sector.

4.1.3 PLS-SEM Estimation Results

Partial Least Squares Structural Equation Model (PLS-SEM) was used to analyze quantitative data. For PLS-SEM analysis, two steps were carried out; evaluation of the measurement model and evaluation of the structural model. Indicator loadings, Reliability (composite reliability and Cronbach's Alpha), Average Variance extracted (AVE), were computed and used to evaluate the measurement model.

The indicator loadings presented the strength of the relationship between the observed variables and their respective latent constructs. As shown in Table 3, all indicators exhibited loadings above the recommended threshold of 0.70, ranging from 0.834 to 0.899, indicating satisfactory indicator reliability. exceeded the minimum acceptable threshold of 0.70, the results demonstrate that the measurement items adequately represented their respective constructs and possessed satisfactory indicator reliability. Consequently, all indicators were retained for subsequent analyses.

Table 3: *Indicator Loadings*

Indicator	First-Construct	Loadings
CL1	Cost Leadership	0.841
CL2	Cost Leadership	0.836
CL3	Cost Leadership	0.852
CL4	Cost Leadership	0.868
CL5	Cost Leadership	0.854
SD1	Service Delivery	0.854
SD2	Service Delivery	0.836
SD3	Service Delivery	0.834
SD4	Service Delivery	0.863
SD5	Service Delivery	0.871

Table 4: Results of the evaluation model

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Cost Leadership	0.904	0.929	0.723
Service Delivery	0.905	0.930	0.725

According to Hair et al. (2019), a measurement tool demonstrates internal consistency if its Cronbach's alpha values exceed 0.7 and good convergent validity only if its AVE goes above 0.5. All constructs Cronbach's alpha had value above 0.9 indicating excellent reliability. The composite reliability values exceeded 0.7, implying that the research instrument demonstrated strong internal consistency. Once the measurement model was assessed the structural model was examined to assess the hypothesized relationships among the study variables cost leadership strategies and service delivery.

Table 5. Path relationship

Hypothesis	Path	β	S.E.	t-value	p-value	Hypothesis
H_1	CL -> SD	0.309	0.071	4.341	< .001	Rejected

The results in Table 5 revealed that cost leadership had a positive and significant effect on service delivery ($\beta = 0.309$, $t = 4.341$, $p < 0.001$), the direct effect was supported. The positive coefficient indicated that one unit increase in cost leadership was associated with 0.309 unit increase in service delivery.

IV. Results and Discussion

The objective of the study was to examine the effect of cost leadership strategy on service delivery of real estate agents firms in Kenya. To achieve the objective the study tested the hypothesis that: Cost leadership has no significant effect on the service delivery of real estate agent firms in Kenya. However, the results did not support this hypothesis since cost leadership was found to significantly influence service delivery. The findings imply that organizations that adopted cost leadership strategies are likely to enhance service delivery by reducing operational costs, improving efficiency, and offering affordable services to customers. Since the p-value was below the threshold of 0.05, the null hypothesis was rejected and study concluded that cost leadership significantly influences service delivery across real estate agent firms.

The findings agree with studies conducted within the real estate sector in Kenya. Kiprotich and Waithaka (2025) established that cost leadership strategy positively and significantly influenced organizational performance among real estate firms. The study found that cost control measures, cost efficiency practices, and economies of scale enhanced competitiveness and improved firm performance within the property development sector. This finding reinforces study's result suggesting that effective cost management enables firms to streamline operations and allocate resources efficiently, thereby enhancing their capacity to provide reliable and responsive services to clients.

V. Conclusion

The study concludes that integrating cost leadership practices enhances service delivery. Hence, cost leadership strategy is a sustainable strategic approach for improving service delivery because it enables real estate firms to optimize operation efficiency while maintaining competitive pricing. The finding reinforces that real estate agent firms that manage costs effectively and provides competitively priced services are in a better position to satisfy the needs of their customers and improve service delivery outcomes.

VI. Recommendation

The study recommends management of real estate agent firms in Kenya should prioritize the implementation of cost leadership strategies through systematic cost management, investment in digital transaction platforms, and process automation. In addition, firms should establish internal audit systems to monitor and control operational costs across all service delivery stages, from property listing through transaction closure. In addition, technology investments such as CRM systems, digital property marketing platforms, and online client portals can simultaneously reduce operational costs and improve service responsiveness and reliability. This will enable firms to be in a position to offer competitive pricing while maintaining quality of service delivery.

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