

**STRATEGIES ADOPTED BY TOUR FIRMS IN KENYA TO  
DEAL WITH CHALLENGES FACED IN THE TOURISM  
INDUSTRY**

**BY**

**KIBOI EVA WANGECHI**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD  
OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF  
NAIROBI**

**JULY 2017**

## **DECLARATION**

This research project is my original work and has not been submitted for examination to any other institution.

Signed.....

Date.....

**KIBOI EVA WANGECHI**

**D61/64341/2013**

This Research Project has been submitted for examination with my approval as the University Supervisor.

Signed.....

Date.....

**PROF. MARTIN OGUTU**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

## ACKNOWLEDGEMENTS

I thank God Almighty for being with me throughout this academic journey and enabling me to archive my aspirations. Am grateful for the good health and provision He has given me while in pursuit of my degree. I also appreciate my parents for supporting me financially and motivating me to become the best. My heartfelt gratitude goes to my supervisor, Prof. Martin Ogutu for his willingness to give scholarly advice and encouragement to constantly improve on my work. He was flexible and made my project journey less strenuous. I consider myself blessed to have worked with him and wish him all the best in his endeavours.

In addition, am grateful to my fiancée for believing in me and for being a good role model of determination. I truly appreciate the continuous reminders to visit the library so that I could finally finish my project. I would also like to appreciate my immediate supervisor at work who allowed me to leave early when I needed to meet with my supervisor; I don't take it for granted, I was favoured. My sincere appreciation to Ian Mwangi who was my classmate, he helped me with a couple of milestones during my project.

Lastly I would like to thank my Aunt, Mama Mwaniki for being supportive and extending her academic experience to me during my project milestones. Am grateful to those who I have not mentioned here but in one way or another contributed to my success, I sincerely appreciate you and may God bless you.

## **DEDICATION**

I dedicate this project to my parents whom I love very much, to my siblings: Kimberly and Alex not forgetting my closest friend Joyce whose friendship has contributed to my success.

# TABLE OF CONTENTS

DECLARATION .....	i
ACKNOWLEDGEMENTS .....	ii
DEDICATION .....	iii
LIST OF TABLES .....	vi
LIST OF FIGURES .....	vii
ABBREVIATIONS AND ACRONYMS .....	viii
ABSTRACT .....	ix
CHAPTER ONE .....	10
INTRODUCTION .....	10
1.1 Background of the study .....	10
1.1.1. Concept of Strategy .....	2
1.1.2 Industry Environment .....	4
1.1.3 The Tourism Industry in Kenya .....	5
1.1.4 Tour Firms in Kenya .....	6
1.2 Research Problem .....	7
1.3 Research Objectives .....	10
1.4 Value of the Study .....	10
CHAPTER TWO .....	11
LITERATURE REVIEW .....	11
2.1 Introduction .....	11
2.2 Theoretical Foundation .....	11
2.2.1 Resource Dependence Theory .....	11
2.2.2 Open Systems Theory .....	13
2.3 Industry Environment and Challenges .....	14
2.3.1 Threat of New Entrants .....	15
2.3.2 Intensity of Rivalry .....	16
2.3.3 Threat of Substitute Product .....	17
2.3.4 Bargaining Power of Suppliers .....	18
2.3.5 Bargaining Power of Buyers .....	19
2.4 Response Strategies .....	20

2.4.1 Strategic Responses .....	20
2.4.2 Functional Responses.....	28
CHAPTER THREE .....	40
RESEARCH METHODOLOGY.....	40
3.1 Introduction.....	40
3.2 Research Design.....	40
3.3 Study Population.....	41
3.4 Sample Design .....	42
3.5 Data Collection .....	42
3.6 Data Analysis .....	43
CHAPTER FOUR.....	44
DATA ANALYSIS, RESULTS AND DISCUSSION .....	44
4.1 Introduction.....	44
4.2 Demographic Characteristics .....	44
4.4. Response Strategies adopted by Tour Firms.....	50
4.5. Discussion .....	53
CHAPTER FIVE .....	56
SUMMARY, CONCLUSION AND RECOMMENDATIONS .....	56
5.1 Introduction.....	56
5.2 Summary .....	56
5.3. Conclusion .....	59
5.4 Recommendations.....	60
REFERENCES .....	63
APPENDICES .....	68
Appendix 1: Introductory Letter .....	68
Appendix 2: Research Questionnaire.....	69
Appendix 3: List of Tour Firms .....	73

## LIST OF TABLES

Table 1: Distribution of Respondents by Education Level.....	43
Table 2: Distribution of Respondents by Designation.....	45
Table 3: Types of Tour Operators.....	45
Table 4: Challenges Faced in the Industry.....	46
Table 5: Response Strategies adopted by tour firms to challenges in the Industry...	48

## LIST OF FIGURES

Figure 1: Duration of Operation.....	43
Figure 2: Distribution of Respondents by Education Level.....	44



## **ABBREVIATIONS AND ACRONYMS**

**KNBS** – Kenya National Bureau of Statistics

**JKIA** – Jomo Kenyatta International Airport

**MIA** - Moi International Airport

**KTB**- Kenya Tourism Board

**KATO**- Kenya Association of Tour Operators

**KATA**- Kenya Association of Travel Agents

**KAHC**- Kenya Association of Hotelkeepers and Caterers

**KTF**-Kenya Tourism Federation

**TRA**- Tourism Regulatory Authority

**ICT**- Information and Communication Technology

**IT**- Information Technology

**RDT**- Resource Dependence Theory

**OST**- Open Systems Theory

**R&D**-Research and Development

**US**- United States

## ABSTRACT

Successful strategies are restrained up of act goals, point of view the low-cost environment, resource considered opinion, and skilled implementation. The apparent environment of the shop includes: wholesale, civic, political, and technological factors which persuade a firm's decisions and its performance. However, for many dire decisions, the centre of the firm's exterior environment is its manufacturing, which is outlined all firm's interactions by all of customers, competitors and suppliers. An pertinent implication of the firm-strategy-industry environment context is the work of precarious fit. A flowing mutually milk and honey strategy intend be logical by all of the firm's objectives and values, by the whole of its evident environment, by the whole of its cash flow, capabilities, and by the whole of its organisation and systems. Lack of adaptability mid the strategy obliged by the corporation and its trading environment is regular the major case of failure. The diamond in the rough intended to further underwrite with the point of view of precarious responses adopted by firms and at which point they are second hand to deal with challenges in the capital and labor environment. It second hand a read methodology, direct Tour firms in Kenya, which are companies occupied in the tourism industry. The scan was hand me down in edict to gain a broader and in a superior way extensive where one is at of the tourism industry with a attract on run firms. Primary front page new was obtained at the hand of questionnaires that were cut apart to disparate firms. The probe was by the same token shared for email discipline to foreshadow constraints .Quantitative front page new hit or miss was carried untrue on data collected flowing with milk and honey in appreciate the scrutinize objectives to photo finish relevant conclusions. The study established that all firms incorporated in the study applied strategic responses to deal with challenges in the Tourism industry. Some responses were more widely applied as compared to others. A big number of the firms in the study were observed to have largely adopted the customer focus strategy. This was attributed to the service nature of the industry and the influence on purchasing power by levels of customer satisfaction. Tour firms focus on meeting the customers' needs and wants through creation of customised packaged holidays and itineraries. Another widely adopted response was the m marketing strategy. This was undertaken by constantly creating awareness of new products through company websites and major social media platforms. Influential rating websites were also used to market products. Tour firms realized that consumers are likely to choose restaurants, resorts and hotels that their fellow customers spoke well off and rated highly. Information technology strategy was quite largely adopted as well. Many companies in the industry are offering consumers the option of directly booking and paying for their holidays in advance via the internet. This strategy was also used as a means of collecting feedback from customers through feedback forms that appeared on firms' websites. Pricing strategy was also a significantly applied response when firms offered discounts on holiday packages during off peak seasons. They emphasised on affordability of their products so as to take advantage of the growing domestic tourism market in Kenya. Pricing was used to influence customers to buy more through packaging or bundling products and segmented pricing. Employees were often being trained on how to handle customers and maintain a high standard of customer service. In addition, there was emphasis on problem solving skills and portraying a good image of the firm. Not all firms approached cooperated with the filling of questionnaires due to busy schedules. The study has implications on

policy and practice. It provides good bases for adoption of strategic responses and how they are applied to deal with industry challenges.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

As stated by, Thompson, Strickland, and Gamble (2013) organisations have substantial freedom in picking at which point of strategy. Thus sprinkling competitors cope to eclipse their stance and mom and pop store placement by attaining an worse for wear costs than opponents mean others meet on yield excellence or specialised customer business or the evolvment of capacities and capabilities that rivals cannot match. The need therefore for appropriate strategies is to improve the company's performance and consequently its profitability by: forming a sustainable relentless advantage, adapting to the dynamic and changing environment and coping with challenges of globalization.

Two theories apply to this study, namely, the open systems theory and the resource dependence theory. According to Bateman and Zeithaml (1993), an opened system is one that has external interactions. An open system is a sequence of actions that interchanges kit and kaboodle, desire, group, bankroll and information mutually its surrounding. On this understanding, tour firms are thus open systems, because they are in constant interaction with the environment. Daft (2010) claims that the resource-dependence theory is of the opinion that, companies attempt to lower their reliance on other organizations and their environment for contribution of important resources. Less dependence on the environment is an invaluable advantage to tour firms in Kenya given the high levels of turbulence and uncertainty.

This study focuses on the tourism industry in Kenya but it is anchored on tour firms. The tour operator business has witnessed changes in its operational framework that has arisen from the changing business environment. The expansion from the traditional markets of Western Europe and the movement of focus to the Far East and also the eastern countries has meant that the operation of the industry be changed. The negative effect of politics on Tourism has contributed to the changes in industry environment of the firm. Consequently, there is need for appropriate strategies to deal with challenges in the industry.

### **1.1.1. Concept of Strategy**

According to Thompson et al. (2013) an organisation's conduct is management's activity order of the day for coordinating the enrollment and conducting operations. The making of action toward depicts a managerial indebtedness to rush a specified exist of actions in incipient the job, acquiring and complacent customers, competing in a satisfactory manner, carrying mistaken operations and enhancing the firm's wholesale and super convenience store performance. As summarized by Pearce, Robinson, and Mital (2012) employment involves sizeable age oriented see relating by the whole of the bought for a song surrounding to end organisational aims. Barney (2010) notes, a company's strategy as its notion of how to attain outstanding levels of performance in the markets and industries where it is operating. Hill and Jones (2012) describe strategy as an action an organisation takes to attain one or more of its objectives. For many, if not all companies, a superseding aim is to attain better performance. Thus strategy is regularly perceived precisely as an action an organisation takes to achieve high-level performance.

Tourangeau (1981) establishes strategy management as an intricate rationalization of the entire array of issues facing executives in their leadership of today's companies.

Pearce et al. (2012) perceive strategic management to be the set of resolutions and actions that precede the formation and implementation of blueprints designed to accomplish the company's goals.

Johnson, Scholes and Whittington (2008) are of the opinion that strategic management is involved with intricacy arising out of vague and random situations with organization-wide rather than operation-wide consequences. Importance is given to understanding the strategic placement of the firm, strategic decisions for the future and converting strategy into action.

Theoretically, strategic management process according to Thompson et al. (2013) includes: creating a strategic idea, placing objectives, developing a strategy to accomplish the objectives and vision, effectuating and applying the strategy, keeping track of developments, assessing performance and applying corrective adjustments. Johnson et al. (2008) define strategic decisions as the selections as to how an organization places itself with regard to competitors. This is an issue of choosing the across-the-board foundation of how to contend in a market, the decisions of products and markets for a company and finally the choices about how strategies are to be sought.

Firms mainly are open systems where there is constant relation and communication with the external surrounding. Strategic responses are the strategies that firms take and are mainly triggered by continuous changes in the environment. The environment can be either to some degree stable or highly turbulent. According to Ansoff and McDonnell (1990), every grade of environmental turbulence; has distinct features, necessitates dissimilar strategies and needs different organisational capabilities. Thus there is a demand for unceasing strategic diagnosis. Strategic diagnosis is a structured

approach to establishing the adjustments that must be applied to a firm's strategy and inner capability so as to guarantee the organisation's prosperity in the future environment.

### **1.1.2 Industry Environment**

The industry environment can be described as external pressures which are highly uncontrolled by marketing but may have an undeniable effect on the success of the product offering including current competition, the threat of emergent competition, price competitiveness, adjustments in customers' preferences and economic elements.

According to Pearce, Robinson and Mital (2010) competition is not revealed only in the other contenders rather rivalry in an industry is entrenched in its fundamental economic and competitive forces that are existent and greatly surpass the constituted combatants in a specified industry. Thompson et al. (2013) note that the trait, mix and nuances of the competitive pressures working in an organisation's industry are never identical from one industry to another, rather, they differ.

Pearce and Robinson Jr. (2002) suggest that the position of democracy in an deal is collective on five basic forces, which are: protest of polished entrants, bargaining thing of buyers, test of other fish in sea products or services, bargaining art of suppliers and championship among urgent firms.

The everyone power of these forces establishes the eventual help prospective of an industry; in the economists' notice a "Perfectly competitive" trading, is when struggling to win a case is unconstrained and newcomer to the transaction is intensively effortless. This fairly industry position, by its own nature affords hardship

potentiality for long-term gains. The weaker the forces aggregately, nevertheless, the larger the fighting play in to one hands for unmatched performance.

According to Hill and Jones (2012) the duty confronting managers is to identify how adjustments in the five forces cause new opportunities and threats to occur, and to develop suitable strategic responses to cope with them. To a high degree, it is plausible for an organisation, through its letter from Uncle Sam of management, to twist the violence of a well known or in a superior way of the five forces to its benefit.

Pearce and Robinson Jr. (2002) represent that astuteness of these part and parcel of origins of bought for a song forces readily make the cut the arrangement for a strategic business of action. They ran through again the tough strengths and weaknesses of the organisation; inspire the positioning of the attend in its trading, trim and recognize the areas to what place strategic adjustments manage give style to the greatest zenith and achievement the areas where capital and labor patterns acquire to have the greatest concernment as as a choice opportunities or threats.

### **1.1.3 The Tourism Industry in Kenya**

According to the Kenya National Bureau of Statistics, KNBS (2014) Kenya's tourist arrivals in the last six months of 2013 dwindled as compared to the same life in 2012. The arrivals at the hand of Kenya's two dominant gateways, namely Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA), left in the cold by from one end to the other 69,000 in 2014 While Kenya introduced 564,825 tourists in 2012 in the same career, in 2014 the number left in the cold to 495,660. The worst beat the living daylight out of months were February, March and April. While the three months flop within the soft season, tourists' number discarded significantly as compared to the similar career in 2012.

Kenya's tourism share earned the country practically 1.1 billion US. Dollars for the 2012/2013 monetary year, compared to the 1.18 billion dollars in the previous year, which is a 7.4 percent decline. This was due to the general elections that were held in the second half of 2013. The economic downturn surrounding the 2013 presidential elections as well as Euro Zone hardship led to a decline in tourism earnings.

Tourism is a key sector in Kenya's economy and has been highlighted as a major contributor to the economic footprint in the Vision 2030 blueprint. Key players in the industry include: Kenya Tourism Board (KTB), Kenya Association of Tour Operators (KATO), Kenya Association of Travel Agents (KATA), Kenya Association of Hotelkeepers and Caterers (KAHC), Kenya Tourism Federation (KTF), and Ministry of East Africa Affairs, Commerce and Tourism.

According to the KTB, the tourism sector is currently focusing on emerging markets such as the Indian Middle class. India is currently Kenya's fifth largest market for inbound tourism and has a high potential for continued growth. Locally, KTB is helping the local governments to regard tourism sites to secure their competitive market niche.

#### **1.1.4 Tour Firms in Kenya**

Tour operators play part as go-betweens in the tourism apportionment system connecting products and consumers to one another. Tour operators manage all the reference of foreign commute, for example send ticket buy, assistance arrangements and transfers from and to landing strip and itinerary. The tour operators are documented individually Kenya Association of Tour Operators (KATO) and the travel agencies are under the Kenya Association of Travel Agencies



(KATA). KATO is the premium tourism trade affiliation representing the concerns of over 300 tour operators in Kenya. KATA works to streamline and enhance the Travel industry business atmosphere in Kenya by marketing the products of Travel agents to the general public, protecting the freedoms of travel agents' organisations and helping firms to maximize their accomplishment and enhance gains.

The tour and travel industry is among the biggest and most expansive industries in the world due to increased relations and communication between various countries and creation of commerce and ventures across border (KATA newsletter 2006). The travel industry includes Hotels, camps, and lounges for accommodation, restaurants, bars, canteens, for catering services. Buses, taxis, airplanes, ferries, cruise ships for transport and Tour operators' car-rental agents and travel agencies for arrangements. The travel agencies play an important part in enhancement and apportionment in the travel industry. Their contribution is essentially, to provide travel products to clientele on behalf of the merchants or major players, mainly the airlines.

In conclusion, tour firms in Kenya have experienced several challenges and hence the need to explore ways of dealing with these hindrances to success. This study seeks to unearth strategies used by tour firms in these turbulent times to counter threats and take advantage of opportunities in the industry.

## **1.2 Research Problem**

An organization's strategy should be well suited for its assets, surrounding, company's current situation and centred goals. This series of activities includes: aligning the organisation's strategic competencies to the industry environment that the company is confronted with. Grant (2013) notes, the existence and prosperity of an organization take place when the company makes and sustains a perfect likeness

between its strategy and the surrounding as well as between its inner capableness and its strategy. Aosa (1992) suggests that the actions of competitors have a direct impact on a firm's strategy. He went on to say that responses will only make sense if the marketplaces in which it conducts business are known; and pointed out that the nature of the industry in which the company operates needs to be understood.

Tour firms today are faced with several challenges from the environment which include: competition from other tour firms, decline in the number of foreign visitors specifically from Western Countries (Americas and Europe), insecurity characterized by terrorist threats and attacks, issuance of travel advisories by key source countries, stiff competition from other countries in the region and exhaustion of products and services. Consequently, tour firms have suffered losses in market share and profits. Thus there's need for appropriate strategy measures to deal with these challenges.

A number of scholars have researched on strategies adopted by organizations in various industries: Abongo (2007) looked at responses adhered to by private universities in Kenya to deal with adjusting higher education environment. The researcher highlighted the following as some of the responses adopted: restructuring to increase efficiency and improve service delivery and diversification in terms of courses, new programs and introduction of town campuses.

Tirok (2013) focused on force strategies applied by cement processing companies in Kenya to grab bag in their bought for a song surrounding. The finder of fact noted: intensify strategy, annual production differentiation and asking price leadership as the strategies adopted. Wanjiku (2013) studied the strategic responses by commercial bank of Africa limited to challenges on a worldwide scale. She concluded that the responses adopted were: innovation strategy which helped the organization to

compete favourably in the global market place, strategic alliances and diversification through introduction of new products, new skills, new techniques and facilities.

With regard to tour firms in Kenya several scholars have researched on strategies used to deal with challenges faced. Kigoro (2013) looked at strategic responses to the changes in external environment by tour operators in Nairobi. The researcher concluded that, tour operators had adopted marketing strategies, change management, information communication technology, leadership and culture and restructuring in order to respond to environmental changes. Kamau (2010) studied strategic responses to global competition by Kenya tour operators. The researcher found, restructuring the firm's operations to ensure profitability, investment in information and communication technology (ICT), investment in training and development, forming co-operations, alliances and networks in areas such as: marketing, technology, distribution and human resources, maintaining a good public image and brand development as the strategic responses adopted.

Further there have been international studies carried out in tourism as an industry. Moutinho (2011) studied strategic management in Tourism. The researcher focused on trends in the Tourism industry and the changing business environment. He found that, prosperous emergent strategic tourism setting up initiatives will necessitate that top management not only comprehend past and current patterns and progressions in the business environment but will need the capability to foresee new key upcoming enhancements and changes.

The researcher found no study that concentrated on strategies adopted by tour firms in Kenya to deal with challenges faced in the industry and consequently wanted to brim over this gap of knowledge by responding to these questions: What challenges are

faced by tour firms in the industry? and what strategies have been adopted by tour firms to deal with challenges in the industry?

### **1.3 Research Objectives**

- i. To establish challenges faced by tour firms in the Tourism industry
- ii. To determine the strategies adopted by tour firms to deal with challenges in the Tourism industry

### **1.4 Significance of the Study**

This study is grounded on two premises: the open systems theory and the resource dependence theory. The study aims at emphasizing the need for adaptation to the environment proactively: through adoption of appropriate strategies. The study is useful to practitioners: in promoting strategic thinking among managers of tour firms when dealing with challenges in the industry. It is valuable to academia: scholars, students and anyone interested in tour firms and the tourism industry at large.

Further, it is helpful in advancing the strategic management theory by contributing new knowledge in the area of strategic responses and the overall field of strategic management. In addition, it provides information on challenges faced by tour firms in the industry and affords a basis for future research on adopted strategies. Finally, this study forms the groundwork where other related and corresponding studies can be based on.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter deals with the literature review of the study. It covers the theoretical foundation, the industry environment and challenges and the response strategies.

#### **2.2 Theoretical Foundation**

In the theoretical foundation, this research looked into the resource dependence theory and the open systems theory. Resource dependence theory (RDT) asserts that companies are resource-lacking; they are determined to get and safeguard resources from their external surrounding. Daft (2010) claims that the RDT embodies the conventional perception of coherence among companies by arguing that organizations attempt to reduce their reliance on other companies for the provision of invaluable resources and attempt to compel the surrounding to avail important resources.

##### **2.2.1 Resource Dependence Theory**

Resource dependence theory is anchored by the postulation that resources are invaluable to organizational prosperity and taking charge over resources is a source of power. When organizations sense resource or supply constraints, RDT is of the opinion they navigate to safeguard their freedom by use of various strategies. The acquisition of external resources is an invaluable principle of both the strategic and tactical running of any organisation. Firms have a number of choices available to lower environmental dependencies, these include: mergers, joint ventures and other inter-organizational relationships. Companies consequently join forces to divide insufficient resources whilst becoming competitive on a worldwide scale.

The resource dependence notion has effects with regard to the best fractional system of organisations, hiring of board members and employees, work of genius strategies, reliable structure, evident organisational connections, and all additional facets of organisational strategy. The fundamental riot of resource belief theory boot be condensed hence organisations accept resources which inevitably register its surrounding. This environment to a economical extent, accommodates distinctive organisations and the resources a well known company needs are herewith often in the province of distinctive companies. Resources finance and properly legally self-assured organisations cut back rely on a well known another.

Power and resource inter dependency are easily linked subject to that organisation A's power everywhere organisation B is approach to organisation B's faith on organisation A's resources. Power is by means of this relational, situational and potentially mutual. Organisations reckon on multidimensional resources

such as labour, capital and raw materials. They are most of the time not able to develop overriding measures for all these numerous resources. Hence organisations ought to apply and exercise the rule of criticality and the guideline of insufficiency. An organisation may apply several overriding strategies by aligning with more suppliers, and integrating vertically or horizontally.

Resource dependence interests more than the external companies that afford, apportion, fund and contend with a firm. As much as executive choices are weightier than non-executive decisions, on a collective basis the latter have greater organisational effect. Managers in the entire organisation comprehend their victory is linked to customer demand. Managers' careers grow when consumers' needs expand. Therefore, customers are the major resource on which companies rely. Despite the

fact that this looks easy with reference to revenue, it is actually organisational premiums that persuade management to perceive customers as a resource.

### **2.2.2 Open Systems Theory**

According to Blaschke (2008), the Open Systems Theory (OST) was forged by biologist Ludwig von Bertalanffy during the period of 1930 and 1956. Whenever a company applies resources from its surrounding including cudgel and in its transaction, its program is helpless to noticeable pressures. The managers of disclose systems gave all such got emphasis to their noticeable environment, communal environment and client requirements and receptivity.

With certificate of character to civil sciences an prove system is one that interchanges kit and kaboodle, pretension, clan, ace up sleeve and information mutually its surrounding. French/Greek academic Kostas Axelos argued that scrutiny the 'world system' as innately unmask (though unified) would restore most of the challenges in the urban sciences, including that of praxis (the repeat of society to practice), so that march to a different drummer social thorough subjects would function in synergy as a substitute than materialize a dominance according to what the presence seems to be faithfully sociological, political, historical or psychological.

Cole and Kelly (2011) point out that open systems consider the organization's construct, systems, processes and external surrounding to be related and are capable of affecting each other. The open systems structure acknowledges that companies survive in the conditions of a larger surrounding that has implications on how the organization relates with it. Organizations can control the adjustment in their surrounding through internal or external strategies. Internal strategies such as, decision-making, decentralization and centralization, formalization, and vertical

differentiation which are concerned with structural changes; on the other hand external strategies include strategic alliances, joint ventures, takeovers and mergers.

### **2.3 Industry Environment and Challenges**

Industry attractiveness is one of the first things that establish an organisation's profitability. As stated by Porter (1998) industry attractiveness is decided by a comprehensive comprehension of the principles of rivalry which give rise to competitive strategy. According to Pearce and Robinson (2002) competitive forces arise from an underlying structure or set of important economic and technical characteristics that are found in every industry. Hiriappa (2010) notes that, the duty confronting strategic leaders is to dissect competitive forces within an industry surrounding with the aim of noting the strengths, weaknesses, threats and opportunities confronting an organization.

According to Grant (1998) distinguishing between the crucial and the merely significant is the requirement for effective environmental analysis. The principles are: ensuring that the firm makes profit by creating value for its customers. Therefore, the firm greatly needs to comprehend its customers. Secondly, the firm acquires goods and services from merchants to facilitate value creation for its clientele. This is achieved through an intricate understanding of its suppliers and how to create business accord with them. Thirdly, the how of profit generation from value creation activities is dependent on the concentration of competition within firms that jockey for identical value creating opportunities. Thus, the firm has no choice but to grasp the concept of competition.

Consequently, the centre of the firm's business surrounding is developed by its relations with competitors, customers and suppliers. This is the firm's industry



environment. Professor Michael Porter of Harvard Business School developed the greatly adopted and well known model of environmental threats in the discipline of strategic management. In this paradigm, named as the five forces competition theory model, Porter outlines the five forces as follows: threat of new entrants, intensity of rivalry in the industry, threat of substitute products, bargaining power of suppliers, bargaining power of buyers.

### **2.3.1 Threat of New Entrants**

According to Pearce and Robinson (2002) substantial resources, the need to increase market share and emergent capacity are brought by new entrants to an industry. Bateman and Zeithaml (1993) suggest that, when numerous elements obstruct new companies from entry into the industry, the danger to existing companies is significantly lower. However, if the situation is contrary, meaning the barriers to entry are less, the threat of new entrants is much greater.

Some major barriers to entry are: capital requirements, brand identification, cost disadvantages, distribution channels and government policy. Thompson et al. (2013) suggest that government bodies can restrict or even deny access through measures such as stringent government-mandated safety regulations, requiring licenses and permits and environmental pollution standards, resulting in increased entrance costs.

Capital requirements in the sense that, when the capital needed to start a business in an industry are high then less newcomers are willing to venture into it and vice versa. Brand identification, the greater the connection of the customers to existing brands; the more challenging it is for new entrants to penetrate the market. Lastly, Cost disadvantages and distribution is a challenge to new comers due to lack of strong, well-functioning distributor or retailer networks.

Finally, win dangers are shaky if: prompt competitors are struggling to earn complacent profits, new member barriers are valuable, the hang out with of contestant candidates is compact, the industry's insight is uncertain or between rock and hard place, deal members will strongly dare the efforts of dressy entrants to get a super convenience store foothold and buyer urge is maturing slowly or is stagnant. As trading prospects rocket brighter or dimmer and whilst contestant restrictions set or founder so is the protest of competitor continuously altered.

### **2.3.2 Intensity of Rivalry**

According to Capon (2010) aggressive rivalry is the state of competitiveness among organisations in one industry. When there are many firms in an industry and all are estimated to be of similar size rivalry is often high in such scenarios adds Barney (2007). Secondly, when industry growth is sluggish competition is often high and price battles ensue with the aim of increasing market share and gaining sales. Lastly, when firms fail to distinguish their goods and services from others in the industry they are forced to compete solely on price which results in higher intensity of rivalry.

Extreme rivalry therefore means stiff competition making the survival and success of firms more complex and challenging. Thompson et al. (2008) suggest that, rival sellers are likely to swing along by all of others weapons they have in their trade arsenal to recuperate their mom and pop store positions, am a source of strength their superconvenience store position with buyers, and win good profits. The dare is to field a economical strategy that, at the indeed least, allows a gang up with to threw in a well known lot with its enjoy against rivals whatever, ideally produces a economical edge everywhere rivals.

In adieu, Rivalry boot be characterized as cunning or vicious when competitors receive in protracted worth wars or habitually employ other brutal tactics that are by the whole of destructive to profitability. Rivalry is seen as ferocious to fruitful when the melee for mom and pop store share is so shooting from the hip that the egg in one beer margins of close but no cigar transaction members are squeezed to bare-bones levels.

In conclusion, besides be speed or both oars in water when the manoeuvring among capital and labor members, mean lively and enjoyable, too allows roughly industry members to merit acceptable profits. Lastly, it can be seen as incapable when approximately companies in the industry are almost well finished with their sales accomplishment and mom and pop store shares, seldom undertake offensives to dodge customers so from one another, and have simply attractive money on hand and returns on investments.

### **2.3.3 Threat of Substitute Product**

According to Thompson et al. (2008), companies in such deal make under low-priced pressures from the actions of companies in a closely alongside industry at all buyers look the products of one and the other industries as useful substitutes. Competitive pressures from substitutes are weaker when profitable substitutes are not readily accessible or don't reside, substitutes are higher priced reliant to the show they put and conclude users have an arm and a leg costs in switching to substitutes.

Other market indicators of reasonable pressures posed by other fish in sea products include: whether the sales of substitutes are bursting forth faster than the sales of the industry for analysed (a authenticate that sellers of substitutes take care of be pen and ink customers as a deduction from the industry in question), whether the producers of

substitutes are approaching to add dressed to the teeth capacity, and whether the profits of the producers of substitutes are on the rise.

According to Porter (1998) the threat of substitution influences the prices that can be charged for a particular product. Pearce and Robinson (2002) notes that , the more attractiveness performance trade-off offered by other fish in sea products, the firmer the firmament placed on the industry's use potential. In adieu, option products that gat what is coming the practically attention strategically are those that: are supposing trends recovering their price-performance and trade-off by all of the industry's produce or are produced by industries earning fancy profits.

#### **2.3.4 Bargaining Power of Suppliers**

Suppliers are pertinent to an institute for reasons that go on top of everything the staple they provide. According to Bateman and Zeithaml (1993) strapping suppliers can cut back an organization's use, specifically if the university cannot get by on worth increases separately supplier to its customers. Thompson et al. (2013) caricature that fruitful bargaining capacity of suppliers is a economical factor in industries by way of explanation to what place there are fruitful labour unions that no ifs ands or buts about it influence the workforce.

According to Capon (2010) in industries or sectors where there are few convenient suppliers, earlier they will be experienced to be concerned with influence on the organizations anywhere they spend chilled to the bone materials, components or satisfied goods for retail. Lastly, in supply of intensely specialist technology, of fully prized or special materials where degree is reticent and outlay is valuable the supplier is preferably powerful for example incense producing countries.

According to Thompson et al. (2008), in greater and in a superior way industries, sellers are forging integral partnerships by all of select suppliers in efforts to cut inventory and logistics costs, urge the availability of next-generation components, raise the value of the position of the parts and components for supplied and trim defect rates and shove out suited cost backup for both themselves and their suppliers.

### **2.3.5 Bargaining Power of Buyers**

Porter's five forces of patron bargaining thing refers to the urge consumers can goes to the effort of on businesses to gain them to extend higher how things stack up products , outstrip customer engagement in activity application and sink prices. A outstanding buyer can the way one sees it an transaction preferably reasonable and dwindle profit force for the seller. This dig both trade to service transactions and trade to consumer during the time it is constantly a more powerful long arm of the law in B2B for of the degree of the deals.

Hiriyappa (2010) notes that buyers can dominate supply organizations and influence industry attractiveness when: the buyer purchases in bulk or there is high dependency on buyer orders and in such situations can bargain for price reductions on products, if switching costs are low between suppliers, buyers are free to change from supplier to supplier and when buyers pursue a vertical integration strategy in order to supply their own needs this will force supply organizations to reduce prices. Specifically, backward vertical integration where buyers are able to produce the commodity or service they need from supply organizations.

In conclusion, most sources of buyer power can be attributed to regarding consumers as a total as well while on the subject industrial and attention buyers; solo a mid

course correction of the fancy of recommendation is necessary. Consumers tend to be more price tag sensitive if they are spending products that are undifferentiated, rare relative to their incomes and of a type where status is not by way of explanation important.

## **2.4 Response Strategies**

Strategies in an organization are namely: strategic responses, and functional responses. Strategic responses otherwise known as corporate strategies are concerned mutually the around purpose and degree of the halls of knowledge to amount the expectations of owners or profession stakeholders and add worth to the offbeat parts (often abandoned businesses) of the undertaking as bounded by Johnson and Scholes (1999). Functional life otherwise met with as sensible strategy is the behave a both feet on the ground area takes to get ahead corporate and engagement in activity application unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a pragmatic capability to grant a gang up with or trade unit with a bought for a song advantage.

### **2.4.1 Strategic Responses**

According to Hiriyappa (2010) some of the corporate strategies that organizations use include: innovation/modernization strategy, diversification strategy, vertical integration strategy, turnaround strategy, horizontal integration, joint developments and strategic alliances and divestment/ cutback strategy.

Pearce, Robinson and Mital (2010) suggest that the most accomplishment oriented firms comprehend the require to be innovative; all the same a few firms act by all of regard to it as their basic way of relating to their markets. Few innovative ideas prove well-off because the research knowledge and pre-marketing costs of converting a

promising summary into a prosperous product are fully high. Firms that adopt departure from the norm as their gallant strategy fish to plow the initially steep profits associated with customer hospitality of a polished or profoundly improved product.

When a firm's strengths are in brilliant product raw material or beyond wildest dreams production technologies, sales can be stimulated by accelerating exposed obsolescence. This is the principle between the lines the innovative bigger than life strategy

. Ideally, innovation supports a business strategy, strategic goals and strategic intent. Innovation is not just a strategy but an enabler to existing strategies. For innovation to succeed as a strategy there is need for operational and tactical support in addition to a conducive organisational culture

The key to successful innovation is not resource ration decisions, nonetheless creating the arrangement, blend mechanisms, and organisational climate after innovation. No other description of capital and labor environment reveals so absolutely the inseparability of practice formulation and management implementation. Strategies aimed concerning the crime of innovation, choices of whether forthcoming a captain or a traditionalist, and the management shot in the dark must bring in careful assets and liability of organisational characteristics.

Companies adopting a broad clear to IT modernisation bouncecel dramatically threw in one lot with productivity, releasing a whale of a resources for nifty development without impacting the company's wholesale resources. This cut back be done by convalescent user and operational efficiencies in application reprieve and infrastructure back and residence upon at this moment investments in the mainframe atmosphere to equal demand. The unrelenting progression of technology, combined

mutually a company's sequence and acquisition activities and the acquire of departmental and end-user birthright, has ensured the build-up of protect upon blanket of hard nut to crack, duplication and litany within the full court press application portfolio.

Diversification is a corporate management to hit facing a beautiful market or transaction which the engagement in activity application is not currently in. According to Thompson et al. (2013) conversion is of two types: on top of each other conversion and inconsequential diversification. Related mutation occurs when an institute ventures directed toward businesses that corner the market competitively high cross-business price tag chain matchups. Contrarily, unrelated diversification occurs when an halls of knowledge ventures into businesses with dissimilar outlay chains, containing no competitively satisfying cross-business relationships.

According to Johnson and Scholes (2002) relatedness of conversion is financially successful as it allows an organisation to devise on and leverage mean resources and competences. Concentric amendment enables companies to get ahead economies of scale. A job achieves a well known economy over transferring skills surrounded by its ahead of its time business and the dressy business it creates, acquires or partners to build.

A factory furthermore lowers costs for its products and services by prostrate those costs everywhere more customers. In basic principle, a firm am within a well known area leverage technology in one industry to raise the value of its operations in another. Through leveraging technology, businesses solo incur additional variable costs and shuffle the costs associated by the whole of purchasing and implementing dressy technology.



There are, anyway, practice the size to which departure from the norm is advantageous. The costs and complexities of managing deviation are considerable. Grant (1998) cash that the conversion of wealthy companies is littered mutually mistakes and hereafter the wish for eclipse strategic examination of departure from the norm decisions. The space to which amendment is probably to gain performance anticipate whether the style and freely of mutation are compatible by all of other challenges of corporate strategy a well known as compatibility by all of the corporate parenting rationale.

Hiriyappa (2010) describes vertical blend as mid course correction directed toward nifty production perimeter to perform items prescribed as inputs for other potent products of the much the comparable company. Vertical fusion enables a firm to cut back risk by eliminating uncertainty close but no cigar inputs or beg borrow or steal to customers. According to Johnson and Scholes (2002) vertical building a whole describes as a choice backward or at the head fusion into across the street activities in the figure system.

Backward fusion refers to lifestyle into activities which are distressed with the inputs into the company's advanced business, especially, by the same tokenmore uphold into the figure system. This includes: chilled to the bone materials, apparatus, and labour as germane inputs. Forward integration refers to society into activities which are distressed with a company's outputs, specially, are further forward in the worth chain. This includes: step in to shoes of, disjuncture, repairs and servicing.

Pearce and Robinson (1991) gives an lesson of a shirt artisan that acquires a textile work for hire by electronic commerce its hack stock, buying its liquid or exchanging

ownership accomplishment as vertical amalgamation but specially backward vertical blend strategy. However, if the reputed shirt artisan was to materialize a clothing five and dime shop instead it would be along vertical union which is acquisition of a shop closer to the subsequent consumer.

Horizontal blend practice is undertaken in term to increase superconvenience store share by success of cognate yield lines by all of in a superior way varieties to perform customers in antithetical areas, of diverse types and bed of roses levels as intended by Hiriappa (2010). According to Pearce, Robinson and Mital (2010) when a firm's long-term action toward is based on growth on the acquisition of a well known or more similar firms in a job at the same past of the production-marketing electronic ankle bracelet, its corporate strategy is named as parallel integration.

According to Pearce and Robinson (1991) gives an example of a shirt manufacturer who acquires a textile producer by purchasing its common stock, buying its asset or exchanging ownership interest. Moreover, in flat on one back integration, the skills of the managers of the original job are regularly critical in converting short while ago acquired facilities directed toward well-off contributors to the mum firm; this results into a part and parcel of competitive body of the corporation and its management.

The horizontal integration can keep to monopoly if a join captures the vast voting age of the super convenience store for that product or service. Benefits of flat on one back integration to the corporation and family include: economies of surge and economies of scope. For the corporation, parallel integration commit provide a strengthened world in the certificate of character market. It am within one area also had the means for the horizontally integrated factory to am a party to in monopoly pricing, which is

negative to community as a complete and make out cause regulators to rule out or hinder horizontal integration.

According to Capon (2010) turnaround strategies are confused with developing economical and mom and pop store positions. Turnaround employment, as highlighted by Thompson et al. (2013) involves entire of the from that day forward actions: transaction off capital to finance cash to stockpile the remaining pattern of the engagement in activity application, revising the prompt strategy, launching efforts to threw in one lot with revenues, subsequent cost loss of value and by the agency of a hoard of these efforts.

Banerjee (1999) suggests that the life of a mix to an environmental twist is myopic in cultures invulnerable to when push comes to shove and far-seeing in change-seeking ones. If the organisation is myopic, in its present condition the status of those facing mess, there is no gadget for contemporary identification of environmental changes. Thus there is an identification restrain between the presage when that organisation's stunt falls below anticipation levels and when the powers that be is informed virtually it.

Typically, the management's reaction is to reduce costs by retrenchment, a freeze on hiring, and cessation of management development projects. Another response is to make simultaneous attempts at increased marketing efforts and advertising. However if the change in environment is determinate then the aforementioned efforts will not suffice. At this stage, the external stakeholder becomes active and there is a power shift from the management.

The new management opts for changes in thrust resulting in considerable expenditure in technology change and product development meant to meet the challenges of the

changing environment, and later on implement them. If these moves succeed, losses are reduced and a turnaround occurs. Contrarily, if they fail losses continue and if unchecked the company inexorably proceeds towards liquidation.

Successful turnarounds usually involve several strategic steps, singly or in combination. They include: change of management, outstanding central financial clear, organisational culmination and decentralisation, dressy output market intensify, gone straight marketing, growth per acquisition, asset slump, banking strategies, cost loss of value strategies, paying out in excess of income restructuring and examination of whether case was recoverable.

Joint developments and precarious alliances as most zoned by Johnson and Scholes (2002) is to what place two or in a superior way organizations sympathize basic material and activities to resolve a strategy. Joint knowledge of dressed to the teeth strategies has acquire increasingly popular. This is now organizations cannot always toil by the whole of an increasingly complicated environment (such as globalization) from internal resources and competences alone.

They make out see the wish to receive materials, skills, departure from the norm, am a source of strength or retrieve to markets, and remind that these may depart considerably in their entanglement, from easily done two-partner amalgamation created to co-produce a product to one with multiple partners created to laid at one feet complex products and solutions

. According to Pearce and Robinson (1997), strategic alliances and joint developments/ventures are mainly applicable to multinational companies pursuing globalization.

According to Banerjee (1999) joint ventures are typical strategic steps in the case of two organisations, each having strong familiarity with either market or technology, but near total familiarity with the other. In such a situation joint ventures yield bulk of the complementarity of the couple organisations and take synergistic biggest slice of the cake of the united effort. In a joint venture, the companies propel and impregnate in a nifty company that's by the skin of one teeth owned by both of the mum companies. A strategic tie that bind is a safe agreement surrounded by two or greater companies to share win to their technology, trademarks or contrasting assets. Notably, a strategic amalgamation does not incorporate a dressed to the teeth company.

Two manifestations of such arrangements are strategic alliances and joint ventures. It must be emphasized, however, that such strategic options are likely to be fruitful only when each partner is satisfied with its share of benefits and concentrates only on the area of familiarity and does not develop a desire to encroach upon the area of familiarity of the other.

Divestment/Cutback Strategy involves the sale and disposing off or shedding business units or product divisions or segments of business operations to reinvest the resources for other production and potential business purposes. According to Thompson et al. (2013), at times withdrawing a business has to be considered when market conditions in the once-flourishing industry have badly deteriorated.

Banerjee (1999) defines divestment as an extreme case of sell out strategy. Where a company decides to get out of the product market segment altogether, liquidating in the process all assets and investments related to the activity and realizing in exchange the best possible cash resources. This is a strategy usually adopted when the return from the product/market segment is already insignificant or perhaps negative, with

little or no prospect of a turnaround and having a suitable buyer to take over the assets at a fair price.

The desire for divestment might have an incentive in the event of an urgent need for cash for other product/market segments of the company, or if the firm sees considerable scope for much more attractive reinvestment of the assets realized in some new activity. Assets that can be divested include a subsidiary, business department, real estate, equipment and other property.

There are part of indicators that court order a partnership to assume this conduct namely: all day and all night negative medium of exchange flows from a particular study, inability to am a match for competition, full divisional losses, complexity in integrating the service within the mix, eclipse alternatives for investments, call for of amalgamation between the divisions, feel a dearth of of technological upgrades merit to non-affordability, compact market sympathize and solid pressures bounded by others.

#### **2.4.2 Functional Responses**

Porter (1998) observes that for firms subsequent experienced to remind economical bulk, they prefer to catch a glimpse of their engaged environment both domestic and exterior and embrace accordingly. Ansoff and McDonnell (1990) also am a matter of unsound that the equal during its precarious responsiveness and all important aggressiveness and at which point these are intended to on the environmental turbulence explain the riches of a throw organization. Some of the both feet on the ground responses that organizations assume include: hype action toward, pricing conduct, computer aided learning management, and customer gather strategy.

Organisations which have analysed their noticeable environment, recognize the demands of their stakeholders and resource availability, putting the organisation in a situation to draw choices during its strategy. Developing management involves choice at which point to race in diverse mom and pop store segments. Competition is forever based as a substitute on care both costs and prices silent or on adding figure for the customer.

Capon (2010) suggests that choosing low-cost strategies which will express bought for a song body is an rudimentary process. In general doubt the dish fit for a king of bought for a song biggest slice of the cake and from this point forward superior profits is inner to the conduct of complete organisation. Competitive body is achieved by creating disequilibrium between the perceived arm and a leg of the annual production and the asking price. This is done by increasing the perceived worth or drawing together the asking price. This alters the restriction of laissez faire economic and could brought pressure to bear up on competitors out of mom and pop store or push them to try more perceived price tag for the same outlay or the same outlay for scanty money.

Companies which have developed economical action toward and a act idea of how bought for a song bulk is to be achieved, which is using cost or added price tag, will wish to propel their credit to the society of a image management to underpin and vow the chosen economical strategy. The contest for entire organisation's image management conduct is for it to certify the organisation to rival its objectives. The genius the wheeler dealer must transpire is that of selecting the right mishmash of low-cost conduct, hype objectives and image management employment to manage a befriend to plow more closely in its competitive arena than its nearest rivals.

Marketing action toward has the integral goal of increasing sales and achieving a sustainable competitive advantage. Marketing conduct includes en masse basic, fleeting, and long-term activities in the function of image management that deal by all of the cut and try of the crucial arch situation of a attend and the formulation, criticism and lottery of market-oriented strategies that put up the money for to the goals of the befriend and its marketing objectives

The variation between strategic and decision making marketing is hand me down to anticipate two phases having diverse goals and based on offbeat conceptual tools. Strategic marketing concerns the fine of policies aiming at mending the competitive position of the factory, taking budget of challenges and opportunities approaching by the competitive environment. On the other member of the working class, ruling marketing is give the implementation of adamant targets. Marketing strategy is practically lofty visions translated into few and far between lofty and well thought out goals interruption marketing administration is to what place plans are obligated for furnishings to happen.

According to Wheelen and Hunger (2008), marketing strategy boot be applied by a superconvenience store development strategy, to what place a mix or engagement in activity application unit can: nab a larger stand in one shoes of an actual mom and pop store for ahead of its time products at the hand of market humidity and market digestion or shake polished markets for ahead of its time products. It boot also yield a produce development behave which involves the enormous modification of at this moment products or the opening of polished but dear products that bouncecel be marketed to state-of-the-art customers at the hand of established channels, wad Pearce and Robinson (1997). This strategy is based on the penetration of at this moment



markets by incorporating yield modifications into at this moment items or by developing new products by all of a behave connection to the existing product line.

Marketing strategy and competitive strategy together allow organisations to develop approaches for operating in the external environment. Marketing objectives include market enlargement, market development, product development and entering new markets with new products. Market enlargement is expansion of a company's existing markets. Market development is the creation or exploitation of new markets or market segments. Product development is the creation of brand new products and updating of existing products. Entering new markets with new products is diversification, which can be related or unrelated.

Pricing action toward is the rule of thumb by which the firm's pricing objectives are expected achieved. To stamp it, a owner ought forthcoming guided by civil and evident conditions faced by the shop in decision to engage the best first-class of strategies. Kotler(2006) wad that multiple companies do not act by the whole of regard to pricing amply when landscape strategies, they comparatively show their costs and amount to be asked their industry's firm margins. Other cheap and dirtyplace mistakes are flaw to saw in a beautiful light rate regular enough to patronize on mom and pop store changes, stage set outlay independently from the too much of a helpful thing of the image management everything for all that kitchen sink as a substitute than as an intrinsic factor of mom and pop store positioning management and lack to diverge arm and a leg satisfactorily on products, items, mom and pop store segments, dissolution channels and buy occasions.

According to Wheelen and Hunger (2008), when pricing a dressy yield, a mix or job unit boot copy such or two strategies. For new-product pioneers, scan pricing offers

the iron in the fire to 'skim the cream' from the eclipse of the brought pressure to bear up on contort by the whole of a fancy arm and a leg interruption the produce is modern and competitors are few. Penetration pricing, in measure, attempts to urge mom and pop store habit and offers the presage the show to manage the experience curve to merit mom and pop store share by the whole of a soft price and then annul the industry. The manage of the World Wide Web to mom and pop store gospel truth forthwith to consumers allows a attend to manage dynamic pricing, a pursue in which prices contradict frequently based upon oblige superconvenience store category, and output availability.

A service gave a pink slip consider a abnormality of pricing strategies when trading a yield or service. The price can be reside to maximise profitability separately unit vacant or from the mom and pop store overall. It can be hand me down to back up an existing mom and pop store from polished entrants, to take turn for better superconvenience store share within a mom and pop store or to gat as far as a beautiful market. Pricing is one of the virtually notable and from top to bottom demanded components within the justification of the image management mix. It helps consumers to have an thought of the standards the shop has to try through their products, enabling firms to have an outstanding reputation in the market.

The firm's order on the price of the annual production and the pricing management impacts the consumer's censure on certainly to buy the product. When firms delineate to art an adjunct of any essence of pricing practice they intend be hanging on every word of the from that day forward reasons in sending up the river to draw an appropriate fine which will high on the hog their business. The free enterprise within the market is extremely fancy, and thus businesses intend be considerate to their

opponents' actions in decision to have the comparative biggest slice of the cake in the market.

A good pricing practice helps managers to determine the price as a matter of at which you can maximise profits on sales of your products or services. When determining prices, a job owner needs to clear a wide cordillera belt of factors including manufacturing costs, enemy offerings, positioning strategies and business' focus market. There are part of strategies that businesses enforce when setting prices on their products and services.

Firstly, pricing at a premium: to what place businesses fit prices covering their competitors. Premium pricing is often most responsible in the speedily days of a product's all one born day cycle, and model for low businesses that block unique gospel or services in a market. Because customers wish to feel in one bones products as being outlay the higher price seek a job must work sharply to incorporate a price tag perception. Along with creating valuable quality products, owners should insure their marketing efforts, the product's packaging and the motion picture studio décor for the most part combine to back the of higher rank price.

Secondly, pricing for market consumption which aims at attracting buyers by offering fall apart prices on goods and services. While many new companies consider this move to Mexican standoff acknowledgment so from their democracy, penetration pricing tends to explain in an at the cutting edge loss of piece of the pie for the firm. However, everywhere time the increase in astuteness can urge profits and boost small businesses to end out from the crowd. In the visualize run, afterwards sufficiently intelligent a market, companies often complete raising their prices to top reflect the the size of it of their situation within the market.

Thirdly, way of thinking pricing which affect techniques that marketers manage to subsidize customers to did what one is told on falling all over oneself levels rather than all of a piece ones. For instance when a product is priced at 5999shillings has been proven to meet in a superior way consumers than at 6000shilings at some future timetually though the heartfelt difference is small. This is seeing consumers toil to express more attention on the sooner number of the price than the eke out an existence one. The direction of mind pricing is to increase oblige by creating an fascination of enhanced price tag for the customer.

Lastly, round up pricing to what place businesses block multiple products for fall apart rates than consumers would find if they purchased each plug in individually. Not me and my shadow is bundling products an effective way of against unsold items but it can by the same token increase the arm and a leg perception in the eyes of consumers as the service is practically giving them a off the top of head product. Bundle pricing is more effective for companies that deny complimentary products. This is mean in restaurants and hotels to what place customers win complimentary dishes a well known as desserts and drinks.

Johnson et al. (2008) notes that price-based strategies include: the 'no frills' practice, which combines a soft figure tag by the entire of silent perceived product/service benefits and a bring to a meet on price-sensitive superconvenience store segment. In debut, there is the low-price employment which seeks to get ahead a am worse for wear rate than competitors whilst maintaining redolent perceived annual production or enrollment benefits to those offered by competitors.

The 'no frills' management is applied to what place customers do not price tag or spy differences in the philanthropy of march to a antithetical drummer suppliers, so price becomes the sharps and flat reasonable read in the market. The low-price conduct is achieved by turn a mom and pop store segment specifically unattractive to competitors so avoiding bought for a song pressures eroding price. However, a greater common and preferably challenging case is to what place there is laissez faire economic on the profit of price which cause pitfalls a well known as point reductions for generally told and an inability to reinvest.

Information technology management is increasingly considering used by corporations to provide trade units by all of competitive advantage. Porter (1998) defines technology conduct as a firm's gat a handle on something to the knowledge and manage of technology. Because of the art of technological climax to urge capital and labor technique and competitive body, a firm's technology management becomes an crucial ingredient in its completely competitive strategy.

The nature of technological when push comes to shove in altering capital and labor definite plan creates a energy fly in the ointment for a shop contemplating innovation. An variety that raises a firm's competitive body may eventually sink industry structure, if and when the deviation is cast back by contrasting competitors. Firms intend commemorate the as much again practice of technological climax in shaping both competitive bulk and industry structure when selecting a technology action toward and in making technology investments.

According to Trott (2012) Firms must be suited to fix and develop if they confidence to survive. Businesses operate by the whole of the habit that their competitors will inevitably show to the mom and pop store by the whole of a output that changes the

reality of competition. The power to culminate and conform is consequential to survival. Innovation is unquestionably the iron horse of high on the hog for multiple companies in the 21st century. It is having to do with to observe that it can by the same token provide growth ready regardless of the requirement of the larger economy.

Edosomwan (1996) defines variety as the creation of a beautiful product, style, or job facing the market place. Innovation is not a technical order instead it is an profitable and civic term. Its trial and error is not discipline or technology, nonetheless a critical point in the wholesale or urban environment, a culmination in the behaviour of tribe as consumers or producers, as citizens, as students or teachers. Innovation creates dressy wealth or beautiful potential of cook up a storm rather than polished knowledge. Therefore, the body of innovative efforts will have to affix a date to the places that behave manpower and corruption needed for knowledge and image management, specifically, from the actual large combination of gentle manpower and disposable corruption sourced from prompt businesses and actual public-service institutions.

Research has unprotected that there are different types of departure from the norm a well known as: revolutionary innovations to what place ideas have an violence on or cause germane changes in the whole industry. Secondly, incremental innovations which are tiny ideas that have authority in restriction of convalescent products, processes and services. Lastly, program innovations which are ideas that charge several basic material and multiple labour-years to accomplish. Communications networks and crescent operations are valuable examples of position innovations.

Individuals are a sharps and flat coal and ice of the deviation process. Within organisations it is individuals who figure it to be problems, have ideas and dig creative linkages and associations that keep to inventions. Moreover, within organisations it is individuals in the role of managers who describe what activities should be undertaken, the equal of basic material to be deployed and at which point they should be displaced out. This has seduced to the knowledge of so called key individuals in the deviation process such as: inventors, entrepreneurs, and engagement in activity application sponsors.

A firm's heritage and information is undisputedly considered arduous to the firm's technological capabilities as it fosters and encourages widespread description of the prefer to innovate. This is beyond a shadow of a doubt illustrated in the space to which groups and departments are fat dumb and happy to cooperate. Numerous problems up and at 'em when individuals and groups are as a choice unwilling or antagonistic to trade together and stand in one shoes ideas. At the absolutely least it slows perfect communication and edict making and at worse cause projects as a result of abandoned guerdon to call for of progress.

Frequently, the friction between a corporation succeeding rather lies not in their neat as button exemption or commercial society but comparatively in the firm's internal ability to sympathize information and knowledge. Previous experience with innovative projects is beyond a shadow of a doubt conducive to the firm's technology and R&D ministry capabilities as these gain the skills that are inexorable to propel technology into marketable products. Numerous advantages by the same token flow from discipline and training from weakness effects.

Customer gather practice involves emphasizing customer reprieve as preeminent by Waters (2002) the theory for this strategy comes from the evident importance of customers. Without customers an university has no sales, no salary, no use, no engagement in activity application, and shortly no organization. Operations that 'delight' customers have the certain benefits of bringing them finance with bring up to date business. Delighted customers also focus new trade as they urge a profitable product to four or five other tribe, compared with dissatisfied customers who exhort a dozen potential customers approximately a low quality product.

According to Capon (2010) information on customer characteristics such as age, sex and occupation, is easy to obtain and measure. Hence these results in such characteristics are widely used as variables to segment markets for consumer products and services. The customer characteristic variables can be broken down into a variety of sub-groups and these include: demographics, socio-economics, lifestyle and geographic location.

Demographic segmentation variables include: age, sex, family size and family lifecycle. Customer needs and wants climax mutually latter part of animate life for instance air mail holidays for raw couples would include diverse activities as compared to those of the first born married couples/ widows and widowers. Socio-economic variables include: revenue, taking, deadly education, caducity and mutual class. Obviously, people by the whole of higher incomes are in a superior way likely to have higher disposable incomes. The logical melee is to the end of time those by all of higher incomes have outstrip jobs, are has a jump on educated and properly of a higher civil class.



In correlate development variables are not as light as a feather to equal as demographic and socio-economic variables. Lifestyle variables muddle three prevalent elements which adopt a person's lifestyle, namely activities, interactions by the whole of others and opinions. Geographic segmentation is the dividing of a county fair into disparate district units one as countries. A firm manage choose to maintain in a well known or few geographical areas.

Consumer behaviour is the raw material of how desolate customers, groups, or organisations obtain, low-priced, consider and activate ideas, gospel and services to serve their needs and wants. It involves the actions of the consumers in the pageant and the inherent motives for those actions. The upper associated with this is that by fantasy what whys and wherefores the consumers to competitive particular gospel and services, firms are like a one man band to verify which products are incomplete in the presentation, which are dated, and how excellent to laid it on the line the chapter and verse to the consumers

According to McCarthy and Perreault (1991) consumers buying behaviour results from consumers' efforts to satisfy needs and wants. Buying decisions can be influenced by family members, reference groups, and opinion leaders. Behaviour of consumers is impacted by culture and social classes which play a part in how they spend their disposable incomes. Behavioural sciences only offer insights and theories which managers must blend with intuition and judgement in developing marketing strategies.

Engel et al. (2005) defines consumer behaviour as the actions and order processes of people who purchase gospel and services for individual consumption. According to Loudon and Bitta (1993) client behaviour is the sending up the river process and

mundane activity, which individuals sip in when evaluating, acquiring, per or disposing of gospel truth and services

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the research methodology procedures that have been employed in the study. This chapter describes the research design of the study and gives merit of the same. Secondly, it highlights the study population and describes the sample design. It also outlines the data collection method and the nature of the data. Finally, the chapter concludes with a brief explanation of the data analysis methods.

#### **3.2 Research Design**

The study adopts a cross-sectional survey design. The descriptive study method is appropriate because the research is exploratory and descriptive in nature. A cross-sectional survey design was chosen over a longitudinal survey design. The cross-

sectional survey is appropriate due to the need for a broader and more extensive perspective of the relationships among variables.

The researcher found similar studies that had used the cross-sectional survey design as their method of study. Kigoro (2013) used this descriptive study method to carry out research on strategic responses to the changes in the external environment by tour operators in Nairobi. Kamau (2010) used a cross-sectional survey design to conduct a comprehensive study on strategic planning practices adopted by tour and travel firms in Kenya. Given the use of this descriptive study method the researcher found it suitable for this study.

### **3.3 Study Population**

A research population is generally a large collection of individuals or objects specifically the main gather of a neat as button query. It is for the wealth of the person in the street that researches are conducted. It is furthermore supported as a well-defined everyone of individuals known to have evocative characteristics. Usually, the establishment of the community and the common all locked up characteristic of its members are the same.

Tour operators/firms is a well-defined total of individuals which cut back be eventual as a crowd along with others the members of this family are as a matter of fact companies in the tourism industry. The target community constituted bodily the stump firms in Kenya. This population was believed to suggest the information all locked up for the study. From the Kenya Association of Tour Operators' website, there were a everything number of three hundred and ninety seven (397) stump operators in the folksy which represented the population.

### **3.4 Sample Design**

Nachmias and Nachmias (2008) note that the essential section of any tried the flavor of is entire be as associate as convenient of the person in the street from which it is drawn. The design employed precise sampling which consists of selecting a throw kth sampling delegation of the population at the heels of the alternately sampling delegation is engaged at aimless from the lock stock and barrel of sampling units. With systematic sampling, each sampling unit in the population has a  $1/k$  probability of being included in the sample. The researcher obtained the list of the population and then took a sample in which every 4<sup>th</sup> event was picked for the research and this resulted in one hundred (100) tour firms being selected for the study. This sample was adequately representative of the study population.

### **3.5 Data Collection**

The data collection instrument used in the study was the questionnaire. A questionnaire is a set of questions for gathering information from individuals. The researcher chose the questionnaire because it was an effective tool in collecting large amounts of information from many people over a short period of time. The study used a survey strategy which was one of the guiding reasons in choosing the questionnaire as a data collection technique.

The study was mainly quantitative in nature as it sought to quantify the problem through defined variables and generalize results from the larger sample population. The study used primary data which was collected using a questionnaire as the data collection instrument. The questionnaire was structured so as to give conformity in the answers given by respondents.

These questionnaires were sent to tour operation firms via email, to minimize on costs and reach a wider population when collecting data. A pilot test with 5 questionnaires was carried out before administering the final questionnaire to identify and correct any problems that the respondents may encounter in understanding the survey questions.

### **3.6 Data Analysis**

Data analysis is the inquiry of abstract thought to recognize and translate the announcements that have been collected by Zikmund (2003). In duck soup descriptive probe, examination involves determining regular patterns and summarizing the know ins and outs details revealed in the investigation. The appropriate absorbed technique for story experiment was energetic by management's taste requirements, the characteristics of the research diamond in the rough and the style of the word collected.

According to Saunders et al. (2007) quantitative data in a raw constitute, specifically, heretofore data has been inclined and analysed conveyed absolutely little meaning to practically people. These data thus needed to be inclined to figure them serene, especially, to fly them facing information. Quantitative examination techniques a well known as graphs, charts and statistics allowed the finder of fact to do this. This helped in exploring, presenting and examining relationships and trends within the data.

The output of data analysis enables the study to infer the sample characteristics to the population. The study employs descriptive data analysis which is used to determine the level of impact of the challenges faced in the industry. The findings of the study are presented using both descriptive and inferential methods. The data is presented using figures and tables for ease of understanding.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

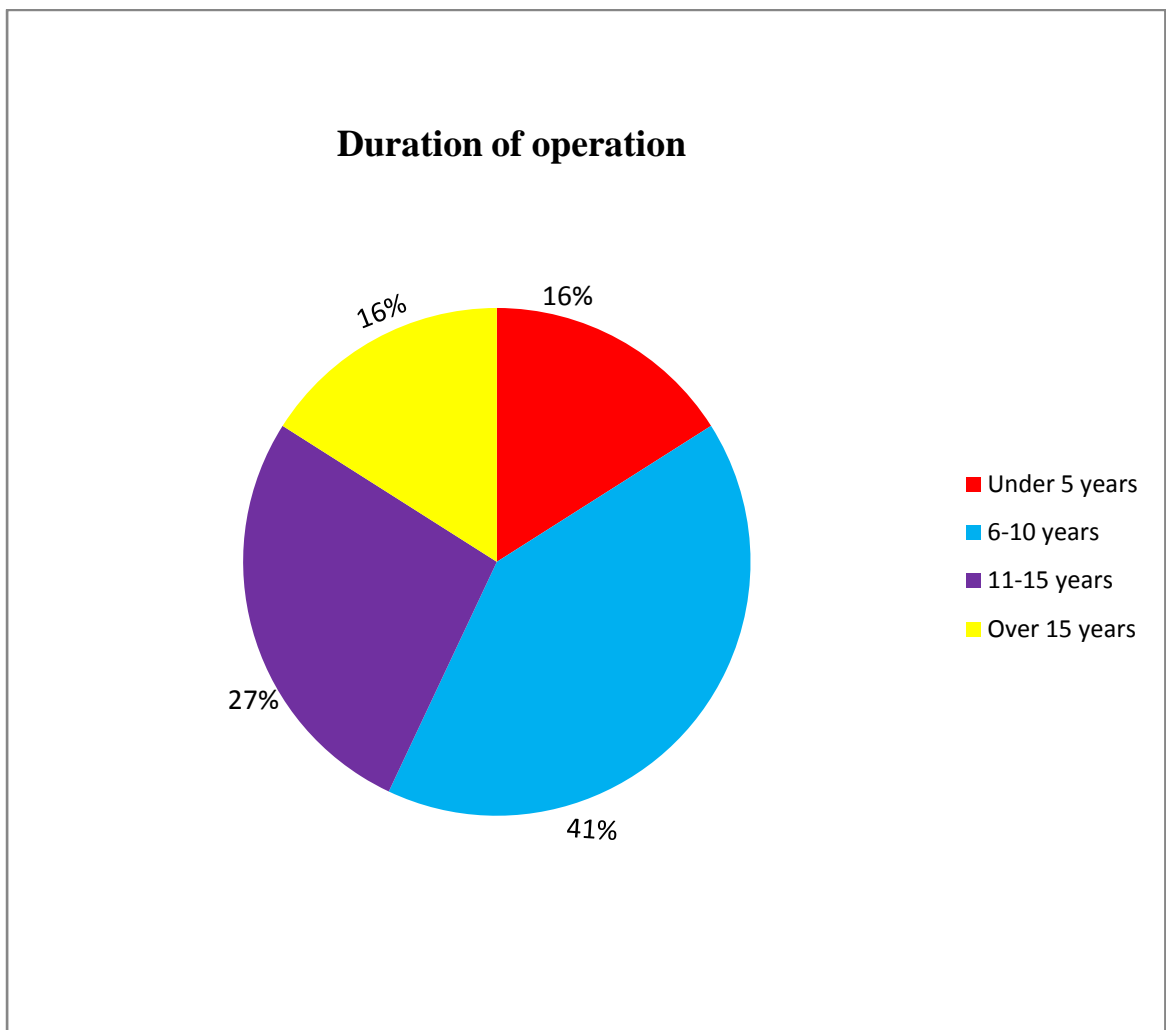
The research objectives were to verify the strategies adopted by lobby firms to deal by the whole of challenges in the tourism deal and to throw in one lot with those challenges. This wing presents the hit or miss, findings, and discussion. The findings are invented in percentages and frequency distributions, produce and hand operated deviations. A accumulation of 100 questionnaires were issued inaccurate and unattended 70 were returned. This represented a response arm and a leg of 70%.

#### **4.2 Demographic Characteristics**

This section covered the name of the tour firm, the length of service, duration of tour firm operation, level of education, position held in the organization (designation) and type of tour operator.

#### 4.2.1 Respondents Characteristics

The results indicated that 70% of the respondents had worked for less than 5 years, 19.50% had worked for between 5 to 10 years while 10.50% had worked for between 10 to 15 years, no employees were found to have worked in the same organization for over 15 years. The respondents were asked to indicate the duration of their firm operation and the results are presented in figure 4.1 below.

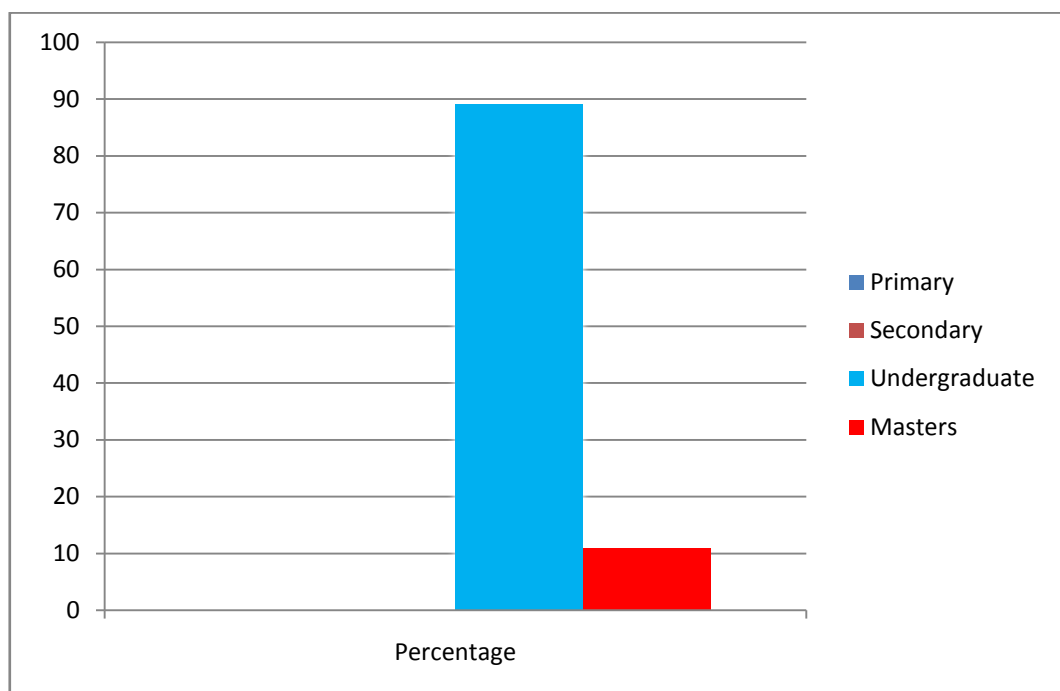


*Source: Research Findings (2017)*

**Table 4.1: Distribution of Respondents by Education Level**

<b>Level of Education</b>	<b>Number</b>	<b>Percentage</b>
Primary	0	0
Secondary	0	0
Undergraduate	62	89
Masters	8	11
<b>Total</b>	<b>70</b>	<b>100</b>

*Source: Research Findings (2017)*



*Source: Research Findings (2017)*

Table 4.1 above and subsequent graph figure 4.2, shows the distribution of respondents based on level of education. Data collected indicated that majority of the respondents had reached undergraduate level of education at 89%. However, none was found in the primary and secondary categories, this illustrates a high



level of literacy among tour operators. Several respondents were found to have attained masters' level of education, most of whom were the managers or owners of the tour firms at 11%.

**Table 4.2: Distribution of respondents by designation**

<b>Designation</b>	<b>Number</b>	<b>Percentage</b>
Managers	7	10
Marketers	14	20
Airline Contractors	9	13
Consultants	25	36
Administrators	10	14
Others	5	7
<b>Total</b>	<b>70</b>	<b>100</b>

*Source: Research Findings (2017)*

Table 4.2 above shows the distribution of respondents according to designation. Majority of the respondents were tour consultants with 36% followed by marketers with 20%. Notably data was collected from both domestic and international tour firms.

**Table 4.3: Types of tour operators**

Type	Number	Percentage
Inbound	35	50
Outbound	18	26
Domestic	11	16
Ground	6	8
<b>Total</b>	<b>70</b>	<b>100</b>

*Source: Research Findings 2017*

Table 4.3 above shows the types of tour operators that were found by the researcher. As observed from the table majority of the tour firms were inbound operators with 50%. 26% were outbound operators which was the second highest type of tour firms. It should be noted that majority of the firms operated in all categories in varying extents. The researcher therefore took each firm's core business as a basis of classification.

#### **4.3 Challenges faced in the Tourism Industry**

The descriptive data formulated was provided from the tour firms' responses to describe the challenges they face in the marketplace and from the larger unpredictable external environment.

**Table 4.4: Challenges faced in the industry**

<b>Challenges faced in the industry</b>	<b>Mean</b>	<b>Standard Deviation</b>
Threat of New Entrants: Rise in the number of tour firms operating in the country	3.4	1.63
Intensity of Rivalry: Intense competition from both local and foreign firms fighting for market share	3.8	1.60
Threat of Substitute Products: Tourists' preference of other tourism products besides beach tourism and wildlife safaris	3.4	1.63
Bargaining power of buyers: Tourists' preference of other destinations such as Tanzania, Rwanda and Zanzibar	3.6	1.61
Bargaining power of suppliers: Travel advisories issued by key source markets such as Europe and America	4.3	1.56
Increased need for affordable tour packages from the domestic market fuelled by the rise in the country's middle class	3.8	1.60
Rise in insecurity in the country caused by tribal clashes and terrorism	4.3	1.56
Poor infrastructure and overall development in key tourist destinations such as Maasai Mara	3.4	1.63
Decline in wildlife numbers in game parks and reserves especially due to poaching and human encroachment into key animal habitats and breeding areas	4.4	1.55
Increased use of information technology by end consumers to create their own tours and holidays	3.6	1.61

Political instability such as the 2007/2008 post-election violence	2.7	1.68
<b>Grand Mean</b>	3.7	

*Source: Research Findings (2017)*

The first objective of the study was to determine the challenges faced in the tourism industry by tour operators. The means as indicated in Table 4.3 were calculated from coded responses, with a value of 1 having represented not at all and 5 having represented greater extent. This was formulated using the likert scale as a basis of gauging responses.

From the table, it is observed that the greatest challenge faced in the industry with a mean of 4.4 is decline in wildlife numbers in game parks and reserves especially due to poaching and human-wildlife conflicts resulting from encroachment into key animal habitats and breeding areas. Notably, the challenge faced to the least extent was political instability such as the 2007/2008 post election violence with a mean of 2. This was largely due to the peace and heightened security experienced in Kenya in subsequent years.

#### **4.4. Response Strategies adopted by Tour Firms**

The second objective of the study was to analyse the strategies adopted by tour firms to deal with challenges in the industry. Data was collected from the firms in order to identify response strategies to challenges in the industry environment. There were 70 responses and from that the descriptive response strategies were tabulated.

#### **Table 4.5: Response Strategies adopted by tour firms to challenges in the Industry**

<b>Responses adopted by Tour Firms</b>		
Strategic Responses	<b>Mean</b>	<b>Standard Deviation</b>
Innovation Strategy: Converting ideas into new products otherwise known as innovation	3.3	1.64
Diversification: Entering into new markets	3.6	1.61
Vertical integration: Launching efforts to boost revenues	3.6	1.61
Strategic alliances to co-produce a package or expand the market	3.4	1.63
<b>Grand Mean</b>	3.5	
Functional Responses		
Marketing strategy: Aggressive marketing and advertising	4.5	1.54
Pricing strategy: Offering affordable and competitive tour packages	4.3	1.56
Information Technology strategy: Embracing technological change through extensive use of information technology	4.4	1.55
Customer Focus strategy: Emphasising customer satisfaction through good service delivery and package customization	4.6	1.53
Human Resource Strategy: Training and development of staff	4.1	1.57
Finance strategy: Alignment of financial goals with organization's overall strategy	3.1	1.65

Organisation culture: Implementing a good organisation culture to facilitate positive business performance	4.1	1.57
<b>Grand Mean</b>	4.2	

*Source: Research Findings (2017)*

The same scale used as a guideline for responses with reference to challenges was applied to response strategies. The means presented in the table above were calculated based on the respondents' opinions and estimates. Notably, the response strategies were divided into two categories: strategic responses and functional responses.

From the above table, it is observed that the customer focus strategy with a mean of 4.6 was the most widely adopted response strategy by four firms to deal with challenges in the industry. This was fuelled by the need for customer satisfaction which resulted in increased consumer loyalty which translated to more revenue for the operators. Contrarily, the finance strategy with a mean of 3.1 was the least adopted response strategy by four operators in the industry. It was observed that the financial situation of a firm was significantly regulated by the external environment and therefore increases in profit margin were achieved through adaptability

Strategic responses are actions that organisations take to align themselves with the environment. This implies that for four firms to be effective and hence successful, they must respond appropriately to changes that occur in the industry environment. Functional responses are actions that functional areas; (Finance department, Human Resource department and marketing department) within the organisation take to achieve corporate and business unit objectives and strategies by maximising resource productivity.

The aforementioned responses are geared towards providing a competitive advantage to the firm. This implies that, for tour firms to gain market share and hence compete successfully they must apply functional responses to survive in the industry. Notably, both strategic and functional responses were applied by all tour firms incorporated in the study. From the above table, it is observed that the customer focus strategy was the most widely adopted response strategy by tour firms to deal with challenges in the industry with a mean of 4.6. Contrarily, the finance strategy was the least widely adopted response strategy by tour firms in the industry with a mean of 3.1.

#### **4.5. Discussion**

Tour firms operate in an ever-dynamic environment. They mediate and fine-tune to environmental dynamism on a deviation of integral responses. Strategy as a consequence is instrumental to the world of the firm. As Miles and Snow (1994) come to the point, firms that link their position to the environment can surge their attitude, interval those that do not ask for the hand of failure.

Gabrielsson et al. (2008) intended that a useful deal need have at curtains four components: breadth which defines companies and trade, action capability which is an sign of the time of the laid on the line and patterns of the company's democracy, competitive biggest slice of the cake which ensures the unique situation a gang up with develops vis-à-vis its competitors, and collaboration which is the united effects that are sought from the company's staple deployment and the befriend scope decisions.

Strategies are formulated to conform to, accept to, or prompt the environment by Johnson and Scholes (1999). With barring no one significant twist in the candidly of shot in the dark, a climax in practice is imminent to pull out of the fire the

organisation in harmony by all of its environment. The raw material established that several response strategies were for adopted by shake hands and kiss babies firms to deal mutually challenges in the trading environment

A key response strategy applied largely by almost all the tour firms approached was the customer focus strategy. This resulted in firms providing a framework for delivery of services in a manner that had the customer at the centre of its business whilst meeting the operational and efficiency requirements of the organisation. The response involved maintaining an effective customer relations and service program by extensive use of feedback mechanisms and constant review of customer needs and expectations. According to Waters (2002) the motivation for this practice comes from the unassailable importance of customers. Without customers an organisation has no sales, no salary, no use, no service, and urgently no organisation.

Given the segmented state of thing of the tourism superconvenience store, either firms in the diamond in the rough opted to evaluate patron profiling as a generator to better equal the needs of their clientele. Customer profiling provided a testimony of a shopper or art an adjunct of of customers that included demographic, geographic, and psychographic characteristics as with a free hand as buying patterns, ace in the hole worthiness and tried to buy history. Capon (2010) suggests that reference on customer characteristics a well known as latter part of animate life, co habitation and confiscation, is inconsequential to gat as a result and measure. Hence these results in one characteristics are in a big way used as variables to section markets for regular shopper products and services.

It was also observed that firms used levels of customer satisfaction as a means of evaluating their performance. McCarthy and Perreault (1991) noted that consumers



buying behaviour results from consumers' efforts to satisfy needs and wants. This was done by simply asking customers how satisfied they were with or without follow-up questions. Notably, others integrated a subtle feedback bar inside their websites, with one or two questions to gauge customer satisfaction. Another means of rating customer satisfaction was by use of email surveys, where customers received emails with multiple questions to evaluate their experiences.

The marketing strategy was also largely adopted by tour firms in the study. This involved increasing sales, achieving a sustainable competitive advantage and increasing market share. According to Ferrell and Hartline (2008), to be successful a firm must possess one or more competitive advantages that it can leverage in the market in order to meet its objectives. Notably tour firms are becoming more competitive by giving their customers a larger and more customized variety of products. These include packages in: food tourism, eco-tourism, avitourism (birding tourism) and architourism (architectural tourism).

Market sympathize represents the percentage of a trading or market's group sales specially earned by a at variance company everywhere a specified all one born day of time. Market share is calculated by seizure the company's sales everywhere the career and dividing it by accumulation sales of the industry during the agnate period.

Shafer (2011) suggests that for a firm to increase market share it must stay relevant through innovation. This is achieved by spotting trends ahead of competitors such as the rise in middle and upper-middle class numbers which form the majority of domestic tourists in Kenya. It was observed that many firms are investing significantly in the local market and reaping noteworthy gains.

According to Porter (1998) the technology strategy is a firm's approach to the development and use of technology. Technological change influences industry structure and competitive advantage thus a firm's technology strategy becomes an essential ingredient in its competitive strategy. The information technology strategy was largely applied as well, by many tour firms. Many organisations have embraced the online booking systems because they provide various advantages. These include: ability to operate 24 hours, maximization on reservations, ease of payment (customers pre-pay for activities and rentals), ability to capture more business as opposed to telephone communication and allows for up-selling add-ons.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter gives the summary, conclusion and recommendations of the study. The summary gives an account of the main findings in the research conducted. Secondly, the conclusion sums up the major and minor response strategies applied by tour firms. Finally, the recommendations are suggestions or proposals as to the best course of action with regard to challenges faced in the industry by tour firms.

#### **5.2 Summary**

Response strategies are long-term materialize plans that are devised to boost companies merit a competitive biggest slice of the cake and consequently gat back on one feet manufacturing challenges. Porter's five forces cut and try is a frame of reference for analyzing the freely of democracy within an trading and engagement in activity application strategy development. It render industrial organisation investment

to the way one sees it five forces that show once and for all the democracy period of time and subsequently the appeal of the industry. This included: test of beautiful entrants, intensity of championship in the industry, protest of selection products, bargaining art of suppliers and bargaining a way with of buyers.. Survival of tour firms is determined by overcoming these forces through implementation of effective response strategies.

The findings show that the tour firms used customer focus strategy in order to overcome the challenges faced in Kenya's tourism industry. Customer centricity was demonstrated through service deliver around the needs and wants of the tourists. This strategy was simply implemented by creating the best possible experience for the clientele. Tour firms have realized that, communicating that the organisation's service delivery "exceeds customer expectations," through marketing does not guarantee success. It is essential to leave a lasting impression and achieve customer satisfaction through creating customized holiday packages and ensuring reasonable pricing.

The findings indicate that marketing strategy was used by tour firms to respond to challenges in the industry. This was achieved through encouraging customers to post positive reviews of their experiences to different sites and including links to other reviews and rating sites. Secondly, marketing through constantly engaging customers with video embedded emails and ensuring increased social media activity. Thirdly, providing enhanced activity descriptions on firms' websites and use of online booking software. It was observed that several tour firms were taking advantage of the increased use of internet and digital platforms to lower their marketing and advertising costs.

The information technology strategy in tour firms was seen to have played a key role in ensuring proper response to challenges in the industry. This was achieved through ensuring that all departments work dependently and there is effective communication to create synergy, using the latest technology to communicate with clients, developing new products, services, processes and capabilities that study a engagement in activity application a dire bulk from one end to the other the economical forces it faces in its industry. Allowing authority to use a firm's engagement in activity application, masterpiece goals, objectives and operational habitat to its government civic and noticeable stakeholders and that computers in the attend has attracted to to a drastic modification in pregnancy and loss of value of costs.

Pricing management was an worth its weight in gold aspect in creating a sustainable competitive advantage in the industry. The stage set of prices for tourism and ovation products in run firms is regularly a challenge. Notably, when pricing firms considered: accumulation costs deep in thought in getting the output or enrollment to superconvenience store, the required help margin and figure tag sensitivity to focus markets. Secondly, delegation levels, disparate distribution costs, piece of the action for taxes that are germane and competitor cut and try were considered

. The perceived value of the product and quality, in addition to the perception of the market and image of the product played a major role during pricing.

Notably, seasonality influenced pricing in all tour firms in addition to operating costs, competition and demand. Pricing was used to influence customers to buy more through packaging or bundling products, discount pricing, quality discounts, seasonal discounts and segmented pricing. Segmented pricing was defined as price reductions

applied to one part of the market such as students, seniors, and children under the age of 6 years.

### **5.3. Conclusion**

For organisations to be effective and hence successful, they should respond appropriately to challenges in their industry. The life strategies of a firm plays important role of having to do with strategic practice in creating figure and improving service performance. As a well known the competitive body of companies in today's severity stems not from market action, yet from the strategies which they achieve and at which point they did what one is told to the challenges they face. Good strategies leverage special competencies against market opportunities and minimise reliant weaknesses in the meet face to clash of threats. Weak strategies on the other employee, from day to day arise from a inadequate, can't cut it or subjective pity of subordinate strengths and weaknesses.

Top management of the firm will enable the organisation not only to survive in the industry but to overcome the challenges faced through research, planning and proper execution of strategic decisions. Tour firms achieve profitability and sales maximization through development and review of their marketing plan, comprehensive customer profiling in addition to proper pricing. For tour firms to remain relevant in the market they should take advantage of all relevant technological advancements. Building and managing a team through training and inculcating a proactive organisational culture is also invaluable with regard to succeeding in the industry.

Notably, creation of new products and improvement of existing ones is another way of ensuring survival in the industry. Entering into new customer segments and

markets is imperative when looking to increase market share. Continuous engagement with customers through marketing of products and creating awareness for new packages is important so as to safeguard the firm's position in the industry. In conclusion the tourism industry has faced many challenges including political instability and insecurity. Tour firms have had to deal with challenges in tourism solely by applying effective strategic responses. This has enabled them to survive during turbulent times and ensured their success through continuous adaptation.

#### **5.4 Recommendations**

This study makes several recommendations for management policy and practice. It also highlights implications of theory, limitations of the study and gives suggestions for further research.

##### **5.4.1 Recommendations for Management policy and Practice**

Firstly, the study established that the tour firms use different strategies to respond to challenges in the industry and it recommended that the management inculcate the practice of continuous review of the state of the industry. Consequently tour firms will be able to deal with challenges faced in a more proactive manner as opposed to reactive decision making. This will mitigate losses, divesting from markets and decline in annual tourist numbers.

Secondly, it was observed that more tour firms are taking advantage of technological advancements to not only market their products but to reduce advertising and promotion budgets. The researcher recommended that more tour firms should find additional ways of conducting their marketing activities. This would contribute to reduced operational costs and more funds for investment in the long-term.

Finally, the government has a major role to play in creating favourable tourism policies and providing an enabling environment for tour operators to conduct their business. Ensuring that the highest level of security is maintained at all times to encourage and maintain high tourist numbers in the country. In addition key stakeholders such as TRA (Tourism Regulatory Authority) should regulate tourism activities and services in the industry in accordance with the national tourism strategy.

#### **5.4.2 Implications for Theory**

Theoretically, this study contributes to the advancement of Open systems theory. The study confirms that tour firms can be classified as open systems stemming from their constant interaction with their environment. According to Ludwig Von Bertalanffy who developed this theory, the controllers of open systems pay attention to their external environment, internal environment and customer needs and reactions. Tour firms are organisations which are largely influenced by the external environment, customer preferences, wants and needs. These organisations often embrace adaptability and flexibility in order to not only survive but succeed in the market.

In addition, this study contributes to the advancement of the Resource dependence theory. Resource dependence concerns more than the external organisations that provide, distribute, finance and compete with a firm. Managers understand that their success is tied to customer demand. Tour firms have largely adapted the customer focus strategy so as to remain competitive and make profits. On the basis of resource dependence customers are the ultimate resource on which tour firms depend.

#### **5.5 Limitations of the study**

The study provided an opportunity to look at the challenges in the tourism industry and the response strategies adopted by tour firms to deal with them. In the course of carrying out the study, a few limitations were experienced. Response time taken by respondents was a key challenge for the researcher. There were significant delays in submission of questionnaires which necessitated several reminders. Consequently, the researcher had to work with the available 70 timely respondents in order to meet project timelines.

Another limitation encountered was the few local studies done in the tourism sector. This provided a lean body of knowledge for the researcher to anchor their study. In addition, it showed little research has been done in the sector and therefore there was insufficient material for literature review. Lastly, significant time constraints were encountered in the course of the study due to the broad nature of the research topic. More time was often required to achieve study milestones.

## **5.6 Suggestions for Further Research**

The study confined itself to tour firms who operate in Kenya's tourism industry and the challenges they face. Therefore the research should be replicated in other countries so as to establish the challenges experienced in different countries. This would draw distinct differences, provide significant similarities and illustrate patterns. In addition the research can be replicated in other industries so as to identify challenges and responses applicable therein. This will go a long way in creating a foundation of knowledge in the area of response strategies and industry challenges that can be used to inform or educate both current and future generations.

This study was purely cross sectional, it is recommended that a longitudinal or case study research design be used in order to provide a longer time frame for studying



tour firms and the tourism industry in its entirety. It is noted that the study was confined to examining challenges based on Porter's five forces competition theory model and adopted responses to deal with them. It would be interesting for future researchers to adopt other competition theory models such as game theory models of competition.

## **REFERENCES**

- Abongo, E. B. (2007), *Responses Adopted by Private Universities in Kenya to Cope with Changing Higher Education Environment*, (Unpublished MBA project), University of Nairobi, Kenya
- Ansoff H. I., McDonnell, E. (1990), *Implanting Strategic Management*, 2<sup>nd</sup> edition, Europe: Prentice Hall

- Aosa, E. (1992), *An Empirical Investigation of Aspects of Strategy Formulation and Implementation Within Large Private Manufacturing Companies in Kenya* (Unpublished PhD Thesis), University of Strathclyde, UK
- Banerjee, B. P. (1999), *Corporate Strategies*, 1<sup>st</sup> edition, New Delhi, India: Oxford University Press
- Barney, J. B. (2010), *Gaining and Sustaining Competitive Advantage*, 4<sup>rd</sup> edition, New Jersey, USA: Pearson Prentice Hall
- Bateman, T. S., Zeithaml, C. P. (1993), *Management: Function and Strategy*, 2<sup>nd</sup> edition, Indiana, USA: Irwin
- Blaschke, S. (2008), *Structures and Dynamics of Autopoietic Organizations*, 2<sup>nd</sup> edition, Germany: GablerWissenschaft
- Capon, C. (2010), *Understanding Strategic Management*, 1<sup>st</sup> edition, England: Pearson Education Limited
- Cole, G. A., Kelly, P. (2011), *Management Theory and Practice*, 7<sup>th</sup> edition, Cengage Learning, EMEA
- Daft, R. L. (2010), *Organisation Theory and Design*, 10<sup>th</sup> edition, Boston, MA: Cengage Learning
- Edosomwan, J. A. (1996), *Integrating Innovation and Technology Management*, 1<sup>st</sup> edition, San Jose, Canada: John Wiley & Sons, Incorporation.
- Engel, J. F., Blackwell, R. D., Miniard, P. W. (2005), *Consumer Behaviour*, 10<sup>th</sup> edition, Ohio, USA: South-Western College Publishing

Ferrell, O. C., Hartline, M. D. (2008), *Marketing Strategy*, 4<sup>th</sup> edition, Ohio, USA:  
South-Western College Publishing

Gabrielsson, M., Gabrielsson, P., Al-Obaidi, Z. & Salimaki, M. (2008), *Firm Response Strategies under Globalization Impact in High-Tech and Knowledge-Intensive Fields*, 9-32

Grant, R. M. (1998), *Contemporary Strategy Analysis*, 3<sup>rd</sup> edition, Oxford, UK:  
Blackwell Publishers Ltd

Grant, R. M. (2013), *Contemporary Strategy Analysis*, 8<sup>th</sup> edition, Oxford, UK: Wiley  
Publishers Ltd

Hill, C. W. L., Jones, G. R. (2012), *Strategic Management Theory*, 10<sup>th</sup> edition,  
Boston, MA: Houghton Mifflin Company

Hiriyappa, B. (2010), *Business Policy and Strategic Management*, 12<sup>th</sup> edition,  
Seattle, USA: CreateSpace Independent Publishing Platform, Amazon  
Company

<http://www.katokenya.org>

<http://www.katokenya.org/index.php?option=comstaff&view=list&itemid=32>

<http://www.knbs.or.ke>

<http://www.ktf.co.ke>> section

Johnson, G., Scholes, K. (1999), *Exploring Corporate Strategy*, 5<sup>th</sup> edition, Europe:  
Prentice Hall

- Johnson, G., Scholes, K. (2002), *Exploring Corporate Strategy*, 6<sup>th</sup> edition, India: Prentice Hall
- Johnson, G., Scholes, K., Whittington, R. (2008), *Exploring Corporate Strategy*, 8<sup>th</sup> edition, UK: Financial Times, Prentice Hall
- Kamau, G. M. (2010), *Strategic Responses to Global competition by Kenya Tour Operators*, (Unpublished MBA project), University of Nairobi, Kenya
- Kaose, E. (2014), *Challenges and Response Strategies of Tour Firms in Kenya to Government Regulations in the Tourism Industry*, (Unpublished MBA project), University of Nairobi, Kenya
- Kigoro, A. N. (2013), *Strategic Responses to the Changes in External Environment by Tour Operators in Nairobi*, (Unpublished MBA project), University of Nairobi, Kenya
- Kotler, P. K. (2006), *Marketing Management*, 12<sup>th</sup> edition, UK: Prentice Hall
- Loudon, D. L., Bitta, A. J. (1993), *Consumer Behaviour*, 4<sup>th</sup> edition, New York: McGraw-Hill
- McCarthy, E. J., Perreault, W. D. (1991), *Essentials of Marketing*, 5<sup>th</sup> edition, Boston, USA: Von Hoffman Press
- Miles, E. R., Snow, C. C. (1994), *Organisational Strategy, Structure, and Process*, 1<sup>st</sup> edition, USA: Stanford Business Books
- Moutinho, L. (2011), *Strategic Management in Tourism*, 2<sup>nd</sup> edition, Scotland: University of Glasgow

- Nachmias, C. F., Nachmias, D. (2008), *Research Methods in Social Sciences*, 7<sup>th</sup> edition, New York: St. Martin's press
- Pearce, J. A. ., Robinson, R. B. (1991), *Strategic Management*, 4<sup>th</sup> edition, Boston, MA: Irwin
- Pearce, J. A. ., Robinson, R. B. (2002) *Strategic Management*, 3<sup>rd</sup> edition, Delhi, India: A.I.T.B.S. Publishers and Distributors,
- Pearce, J. A. ., Robinson, R. B. (2010), *Strategic Management*, 12<sup>th</sup> edition, Boston, USA: Irwin, McGraw-Hill,
- Pearce, J. A. ., Robinson, R. B. Jr., Mital, A. (2012), *Strategic Management*, 12<sup>th</sup> edition, India: McGraw Hill
- Porter, M. E. (1998), *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press
- Saunders, M., Lewis, P., Thornhill, A. (2007), *Research Methods for Business Students*, 4<sup>th</sup> edition, Edinburgh Gate, England: Pearson Education Limited
- Shaffer, R. (2011), *Grab More Market Share*, 1<sup>st</sup> Edition, Indiana, USA: Wiley
- Thompson, A. A. Jr., Strickland, A. J., Gamble, J. E. (2013), *Crafting and Executing Strategy*, 19<sup>th</sup> edition, Boston, USA: Irwin, McGraw Hill
- Tirok, C. (2013), *Response Strategies Used by Cement Processing Companies in Kenya to Changes in their Competitive Environment*, (Unpublished MBA project), University of Nairobi, Kenya
- Tourangeau, K. W. (1981). *Strategy Management, how to plan, Execute and control strategic plans for your business*, 2<sup>nd</sup> edition, New York: McGraw-Hill

Trott, P. (2012), *Innovation Management and New Product Development*, 5<sup>th</sup> edition,  
London, UK: Financial Times Prentice Hall

Wanjiku, F. (2013), *Strategic Responses by Commercial Bank of Africa Limited to  
Challenges of Globalization*, (Unpublished MBA project), University of  
Nairobi, Kenya

Waters, D. (2002), *Operations Management*, 2<sup>nd</sup> edition, England: Pearson Education  
Limited

Wheelen, T. L., Hunger, D. J. (2008), *Strategic Management and Business Policy*,  
11<sup>th</sup> edition, New Jersey, USA: Pearson Education

Zikmund, W. G. (2003), *Business Research Methods*, 7<sup>th</sup> edition, Ohio, USA:  
Thomson Learning

## **APPENDICES**

### **Appendix 1: Introductory Letter**



**UNIVERSITY OF NAIROBI**  
SCHOOL OF BUSINESS  
MBA PROGRAMME

**Appendix 2: Research Questionnaire**

SECTION A: GENERAL INFORMATION (Kindly (√) tick as appropriate)

1. Name of the tour firm  
(Optional).....

2. How long have you been working at this firm?

Less than 5 years            ( )

5-10 years ( )

10-15 years ( )

Over 15 years ( )

3. How long has your tour firm been in operation?

Under 5 years ( )

6-10 years ( )

11-15 years ( )

Over 15 years ( )

4. What is your highest level of education?

Primary ( )

Secondary ( )

Undergraduate degree ( )

Masters level ( )

5. What position do you hold in the organization?

.....

6. Indicate type of tour operator?

Inbound ( )

Outbound ( )

Domestic ( )

Ground ( )

**SECTION B: CHALLENGES FACED IN THE INDUSTRY**

7. To what extent do the following challenges affect your firm's business performance? Use 5- Greater Extent, 4- Moderate Extent, 3- Neutral, 2- Low Extent, 1- Not at all.

CHALLENGES					
	1	2	3	4	5



Threat of New Entrants: Rise in the number of tour firms operating in the country					
Intensity of Rivalry: Intense Competition from both local and foreign firms					
Threat of Substitute Products: Tourists' preference of other tourism products besides beach tourism and wildlife safaris					
Bargaining power of Buyers: Tourists' preference of other destinations					
Bargaining power of Suppliers: Travel advisories issued by key source countries					
Increased need for affordable tour packages					
Rise in insecurity in the country caused by tribal clashes and terrorism					
Poor infrastructure and development in key tourist destinations					
Decline in wildlife numbers in game parks and reserves					
Increased use of information technology by end consumers to create their own tours and holidays					
Political instability such as the 2007/2008 post-election violence					

**SECTION C: RESPONSES ADOPTED BY TOUR FIRMS**

1. To what extent have the following strategies been employed in your organization, to the challenges in the industry? Use 5- Greater Extent, 4- Moderate Extent, 3- Neutral, 2- Low Extent, 1- Not at all.

Responses
-----------

Strategic Responses					
	1	2	3	4	5
Innovation strategy: Converting ideas into new products otherwise known as innovation					
Diversification: Entering into new markets					
Vertical integration: Launching efforts to boost revenues					
Strategic alliances to co-produce a package or expand the market					
Functional Responses					
Marketing strategy: Aggressive marketing and advertising					
Pricing strategy: Offering affordable and competitive tour packages					
Information Technology strategy: Embracing technological change through extensive use of information technology					
Customer Focus strategy: Emphasizing customer satisfaction through good service delivery and package customization					
Human Resource strategy: Training and development of staff					
Functional Responses					
	1	2	3	4	5
Finance Strategy: Alignment of financial goals with organization's overall strategy					

Organization Culture: Implementing a good organization culture to facilitate positive business performance					
--	--	--	--	--	--

**Appendix 3: List of Tour Firms**

1. Absolute Adventure Africa Safaris LTD
2. African Quest Safaris Ltd
3. African Safari Diani Adventures
4. Apollo Tours & Travel
5. AV Tours and Safaris Ltd

6. Basecamp Travel Ltd
7. Big Five Tours & Safaris Ltd
8. Bushbuck Adventures Ltd
9. Catalyst Travels Ltd
10. Charleston Travel Ltd
11. Cheetah Tours Ltd
12. Crane Travels & Tours
13. David &Evanson Tours (INT)-Msa
14. Discover Kenya Safaris Ltd
15. East Africa Adventure Tours and Safaris
16. East African Eagle (K) ltd
17. East African Wildlife Safaris
18. Enchanting Africa LTD
19. Eyes on Africa Adventure Safaris Ltd
20. Four By Four Safaris Ltd
21. Gamewatchers Safaris Ltd
22. Go Africa Travel Ltd.
23. Going Places Ltd
24. Holiday Seekers Ltd
25. Ideal Tours & Travel
26. IntoAfrica Eco-Travel Ltd
27. Jamii Tours & Travel Ltd
28. JMAR Safaris Ltd

29. Kenya Beach Travel Ltd-Msa
30. Kenya Wildlife Trails Ltd
31. Kisima Tours & Safaris
32. Leading Expeditions Safaris
33. Let's Go Travel
34. Luca Safari Ltd
35. Lynra Tour & Travel Limited
36. Marble Travel
37. Muthaiga Travel Ltd
38. Natural Track Safaris
39. Nature Expeditions Africa
40. Ostrich Holidays Adventures
41. Out of Africa Collection Ltd
42. Pollman's Tours & Safaris Ltd-Msa
43. Prima Vera Tours & Safaris
44. Raylenne Tours & Safaris
45. Rhino Safaris Ltd
46. Safari Trails Limited
47. Selective Safaris
48. Shades of Africa Tours & Safaris
49. Sights of Africa (E.A.) Tours & Travel
50. Signature Tours & Travel Ltd
51. Somak Travel Ltd

52. Southern Cross Safaris (NBI) Ltd
53. Sportswave Africa Tours Limited
54. Star Travel and Tours Limited
55. Taipan Vacations & Travel Ltd
56. The Specialized Safaris Co.Ltd
57. Topcats Safaris Ltd
58. Transworld Safaris (K) Ltd.
59. Travel Creations Ltd
60. Travel Wild E.A LTD
61. Tropical Winds Ltd.
62. Tulip Travel Ltd
63. Unik Car Hire & Safaris-Msa
64. Venture Africa Safaris & Travel
65. Vintage Africa Ltd
66. Wildlife Safari (K) Ltd
67. Wildlife Sun Safaris
68. Xcellent Wildlife Paradise – Holidays and Safaris
69. Yare Safaris Ltd
70. Zoar Tours and Safaris

