

# **An Empirical Study of Marketing Responses of Tour Operators to Changes in Tourism Industry in Kenya**

**By**

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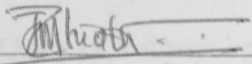
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## DECLARATION

This research report is my original work and has never been submitted for a degree in any university.

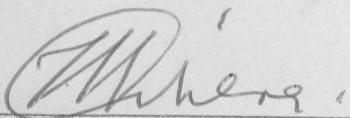
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This research project has been submitted for examination with my approval as the university supervisor.

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Date 31/10/07

Professor Francis N. Kibera, PhD

## DEDICATION

This project is dedicated to my wife Florence, and my parents Esther and Paul who have been my pillars of strength and whose support, encouragement, sacrifice and patience I truly cherish.

May the Grace of Yahweh be with you all.

I am particularly grateful to my dear wife, Florence, whose support was outstanding in all areas as far as my study programme is concerned.

Last, and most profoundly, I thank my Lord and Saviour Jesus Christ for giving me life, strength and good health to complete this study programme.

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I am particularly grateful to my dear wife, Florence, whose support was outstanding in all areas as far as my study programme is concerned.

Lastly and most profoundly, I thank my Lord and Saviour Jesus Christ for giving me life, strength and good health to complete this study programme.

## ABSTRACT

Tourism has become one of the most important sectors of Kenya's economy. Tourism is currently making the largest contribution to Kenya's Gross National Product (GNP). Tourism business environment in Kenya has been changing dramatically due to the increase in competition among emerging destinations and the effects of global terrorism. With globalization, changes have taken place in political, technological, socio-cultural and economic environments resulting into previously protected 'national interest' areas being opened up to worldwide pressures, increasing dramatically communication facilities and capacities and creating new needs all over the world. With this context, this research was carried out in order to study the marketing responses of tour operators to changes in tourism industry in Kenya.

The study had three objectives. The first objective was to establish the importance of changes in tourism industry environment to the operations of tour operators in Kenya. The second objective was to assess the influence tourism environmental factors have on tour operators' marketing mix. The third objective sought to identify the strategies adopted by tour operators to address the challenges of the tourism business environment. The research design for this study was a descriptive one. The population of interest consisted of all tour operators based in Nairobi who are members of Kenya Association of Tour Operators (KATO). A sample of 70 was drawn from KATO's Membership list using stratified random sampling procedure. Data was collected using a semi-structured questionnaire. Some 46 out of the target sample of 70 responded, representing a response rate of 65.7%.

Findings of the study have revealed that various environmental factors are quite important and affect the operations of tour operators in different ways. Some are absolutely fundamental, for instance, competition from other global and regional tourist destinations and advances in information communication technology. Other factors like poor infrastructure and need for e-business capability to market products locally and internationally also rank quite highly. Issues of climate change, local communities' demands, taxation regimes and multiple licensing requirement, changes in consumer attitudes ranked fairly important.

All the marketing mix variables studied received grand mean scores of above 3.5. The results of the study indicate that distribution channels, product/service and promotion seem to receive great attention by tour operators. It is clear from the findings that product quality is absolutely fundamental and has to be guaranteed. Pricing has received the lowest consideration, though its importance cannot be underestimated given that it scored above average. The findings also show that attaining an excellent public image and maintaining competitive position are most important factors in addressing the challenges posed by dynamic environment. Attaining lead in market share seems to have been ranked the least, especially with companies in category D to 'Associate'.

The study identified various differences and similarities among the six categories of tour operators studied. The differences are reflected in the focus, goals and operations pursued by the companies in each category. Generally, those in category D to 'Associate' are more focused on growth and expansion of company operations, while those in categories C to A are more geared towards maintaining the right public image, attaining market leadership and maintaining profitability. In terms of similarities, the study established that almost all the tour operators are conscious of the need to enhance competitiveness of Kenya as a tourist destination in view of competition posed by the emerging destinations, and the need for government to improve infrastructure and make it easier for operators to do business in the country.

The study recommends that strategic marketing planning and marketing research needs to be enhanced especially in tour operators within Categories D to 'Associate' since these categories seemed to lag behind in this major marketing facet. The study also recommends a review by the Kenyan Government in regard to sustainable tourism in the country in view of emerging competing destinations. Specifically, the government should review its approach towards infrastructure development, taxation regimes and licensing. Continued neglect could lead to loss of tourism clientele to other upcoming destinations like Tanzania, Mozambique and Botswana.

In terms of future research, the study recommends an integrated study covering other players in the tourism industry like the hoteliers, parks and museums that would reveal more insights on how the environmental factors have impacted the tourism industry.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the study

Since the beginning of the 1990s, world markets entered into a period in which structural changes in economic, technological, institutional, social, political, physical and international environments are occurring in an unprecedented manner. The market environment is changing dramatically because of the increase in the general standard of living, the increase in competition among organisations and the increase in consumerism. The changes of political, technological and economic environment have de-clustered previously protected national areas, increasing dramatically communication facilities and capacities, creating new needs all over the world, with some convergences among customers' expectations (Atamer, 1993). As a consequence, a majority of firms have to act, not only to seize new opportunities, cut costs, reduce their exposure to fiscal pressure or to foreign exchange, enlarge their access to new competences and skills, but also to prevent the loss of their market shares and avoid possible take-overs from competitors (Ghemawat et al 2001).

Globalization has resulted into growing power of international economic and market forces and the consequent decline in the ability of individual states to control their economies and of the private corporation in limited geographic spheres of operation to dominate domestic markets (Kotler, et al 2003). The impact on tourism is increased power in the hands of a small number of global travel and tourism networks achieving their globalisation not only through vertical and horizontal integration but through diagonal integration, economies of both scale and scope, and their huge investment in electronic databases and marketing.

New technologies have been changing the way in which tourism companies conduct their business and how the entire system operates (Nyingi, 2003). The dynamic growth of the use of Information Communication Technologies (ICTs) results in dramatic changes in the structure and operations of travel and tourism industries. Changes are particularly obvious in the way that tourism organisations communicate with their individual and institutional clients and how they manage their distribution function. These developments present a major opportunity for innovative tourism

organisations and destinations to improve their relative position in the international market. The challenge for many tour operators is whether they are able to keep phase with the changing technological advances to extend their distribution channels and expand their value chain (Mbuvi, 2000).

The uncertainty arising from trends in fuel prices and supply has made it difficult to make long-term decisions by tour operators. The escalation of oil prices as a consequence of the Iraq war is still impacting on travel (through fuel surcharges) and travel intentions (Middleton, 1994). Travel planning involves making long-term decisions, for instance, making bookings with travel agents for a holiday more than six months before the actual holiday takes place. Tour operators can only ignore monitoring these trends at their own peril.

The build up of consumers' socio environmental awareness of tourism development is leading to increased scrutiny on the part of the public in destination decision-making and a growing requirement for new tourism developments to be sustainable and "fair" to the destination (National Geographic, 2003). It is necessary to understand how tour operators in Kenya are embracing and supporting sustainable socio environmental practices and whether they consider supporting such a course as contributing to their competitive advantage.

A firm's business environment consists of three interrelated sets of factors that play a principal role in determining the opportunities, threats and constraints that the firm faces (Haberberg & Rieple, 2001). These three sets of factors are remote/macro, industry and operating/task environments. The task environment is the institution's set of customers. The task environment relates to a particular institution. The industry environment comprises all enterprises associated with an organization in society. At the broadest level is the macro-environment, where changes in the social, technological, economic, environmental, and political sectors affect organizations directly and indirectly. The forces in the business environment are so dynamic and interactive that the impact on any single element within the three sets cannot be wholly disassociated from the impact of other elements (Kotler, 1999).

The long-term survival of any organisation is dependent on how well the business relates to its environment and explores the future versus the past (Ghemawat et al 2001). According to Sanderson, (1998) four levels of the marketing environment affect the organisation. At the first level, marketing has to integrate with other organisational functions and must communicate the needs of the market and interest groups to the organisation. At the next level marketing must identify domestic and international consumers, or intermediary markets for products/services.

Market demand and customer behaviour span two dimensions, namely: determinants and motivations of demand normally based on careful analysis of the external environment and marketing research (Sanderson, 1998). Determinants are the economic, social, and political factors at work in any society that set limits to the volume of a population's demand for travel, whatever the motivations might be. Motivations are the internal factors at work within individuals. The main characteristics of a population that determines tourism demand are household size and composition, age structure and higher education. In developed economies smaller households with fewer young children, a greater number of married women in employment and more people over 55 years of age, have increased the propensity to travel (Sanderson, 1998).

Socio-cultural factors include beliefs people are brought up with, for example that a sunshine holiday or ownership of timeshare accommodation are important attributes of a satisfactory lifestyle. Government regulations may influence supply and demand, for example provision of infrastructure, environmental protection, regulation of competition and so on. Crime and health risks may overshadow the appeal of an attraction (Sanderson, 1998). The third level of the environment affecting marketing is stakeholder groups. Interest groups may have conflicting values affecting the context of decision making. Lastly there is the wider external environment, namely the interrelationship between social, technological, economic and political forces.

The changes occurring in society create an uncertain environment and have an impact on the function of the whole organization (Kotler, 1999). A number of frameworks have been developed as ways of cataloguing the vast number of possible issues that might affect an industry. One of the frameworks used to analyse the industry's

external environment is PEST (an acronym for political, economic, social and technological factors). Sometimes two additional factors, environmental and legal, will be added to make a PESTEL analysis, but these themes can easily be subsumed in the others. The PEST or PESTEL analysis examines the impact of each of these factors (and their interplay with each other) on the business. The results can then be used to take advantage of opportunities and to make contingency plans for threats when preparing business and strategic plans (Wheelen & Hunger, 1998).

Kotler (1999) claims that a PEST analysis is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations. In addition to strengths, weaknesses, opportunities and threats (SWOT) and Porter's Five Forces models, PEST can be applied by companies to review strategic directions, including marketing proposition. The analysis is effective for business and strategic planning, marketing planning, business and product development and research reports and also ensures that company's performance is aligned positively with the powerful forces of change that are affecting business environment (Porter, 1980).

### **1.1.1 Tourism Industry in Kenya**

Tourism has become a significant source of income generation for many countries. With strong integrated linkages, tourism promotes external economies by promoting and improving local and regional infrastructure (Kenya 1995). Kenya's rich tourism resource endowment namely wildlife in its natural habitats, beautiful scenery, idyllic sandy beaches, sporting activities, hotel facilities has made tourism one of the country's major economic activities. Approximately 10% of the country has been set aside for conservation of wildlife and biodiversity. Game viewing is a very popular pursuit since most visitors to Kenya are predominantly interested in seeing "the big five" namely the Elephant, Rhino, Lion, Buffalo, and the Leopard, not to mention other lesser and unique game of Africa's savannah and forests. In spite of increased competition from other destinations, Kenya is still one of the foremost tourist destinations in Africa (Jommo, 1987).

According to the Economic Survey (2007) released by the Ministry of Planning and National Development, tourism has played an important role in the diversification and development of the Kenyan economy. Tourism continues to make the largest

contribution to Gross National Product (GNP) as well as showing consistent growth at a time when the agricultural sector has shown only limited growth, and several of the other leading sectors of the economy have been stagnant. The country currently receives over 1 million tourists per year as compared to about 70,000 at the time of independence. Tourism has become one of the most vital sectors of Kenya's economy and a major foreign exchange earner. A tourism economic impact analysis by the Tourism Trust Fund (TTF) released in May 2007 shows the benefits of tourism to the Kenyan economy. The study showed that the tourism sector had a major impact on foreign exchange earnings, Gross Domestic Product (GDP), employment and government revenues. Up to 45% of foreign exchange earnings came from tourism, making tourism one of the leading earners of foreign exchange in Kenya, and challenging tea and horticulture for the number one spot. Overall the expenditure from the sector amounted to nearly Ksh 100 billion in 2006; to contradict some long held beliefs that the money generated from tourism goes off shore, the study also proved that the majority of the money generated stays in Kenya, with only 12% leaving the country for the purchase of goods and equipment, compared to 18% in the mid 1960's (TTF, 2007).

The government has continued to seek new policies which will encourage tourism and wildlife development while at the same time conserving the natural and cultural heritages which support and generate benefits that sustain the welfare of the people living within or near the tourist destinations (Kenya 1995). The success of these and other policies became evident when tourism became the fastest growing sector of the Kenyan economy. The decade of the 1990s, unfolding on the assumption of continued success for tourism, witnessed a further "boom" in the expansion of tourists' plant and services, but a slump on tourist arrivals and revenue was recorded towards the end of that decade. The Kenyan government was very concerned about this downward trend and as part of its attempts to curb a further decline, the Kenya Tourist Board (KTB) was established in 1996 to market and promote Kenya as a tourist destination both locally and internationally. The Board is financed by a government budgetary allocation and other donors (Jommo, 1987).

Owing to these trends, the Government of Kenya has been working on a programme of public sector policy and management reforms since 1999 (Mbuvi, 2000). The focus has

shifted from over reliance on high volume-low yield tourism towards the development of alternative forms of tourism that can contribute to conservation and sustainable use of the environment. Whereas attention is still focused on tourism segments in which Kenya has comparative advantage, particularly, wildlife, sun, sea and sand, special attention is now also being given to alternative sectors, particularly culture-based tourism. The principle goals are to secure the sustainable use of all tourism resources; optimize the sector's contribution to the national economy and rural development; and ensure the maximization of tourists' satisfaction. Medium term objectives are to increase revenue, specifically through more visitors, increased expenditure per visitor, extension of the length of stay and more repeat visits; and finally enhance and protect the environment so as to improve the country's image by ensuring the sustainability of the tourism resource base (Mbuvi, 2000).

### **1.1.2 Role of tour operators in tourism industry**

Tourism development at the destination level is strongly influenced by tour operators. Tour operators are businesses that combine two or more travel services (e.g. transport, accommodation, catering, entertainment, sightseeing) and sell them through travel agencies or directly to final consumers as a single product. A tour operator is thus a crucial link in the distribution chain, representing the central connection between customers and providers of tourism services, and thus has the power to influence both the demand and the supply side (Nyingi, 2003).

Kenya has enormous potential to be a major world tourist destination. Kenya's rich cultural, history, dramatic landscapes and wildlife, and varied tourist activities all suggest that Kenya can become a compelling destination for millions of travellers. Certainly, many tour operators are already thriving, as evidenced by the hundreds of operators listed on the Kenya Association of Tour Operators' (KATO) official website ([www.katokenya.org](http://www.katokenya.org)). Yet the potential for even greater success is virtually unlimited. Tour operators have much to gain by improving their operations, expanding their marketing, and conveying to the world markets all that Kenya has to offer. A major benefit provided by tour operators to developing countries like Kenya is that they can significantly increase the volume of tourist arrivals, ideally leading to employment generation, export earnings and economic development. They employ tour guides, clerks and drivers.

The tour operators arrange travel, transport and hotel bookings. They also organise tour packages. The four main tourist-generating countries in the world are - in order of size - the United States, Germany, Japan and the United Kingdom. Europe generates the most international tourists, and accounts for 12.5% of arrivals in developing countries (WTO 2001). Although there is a growing trend towards independently arranged travel, significant numbers of tourists still use the services of a tour operator to book their holidays. In the UK, for example, 28% of travel to developing countries (out of a total of 4 million UK tourists) was booked through tour operators in 2000 (Mintel, 2001). Tour operators create the image for a destination that is used in promotional activities at home. They can put a destination onto the map or divert tourists to elsewhere. Given the fact that selling a tourism product depends largely on imagery, the marketing and distribution channels enhanced by tour operators that bring customers and suppliers together play a crucial role.

Small operators have a less dramatic influence on tourism volumes, but can still significantly affect the path of development by putting a new area or new type of product on the map. Part of their product appeal is frequently a destination focus and the inclusion of local products, and they are less likely to own downstream operations. Thus independent operators rely more on destination inputs and can provide important markets for local products. They are more focused on enhancing product quality rather than price competition, and can also often have a more balanced relationship with suppliers due to the product characteristics and volumes generated (Mintel, 2001).

## **1.2 Statement of the problem**

The end of the twentieth century was a time of great transformation in all fields of life. There were many fast paced changes throughout social conditions, the economy, and technology, which brought about many transitions within tourism. The constant tendencies to observe and gain knowledge about the markets basic condition are needed to succeed with each activity and the trends within tourism can change quickly. The ability to forecast and stimulate these developmental processes is the key to making the correct decisions for the future. The competition within the tourist



market not only requires constant observation and the ability to anticipate change, but also being able to react to the new trend before it becomes the norm (Kourteli, 2005).

New tourism developments and trends signal a high complexity of the sector and require new techniques and new approaches to handle them effectively. Tourism can be seen as a whole range of individuals, businesses, organizations and places which combine in some way to deliver a travel experience (Font & Carey, 2005). It is a wide, complex, multidisciplinary and specific system with unique features and characteristics. The complexity of the sector necessitate profound shift of thinking about the strategy and management practices of tourism, in particular in relation to how competitive advantage can be achieved and how sustainability could be attained.

Tourism business environment has probably been one of the most turbulent industries in Kenya over the last one decade. The industry has witnessed an erratic growth with ups and downs, which has been occasioned by various factors. Some of these factors have been due to image problem of the country. Tourism is highly driven by image of a particular destination. Kenya's political stability and terrorist threat are some of factors that affect international tourist arrivals. In August of 1998, terrorists simultaneously bombed the US Embassies in Nairobi and Dar e Salaam killing over 250 people, mostly Africans. Political unrest in Kenya during this time involved problems among the multitude of the nation's ethnic groups. Sindiga (1999) describes this indirect impact on tourism thus: "in a sense, the ethnic clashes are a sign of the failure of the country's political institutions to hold the country together. Although there were no direct attacks on tourists, the general feeling of insecurity created a poor environment for conducting the tourism business".

There is increasing substitutability of Kenya's tourism product offering by competitor destinations. Kenya's unique offerings such as nature, culture and beach are being claimed by more competitors like South Africa, Mozambique and Tanzania. This substitution effect has an impact on the operations of tour operators in Kenya (Nyingi, 2003).

Kotler (1999) observes that, within the rapidly changing global picture, successful companies realise that the marketing environment presents never ending series of

opportunities and threats. The major responsibility for identifying significant changes in the macro environment falls on company's marketers, who act on behalf of the top management to track trends and seek opportunities. This study is therefore intended to analyse how tourism business environment has affected tour operators, with special regard to the impact on the marketing mix employed by tour operators.

### **1.3 Objectives of the study**

The objectives of the study are to:

- i. establish the importance of changes in tourism industry environment to the operations of tour operators in Kenya
- ii. assess the influence tourism environmental factors have on tour operators' marketing mix
- iii. identify the strategies adopted by tour operators to address the challenges of the tourism business environment

### **1.4 Significance of the study**

This study will be of benefit to the following groups;

#### **i) Government and Tourism Policy Planners**

This study gives information which can assist the government and other policy planners in making appropriate plans in the tourism sector in general and tour operator sub-sector in particular.

#### **ii) Tour operators and travellers**

This study greatly benefits tour operators and other travellers as it will give insight into the tourism environmental factors that affect their activities.

#### **iv) Researchers**

This study contributes to the body of knowledge and fills the information gaps on tourism environmental factors in tour operators' sub-sector in Kenya. Researchers will also find the study useful reference material when carrying out similar studies and investigations.

### **1.5 Scope of the research**

The research was limited to the tour operators whose head offices are located in Nairobi. The resources available to the researcher could only support the analysis of the above-mentioned scope.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Overview

Literature on the environment of an organization and its direct and indirect impact upon organizational processes and outcomes is numerous (May *et al.* 2000). As the environment becomes more complex, the organization must adjust internal structure and processes to maintain and/or increase effectiveness. Environment is thought of as the totality of physical and social factors that are taken directly into consideration in the decision-making behaviour of individuals in the organization. The business environment refers to all conditions or factors which may in some way affect the way in which an organisation interacts with its markets and the ability of an organisation to achieve its specified goals and objectives (Dess & Beard, 1984; Lengopito, 2004).

The concept of business environment is broad and covers major macro environmental forces which tend to be largely uncontrollable and may affect a variety of companies, as well as micro environmental factors which focus on issues specific to a particular market, and internal factors specific to a company such as internal resources, skills and competences (Dess & Beard 1984). Managers in organizations need to recognise the impact which environmental forces have on their decision making by anticipating, acting and adapting to environmental opportunities and constraints. They need to match strategy with the environment. This matching may call for a restructuring of the organisation's operations (May *et al.* 2000).

To survive, companies need to review the basic requirements for business success, because business success is a function of market opportunity and resources (Mutaviri, 2002). The same applies to the tourism industry whose operating environment is quite dynamic. Strategy requires that organisations monitor environmental changes on a continuous basis and where possible attempt to anticipate change.

#### 2.2 Macro Environment Variables

Macro environment consists of economic, social, cultural, political & legal, physical and technological forces which shape the nature of opportunities and threats (Kotler, 1999). There is need therefore to be aware of the interactions between elements of the macro environment. Environmental scanning is used by firms to monitor changes in the

external factors that are most likely to affect an organisation's position in the marketplace. Described by Baker (1992) as an 'early warning system', it is a dynamic process, which seeks to identify and prioritise likely impacts of threats and opportunities with a view to formulating an appropriate organisational response. A good marketing information system is a pre-requisite for managing this process.

### 2.2.1 Technological environment

The word technology is derived from the Greek word 'techne', which means art. The Greek 'technologia' translates to systematic treatment. Kourteli (2005) explains, "... from these roots, our modern understanding of technology is the science and study of the practical and industrial arts". The fact that these knowledge tools exist and can be used repeatedly to accomplish objectives means that they can be applied to the accomplishment of a business strategy.

Technology is primarily responsible for changes in the environment and is continually responsible for the pace of innovation and change. The technological environment embraces all variables that contribute to the emergence of new products and services in the market. According to Kourteli (2005), changes in the environment are generally a manifestation of technological innovation or the process through which human capabilities are enlarged.

The question that arises is, "How does technological innovation affect tour operators?" According to Mbuvi (2000) the most basic result for technological innovation, is higher productivity. Tour operators need to invest in the right technology, which can give them a competitive edge over rivals. A tour operator must use and understand the latest information technology to simplify processes, enabling them to mitigate complexity and rapidly identifying solutions that satisfy the business requirements. As new technologically improved products are constantly introduced into the market, tour operators that do not keep abreast of changes taking place on the technological front will soon find that its products/services are obsolete. Font & Carey (2005) said, "If you are not involved today in creating tomorrow's markets, or being knowledgeable about what's happening in these markets, you are unlikely to find yourself competing in them."

### 2.2.2 Economic environment

The economic environment forms the central focal point for change in the macro-environment. It influences all the other environments and is in turn, influenced by them. The result of this interaction is a continually changing macro-environment, which complicates decision-making. Economic factors, such as the business cycle, inflation and recession, influence the demand for goods and services by compelling consumers to reassess priorities in terms of consumer products (Luffman, et al, 1996).

Each significant economic change requires appropriate reaction by tour operators. It is the responsibility of management not only to try to determine the intensity of the business cycle for a specific industry, but also to try to forecast the possible cycle of the economy for at least the following year. According to Luffman, et al, (1996), there are several economic factors that must be considered by tour operators. These factors include inflation, business cycle, interest rates, provision of employment, productivity and profitability.

Inflation relates to price stability, and is an important part of the economic landscape. Inflation is described as a continual rise in the generic price level. Business cycle involves the pattern of expansion and contraction of economic activities around a long-term growth tendency. Interest is the price paid for money. The level of interest rates is largely determined by the demand for and the supply of funds. Both current and expected interest rate levels are important, since these have a marked influence on the cost of capital as well as on the expected minimum return on capital (Kourteli, 2005). Unemployment is one of the biggest problems in the Kenyan economy. Unemployment in the active population has enormous social implications. Crime is on the increase and is a problem not only for home-owners but also for the business community (Sindiga, 1999). Unemployment and its consequences influence every tour operator. Management must adapt its employment policy accordingly to ensure a fair dispensation for both employer and employee. Even though productivity and profitability are not synonymous there is a strong relationship between these two phenomena. If productivity increases, profitability should also increase. Increased productivity enables the tour operator to compete better in the market.

### 2.2.3 Social-cultural environment

Socio-cultural environment reflects the demographics of the market and the social and cultural aspects that influence the market (Swarbrooke & Horner, 1999). The social environment is important because of the products, services and standards of conduct it determines for the society, which it is likely to value. The social environment is where people's lifestyles, habits and values are shaped by the culture, therefore making certain demands on the business. This environment affects management indirectly through people as consumers and as employees, such that its ultimate effect on the strategy of the business should not be underestimated (Swarbrooke & Horner, 1999).

According to Mayo & Jarvis (1981), the emphasis in many consumer lifestyles have shifted from cost to time as the premium asset, with working mothers, single households, commuting and television all contributing to the limited time available. Therefore today's generation is growing up in an environment driven by convenience. The expanding choices allow consumers access to wider product ranges and refinement of likes and dislikes resulting in a culture of customised products that satisfy individual needs and desires.

Social changes take various forms. One aspect of social change is changes in people's attitudes, values and beliefs and includes a much greater emphasis on health and safety; a growing demand, increasingly backed by legislation, on the part of women and members of ethnic minorities, for equality of treatment and equality of opportunity; changing social values and attitudes affect people's lifestyles and hence such things as their purchasing habits and patterns (Swarbrooke & Horner, 1999).

According to Mayo & Jarvis (1981), there are two elements of the changing social environment of tour operators' clients, namely, changes in values, where values are the mental representations of important life goals that clients are trying to achieve and these values are relatively enduring; and changes in lifestyles, which is a summary of patterns in which people live and spend time and money. The lifestyles of people change more rapidly and are measured on the basis of activities, interests and opinions of people.

#### **2.2.4 Physical environment**

Physical environment refers to the physical resources that people need to support life and development, such as water, air, climate, the oceans, rivers, and forests (Font & Carey, 2005). The physical environment includes the availability, conservation, improvement and utilisation of the limited natural resources a country possesses. The business obtains its raw materials from the physical environment in order to place a product on the market in combination with other factors of production. The shortage of basic factors of production influences the supply of goods/services and contributes to large price increases and resultant high inflation (Font & Carey, 2005).

Natural environment is one of the areas that has received a lot of interest in relation to tourism development. Several studies have tried to prove the existence of green tourists and understand their behavior, but there is “relatively little empirical research” that has successfully done so. A BATLeisure Research Institute study done in 1993 claimed that seven out of ten criteria for a quality holiday related to the environment (Swarbrooke & Horner, 1996).

Swarbrooke and Horner (1996) also note that a study conducted by tour operator TUI in 1995 demonstrates the interplay between five ecological criteria (including environmental situation, landscape, and seawater quality) and client satisfaction. According to a recent Ipsos-RSL study (1999), 45% of British overseas tourists stated they were more likely to book a holiday with a company with a written guarantee for good working conditions, environmental protection, and support for local charities in the destination area. Of British overseas tourists, 21% stated they would be willing to pay 5% more for their holiday if they were presented with such a written guarantee.

Consideration must be given to different and more sophisticated methods of production and even reorientation in marketing thinking. Each tour operator should have a clear policy regarding its responsibility for the most judicious utilisation and conservation of the physical environment (Font & Carey, 2005).

#### **2.2.5 Political-governmental or institutional environment**

The political environment, according to Freeman (1984) comprises those elements that are related to governmental affairs. Examples include the type of government in

existence, governmental attitude towards various industries, lobbying efforts by interest groups, progress toward the passage of laws, platforms of political parties and sometimes the predisposition's of candidates running for office.

Sanderson, (1998) states that political changes are occurring at every level, namely global, regional, national and local. The political-governmental environment can create both opportunities and threats for tour operators. Firstly to create opportunities for tour operators, by establishing open international markets and secondly, providing threats such as government influences. Tour operators should anticipate these changes in order to establish the functioning and future of their business.

### **2.2.6 International environment**

The world we live in today is an international or global dimension to each of the macro-environment (Atamer, et al., 1993). May, et al. (2000) has identified six key areas that have a direct impact on a business' understanding of the international business environment, namely, success and failure in understanding the business environment; the changing nature of the international business environment; the competitive factors influencing the business environment; the need for general environmental scanning; systemising the search for international business opportunities; and the key factors driving the competitive environment.

Tour operators should address these key issues and gather relevant information to facilitate market and competitor analysis as a basis for strategic planning and strategic formulation as part of effective international management. They should always be aware of international economic trends like inflation, recession and shortages of resources as well as international political developments (Atamer, et al., 1993).

### **2.3 Micro-environment**

Micro environment consists of actors in the company's immediate environment including suppliers, distributors, customers and competitors. The micro (or market) environment has more immediate impact on an organisation and there is greater potential for the organisation to influence the nature of this environment. The internal environment is also important since it constrains/determines what is possible for the organisation (Kotler, 1999).



### 2.3.1 Competition and competitive advantage

There is continuing interest in the study of the forces that impact on an organisation, particularly those that can be harnessed to provide competitive advantage. The ideas and models which emerged during the period from 1979 to the mid-1980s (Porter, 1998) were based on the idea that competitive advantage came from the ability to earn a return on investment that was better than the average for the industry sector (Thurlby, 1998).

As a general rule, all businesses seek to be competitive in terms of costs, in minimising risks, and maximising conveniences and amenities (Kotler et al., 1993). A useful framework for the assessment of competition and to identify a competitive advantage for positioning purposes, is called a *Swot*-analysis, which stands for strengths, weaknesses opportunities and threats (Middleton, 1994). Strengths are identifiable characteristics that a tourism business has more of, or does better than its competitors or other forms of tourism.

Competitive advantage generally lies in doing things better than a competitor. Location, a distinctive or exotic natural environment, architectural style, customer service, a well-recognised brand name or a favourable consumer image, brand loyalty and cost advantages may also be a source for a competitive advantage and become strengths. Some competitive advantages may be quickly ruled out because they are too slight, too inconsistent with the company's profile or too costly to develop (Kotler et al., 1993). Strengths are often matters of perception rather than fact, and marketing research may be necessary for identification. Once identified as a competitive advantage, strengths become a basis for product differentiation and competitive positioning, and can be promoted to potential clients. Internal weaknesses must also be identified so that management can take steps to remove them or minimise their impact. Opportunities and threats may arise from shifts in the external environment and calls for a reappraisal, so that the opportunities can be exploited and the threats eradicated.

### 2.3.2 Porter's Five Forces Analysis

Porter's Five Forces analysis deals with factors outside an industry that influence the nature of competition within it, the forces inside the industry (microenvironment) that influence the way in which firms compete, and so the industry's likely profitability is conducted in Porter's five forces model. A business has to understand the dynamics of its industry and markets in order to compete effectively in the marketplace. Porter (1980) defined the forces which drive competition, contending that the competitive environment is created by the interaction of five different forces acting on a business. In addition to rivalry among existing firms and the threat of new entrants into the market, there are also the forces of supplier power, the power of the buyers, and the threat of substitute products or services. Porter suggested that the intensity of competition is determined by the relative strengths of these forces.

The original competitive forces model, as proposed by Porter, identified five forces which would impact on an organization's behaviour in a competitive market. These include the following rivalry between existing sellers in the market, power exerted by the customers in the market, impact of the suppliers on the sellers, potential threat of new sellers entering the market, and threat of substitute products becoming available in the market. Understanding the nature of each of these forces gives organizations the necessary insights to enable them to formulate the appropriate strategies to be successful in their market (Thurlby, 1998).

The intensity of rivalry, which is the most obvious of the five forces in an industry, helps determine the extent to which the value created by an industry will be dissipated through head-to-head competition. The most valuable contribution of Porter's "five forces" framework in this issue is the suggestion that rivalry, while important, is only one of several forces that determine industry attractiveness. It is most likely to be high in those industries where there is a threat of substitute products; and existing power of suppliers and buyers in the market.

Both potential and existing competitors influence average industry profitability. The threat of new entrants is usually based on the market entry barriers. They can take diverse forms and are used to prevent an influx of firms into an industry whenever

profits, adjusted for the cost of capital, rise above zero. In contrast, entry barriers exist whenever it is difficult or not economically feasible for an outsider to replicate the incumbents' position (Porter, 1980; Sanderson, 1998) The most common forms of entry barriers, except intrinsic physical or legal obstacles, include economies of scale, for example, benefits associated with bulk purchasing; cost of entry, for example, investment into technology; distribution channels, for example, ease of access for competitors; cost advantages not related to the size of the company, for example, contacts and expertise; government legislations, for example, introduction of new laws might weaken company's competitive position; differentiation, for example, certain brand that cannot be copied

The threat that substitute products pose to an industry's profitability depends on the relative price-to-performance ratios of the different types of products or services to which customers can turn to satisfy the same basic need. The threat of substitution is also affected by switching costs – that is, the costs in areas such as retraining, retooling and redesigning that are incurred when a customer switches to a different type of product or service.

Buyer power is one of the two horizontal forces that influence the appropriation of the value created by an industry. The most important determinants of buyer power are the size and the concentration of customers. Other factors are the extent to which the buyers are informed and the concentration or differentiation of the competitors. Kippenberger (1998) states that it is often useful to distinguish potential buyer power from the buyer's willingness or incentive to use that power, willingness that derives mainly from the "risk of failure" associated with a product's use. This force is relatively high where there a few, large players in the market. It is also present where there is a large number of undifferentiated, small suppliers and low cost of switching between suppliers.

Supplier power is a mirror image of the buyer power. As a result, the analysis of supplier power typically focuses first on the relative size and concentration of suppliers relative to industry participants and second on the degree of differentiation in the inputs supplied. The ability to charge customers different prices in line with differences in the value created for each of those buyers usually indicates that the

market is characterized by high supplier power and at the same time by low buyer power (Porter, 1998).

In the case of tourism industry, the collective strength of these five forces determines the ultimate profit potential of the industry. Just as every industry has an underlying structure, or a set of fundamental economic and technical characteristics, that gives rise to these competitive forces (Porter, 1985), tourism industry strategists wanting to analyze the position of their company, have to learn what makes the environment tick, because firms can influence the five forces with their strategies.

#### **2.4 Marketing Responses in a Dynamic Tourism Industry**

Marketing is a vital ingredient to the success of tourism, and with a global market place with hundreds of destinations competing for arrivals, any marketing initiative must be strategic, well planned and researched and targeted to the best possible audience (Sanderson, 1998). For a developing world destination, carrying out cost effective marketing is a genuine challenge.

Marketing brings the five major sectors of the tourism industry together, namely the market demand in the area of origin, the product supply at the destination, the transportation or physical access to destinations, the distribution organisations, and travel organisers ((Font & Carey, 2005). A marketing mix may be defined as the mixture of controllable marketing variables that the organisation uses to pursue the sought level of sales in the target market. The four basic controllables are the *product* formulation according to the changing needs of target customers; *pricing* which is used to manage the volume of sales; *promotion* to make potential customers aware and favourably disposed towards buying it; and *place* which includes the location of the facility and all the points of sale that provide access to the product to prospective customers. Each of these contains many sub-elements and Middleton (1994) is of the opinion that people, physical evidence and processes actually are integral elements of the product. Middleton consequently encourages the usage of the terms product-mix, promotion-mix and so forth, as opposed to the usage of an extended marketing mix. Kotler et al. (2003) share this view and believe that the four Ps offer an adequate framework into which the differences between product and services marketing can be incorporated.

Tourism is composed of complex products, including different syndicated parts offered by very heterogeneous actors. Furthermore, the 'tourist experience' is created in relatively small geographic areas known as clusters defined as geographic spaces in which the entire tourism experience takes place' (WTO, 2001). Thus, tourism is a system in itself, the competitiveness of which depend on how its constituting parts, interact and interrelate to deliver the best value for money for its tourists. Breaking this system into parts and assuming that the whole is the sum of its constituting parts mean that if a tourist consumes different products and remains unsatisfied with only one of them, overall it is satisfied. However, in reality it is not true. It could happen that the un-satisfaction with only one product, or piece could undermine the overall tourist experience and satisfaction level. The tourists overall impression depend in its experience with all products, services and attractions as a whole, and is a matter of system dynamics, of how good and efficiently different parts interrelate and interact to cope with complexity and uncertainties. This means that much of an individual tourism business' potential to achieve growth lies outside the power and the influence of the single company. Thus, a successful tourism area is the one that gives the best value for customers as a whole system (Kotler et al., 2003).

Conventional, traditional approaches that have prevailed in the tourism product management and marketing are being increasingly considered unable to give directions for organizations to cope with uncertainty and unpredictability of the future. In traditional approaches the concepts of control and predictability have reigned. The competitiveness is based on having an advantageous situation in respect to some of the main macroeconomics factors like salary costs, interest and exchange rates, and/or other comparative advantages such as the abundance of natural resources for tourist attractions (WTO, 2001). Traditional management techniques are based on the principle that organizations could be viewed as machines and as such, its components patterns and behaviors could be understood and predicted, by breaking down the whole in its parts.

The growing environmental complexity and dynamism, the explosion and use of e-commerce and e-business models generate major impacts for tourism businesses and its competitive positioning strategies. The general trend of almost all tourism firms is

the move toward the creation of business-to-business, business-to-consumer marketplace offering a medium to establish direct relationships among suppliers, consumers and intermediaries in every level (Wolpert, 2002). A lot of new online travel businesses have emerged recently such as Expedia, Orbitz, Online Destinations, Travelocity to provide direct, easy, convenient, online travel access and reservation as well as to enable distressed inventory to be distributed efficiently.

These developments are mostly a response to the new paradigms that characterize the context and which thrust for a reinvention of traditional modes of managing, producing, marketing and distributing tourism products/services. The new paradigms are focusing on a customer driven orientation and 'Trust based marketing' instead of cost efficiency orientation and 'Push marketing' initiative. Hierarchical structures characterized by internal productive efficiency, functional rationality, departmentalization, management by rule and mandate are being replaced by network organization characterized by flexibility, innovative entrepreneurship and organization learning. These new paradigms require new ways of looking at things and offer a radical transformation of the prevailing marketing and managerial orientations in order to achieve best productivity and most profitable practice (Sanderson, 1998).

New technology has opened routes to a more cost-effective generation of inquiries, to convert awareness and interest into bookings, and secure repeat business. Computerised database technology and the need to know more about customer profiles and needs, as well as the necessity to establish a competitive-advantage has shifted the emphasis in marketing toward direct response strategies in order to achieve sales volume. Direct response marketing can obtain customer loyalty through customer care and service, and by building a relationship centred on the customer rather than the product. It involves direct communication between the firm and consumer and often includes direct mail, telephone selling and travel exhibitions, but is more than direct selling (Middleton, 1994).

It is not feasible for a marketer to appeal to an entire market or to develop an offering for each buyer. Marketers therefore seek to group or segment buyers who share similar needs. Once a market segment has been decided on and targeted, the product offering

needs to be positioned in the eyes of the consumer. Segmenting, targeting and positioning are a series of steps that are interrelated. The positioning may be based on the features or benefits of the offering, the user category, or against existing competitors (Kotler et al., 2003). If an organisation wants to establish a clear image in the minds of its customers, it first needs a clear image in its own mind of what it wants to portray. The whole marketing mix then has to be devised to communicate this distinctive strategic position in the marketplace. This includes a product formulation and augmentation to provide and enhance customer satisfaction with the best quality of experience that the resource base affords. One underlying theme or idea has to be identified from the product formulation to encapsulate the resource base and the experiences it sustains. However, it will only succeed if the image is based on a competitive advantage that will benefit the target market and makes a tourism business stand out from competitors. The purpose of creating an image, or branding, is to differentiate products (Sanderson, 1998). A tour operator's positioning decision will also determine who its competitors will be, since product formulation is directly related to price (Middleton, 1994). The theme must form the basis for positioning the attraction and the benefits it offers in all marketing communications aimed at prospective visitors.

The approach to cope with tourism industry turbulence and uncertainty may differ by the extent to which the environment is stable or dynamic, and also by extent in which it is simple or complex (Sanderson, 1998). Marketers will respond by aligning their marketing plans and strategies to respond appropriately to the changing uncontrollable environment. A marketing plan is a dynamic document that needs continuous revision as relevant environmental and internal factors change, and should be used as a platform from which a management style emerges (Kotler, 1999). When an issue is detected, there are generally six ways of responding to them; (1) opposition strategy - try to influence the environmental forces so as to negate their impact - this is only successful where the industry has some control over the environmental variable in question (2) adaptation strategy - adapt marketing plan to the new environmental conditions (3) offensive strategy - try to turn the new influence into an advantage. Quick response can give a firm a competitive advantage (4) redeployment strategy - redeploy firm's assets into another industry (5) contingency strategies - determine a broad range of possible reactions, for instance, find substitutes (6) passive strategy - no response, study the situation further.

Tourism operators who wish to grow their businesses can choose between four basic strategic objectives, namely: market penetration (selling more of existing products in existing markets), entering new markets or geographical areas, develop new product offerings for the existing market, or diversification (selling new offerings in new markets). The main consideration when entering a new market is whether there is willingness or a need on the part of the customers to buy the product. It all boils down to whether one can generate income and how much by when (Sanderson, 1998).

### 2.5 Summary of Literature Review

As has been observed in this review, firm's business environment consisting of three interrelated sets of factors - macro, industry and operating environments - play a principal role in determining the opportunities, threats and constraints that the firm faces. It has also been noted that the forces in the external environment are so dynamic and interactive that the impact on any single element within the three sets cannot be wholly disassociated from the impact of other elements. Thus, this study considers main variables within the three set of the business environment in order to come up with a more complete picture of marketing responses to a dynamic tourism environment.

Conceptually therefore, this study looked at the independent variables (found in the business environment) and how they influence the dependent variables (marketing mix) of tour operators to determine success or failure of their operations and overall competitiveness.

For the purposes of this study, principles of strategy and marketing have been integrated since the two fields are interrelated, in order to understand better how changes in the business environment affects the tour operators' sub-sector.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Design

The research design for this study is a descriptive one. A descriptive research is a type of conclusive research that has its major objective as description of something (Malhontra, 1996). According to Cooper and Schindler (2003) such studies aim at determining answers to the questions of who, what, when, how, why and where. A descriptive research aims to describe phenomena associated with a subject population or to estimate proportions of population that have certain characteristics. This is the focus of the proposed study.

#### 3.2 Population of the Study

The population of interest consists of all tour operators based in Nairobi who are members of Kenya Association of Tour Operators (KATO). The number of the companies according to KATO ([www.katokenya/katomembers.asp](http://www.katokenya/katomembers.asp)) is well over two hundred.

#### 3.3 Sample Design

The sampling frame for this study is the list of membership of tour operators available from KATO. A sample was drawn using stratified random sampling procedure. KATO has grouped its members into six major categories (A to E, and Associate) depending on their gross annual turnover in the Association ([www.katokenya/katomembers.asp](http://www.katokenya/katomembers.asp)).

The following are the categories currently in use: **Category "A"** - All members with a gross annual turnover exceeding United States Dollar (US\$) 1.7Million; **Category "B"** - All members with a gross annual turnover exceeding US\$1.1Million but below US\$1.7Million; **Category "C"** - All members with a gross annual turnover exceeding US\$570,000 but below US\$1.1Million; **Category "D"** - All members with a gross annual turnover exceeding US\$140,000 but below US\$570,000; **Category "E"** - All members with a gross annual turnover of not exceeding US\$ 140,000; **Associate** - All new members who are yet to complete one full year in membership.

For the purposes of this study, these categories were used as basis for stratification.

A sample size of 70 was used for this study. Cooper and Schindler (1998) concur that a sample size of 30 and above is considered representative of the population for the purposes of data analysis and generalization. The sample was chosen using proportionate stratified sampling from each of the appropriate strata as shown in the Table 3.3.1.

**Table 3.3.1 Population and sample size of tour operators**

Category	Population (N)	% of total	Sample (n)
A	24	11	8
B	10	5	3
C	15	7	5
D	42	19	14
E	83	38	27
Associate	42	19	14
<b>Totals</b>	<b>216</b>	<b>100</b>	<b>70</b>

### 3.4 Data Collection

Survey method was used to collect the pertinent primary data for this study. Data was collected using a semi-structured questionnaire that consists of three parts. The questionnaire contained both open ended and closed ended questions. The questionnaire was divided into three parts. Part A dealt with general company classification questions. Part B had questions that relate to tourism environmental changes while Part C dealt with impacts on marketing mix variables and strategic responses. 'Drop-and-pick up-later' method was used. Respondents were either managing directors or marketing managers or their equivalents. The researcher administered one questionnaire in each tour company.

Pilot testing was carried out prior to the full data collection phase in order to eliminate any inconsistencies and to improve quality of the questionnaire.

### 3.5 Data Analysis

The data was analyzed using descriptive statistics namely frequency distributions, mean scores, percentages, graphs and bar charts.

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents an analysis of the data collected. It also presents and discusses the findings of the study. The findings have been summarised in percentages and mean scores and have been presented by use of tables and graphs. In analysing the data, where appropriate, the researcher has endeavoured to compare findings between the different strata in order to explain the differences or similarities observed.

#### 4.2 Sample Response Rate

The questionnaires were distributed on a 'drop and pick up later' method. Some 46 out of the target sample of 70 responded. This represents a response rate of 65.7% (Table 4.2.1). The rate was considered adequate representation of the population for the purpose of making conclusions. This is also adequate response given that the survey was conducted during the peak season in tourist arrivals in the country.

Table 4.2.1 Response rate per category

Category	Population (N)	Sample (n)	Actual returned	%
A	24	8	5	63
B	10	3	2	67
C	15	5	3	60
D	42	14	9	64
E	83	26	16	62
Associate	42	14	11	79
Totals	216	70	46	394
			Mean response rate	65.7

Source: Research data

#### 4.3 General characteristics of respondents

The researcher wanted to establish the general characteristics of the tour companies in each category. The characteristics included age; form of ownership; whether the tour companies have associated companies or branches in Kenya and abroad; and the products and services offered by the various tour companies. The findings are presented in tables 4.3.1a, 4.3.1b, 4.3.2 and 4.3.3.

**Table 4.3.1a: Age of the tour companies**

Category	Respondents ( <i>ni</i> )	Over 20 yrs (%)	10 to below 20 yrs (%)	Below 10 yrs (%)	Total %
A	5	80	20	0	100
B	2	50	50	0	100
C	3	33.3	66.7	0	100
D	9	0	33.3	66.7	100
E	16	0	6.3	93.7	100
Associate	11	0	0	100	100

Source: Research data

**Table 4.3.1b: Ownership the tour companies**

Category	Respondents ( <i>ni</i> )	Foreign (%)	Local (%)	Both foreign and local (%)	Total %
A	5	40	40	20	100
B	2	50	50	0	100
C	3	33.3	66.7	0	100
D	9	22.2	66.7	11.1	100
E	16	6.3	81.3	12.5	100
Associate	11	18.2	81.8	0	100

Source: Research data

As shown in Table 4.3.1, the age of the companies was found to correspond with the stratum in which the companies are placed. Most of the oldest companies were found in category A while majority of the newest companies were found in category 'Associate'.

Half (50%) of the companies in category A are foreign owned or have a bigger percentage of their ownership outside Kenya. This percentage decreases significantly within the other categories such that 81.8% of category 'Associate' are actually locally owned.

**Table 4.3.2 Branch Network/Associate companies**

Category	Respondents (ni)	In Kenya (%)	Outside Kenya (%)	No branch/ Associate (%)
A	5	100	100	0
B	2	100	100	0
C	3	66.7	33.3	0
D	9	55.6	22.2	22.2
E	16	43.8	31.3	18.8
Associate	11	36.4	27.3	45.5

Source: Research data

Findings in table 4.3.2 show that all the companies in category A and B have branches or associated companies both in Kenya and outside Kenya. This varies within the categories and it is observed that the number of companies with branches decreases towards category 'Associate'.

The main products and services offered by the tour operators are shown in table 4.3.2 below;

**Table 4.3.3 Percentage of operators in various categories offering each service**

Service	Respondents (ni)	A	B	C	D	E	Associate	Mean %
		(%)	(%)	(%)	(%)	(%)	(%)	
Tours & safaris planning	5	2	3	9	16	11		91.5
Hotel Bookings	99	98.7	92.7	94.6	85.6	78.4		74.0
Transport	90	87.4	82.6	78.3	60.8	45		91.3
Inbound & outbound charters	86.4	79.8	90.6	94.8	96.4	100		67.3
Car hire	88.7	84.6	78.4	56	50.8	45.5		63.3
Meetings, incentives, conferences and exhibition (MICE)	40.8	45	58.4	60.5	79	95.8		79.8
	98.4	95.6	88.4	75.6	70.4	50.6		

Source: Research data

The results in Table 4.3.3 show that most firms in category A to D are involved in tours and safari planning, MICE, hotel bookings and inbound and outbound charters services. Those in category E and 'Associate' are mostly involved in transport and car hire. This may indicate that the companies in categories E and 'Associate' also serve the other categories in providing transport and car hire services, besides sourcing for their own clients.

#### 4.4 Markets served by the four companies and competitiveness in the market

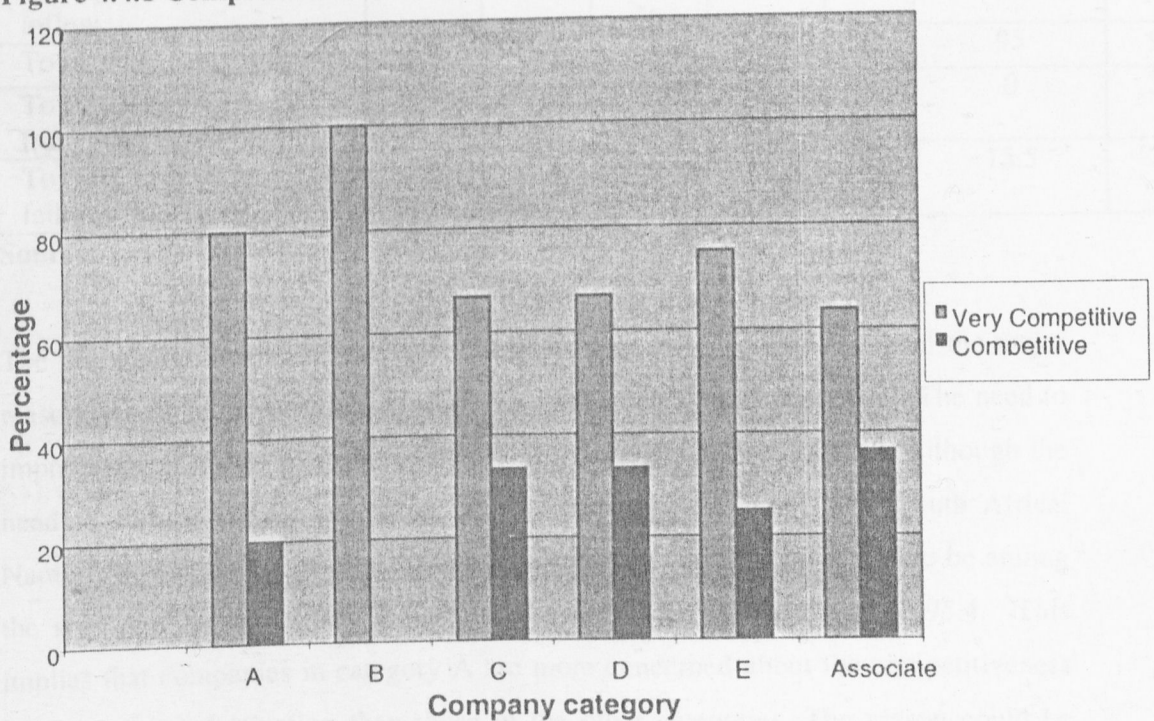
All the companies surveyed serve both domestic and foreign markets. In accessing these markets, the companies were asked to state their view on the level of competition in the markets served. In terms of competitiveness, all the companies chose only two options, i.e. competitive and very competitive.

Table 4.4.1 Level of competitiveness of the market served

Category	Respondents (ni)	Very competitive (%)	Competitive (%)	Total %
A	5	80	20	100
B	2	100	0	100
C	3	66.7	33.3	100
D	9	66.7	33.3	100
E	16	75	25	100
Associate	11	63.6	36.4	100

Source: Research data

Figure 4.4.1 Competitiveness of the market



Source: Research data

#### 4.5 Information on mission statement and marketing strategy

The respondents were asked to state whether their companies have mission statements and marketing strategies. All the companies surveyed have marketing strategies. Also all companies in categories A to D have mission statements. Only 60% of companies in category E and 35% in 'Associate' category have mission statements.

All the companies surveyed indicated that they have felt the need to review their marketing strategies. The reasons given for reviewing are given in Table 4.5.2 below;

**Table 4.5.2 Reasons given by tour operators in each category for reviewing marketing strategy**

	A (%)	B (%)	C (%)	D (%)	E (%)	Associate (%)	Mean %
<b>Respondents (ni)</b>	5	2	3	9	16	11	
<b>Reason</b>							
To accommodate more business in the same line of operations	60	34.6	50.5	70.6	74	72.8	<b>60.4</b>
Enter into new business lines	80	78.5	64	63	60.4	40	<b>64.3</b>
To improve on clients inflow	88.8	76.8	82.6	85.6	90.4	89.8	<b>85.7</b>
To increase sales volumes	90.5	89.7	90	94.5	92	95	<b>92.0</b>
To address competition from other destinations	95.4	65	34.8	20	5	0	<b>36.7</b>
To rectify previous failures	30	20	50.6	34.6	25	15.5	<b>29.3</b>

**Source: Research data**

The findings in table 4.5.2 indicate that increase in sales volume is one of the major reasons for reviewing marketing strategies, with mean percentage of 92. The need to improve client inflow also scored highly at a mean percentage of 85.7. Although the need to address competition from other competing destinations like South Africa, Namibia and Botswana scored quite low (a mean % of 36.7), it seemed to be among the strongest reason in the 'Associate' category with a percentage of 95.4. This implies that companies in category A are more concerned about the competitiveness of Kenya as a destination than those in the other categories. The reason could be linked to the nature of products/service they offer which as earlier observed are more to do with tours and safaris planning.

The findings also show that more than 60% of the companies that have mission statements felt the need to have it regularly reviewed, though not every so often. This could be due to the reason that even though managers intend that the mission statement work for a number of years, circumstances change. As such, companies should be prepared for some change in the mission statement, however that change should be a fine tuning or an evolutionary change rather than a revolutionary change. A mission statement is a description of what business a company is in. As such, it represents the very foundation of an enterprise. Certainly, one wouldn't want the foundation of his/her enterprise changing significantly from year to year. Developing a mission statement offers significant benefits. The primary benefit is focus. Only by agreeing which markets to go after, which products or services to offer, can an organization concentrate its limited resources. A marketing manager must know which trade shows to attend, which mailing lists to rent, which media to consider for advertising.

#### 4.6 Performance of tour companies in the market

When asked about their performance over the last three years, the following are the responses received from the different categories:

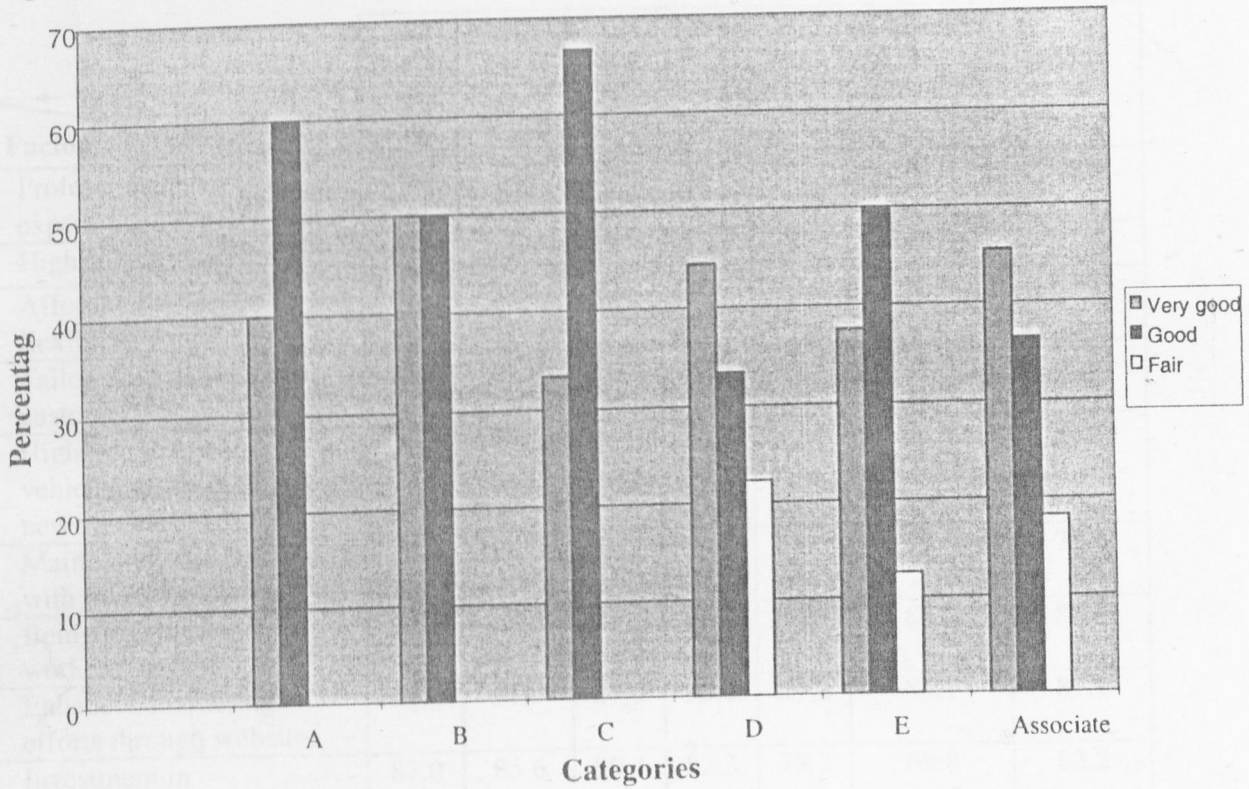
**Table 4.6.1 Performance of tour companies over the past three years**

Category	Respondents (ni)	Very good (%)	Good (%)	Fair (%)	Poor (%)	Total (%)
A	5	40	60	0	0	100
B	2	50	50	0	0	100
C	3	33.3	66.7	0	0	100
D	9	44.5	33.3	22.2	0	100
E	16	37.5	50	12.5	0	100
Associate	11	45.5	36.4	18.1	0	100

Source: Research data



Fig. 4.6.1 Performance of Tour operators in the market



Source: Research data

As can be observed from the findings in Fig. 4.6.1, most of the respondents rated the performance of their companies as 'very good' and 'good'. Only a small percentage especially on categories C to 'Associate' felt their performance was fair. No company felt their performance was poor.

The respondents were asked to state the factors within their organization that contributed to their performance. The factors contributing to the performance, in this case 'very good' and 'good', are shown in Table 4.6.1.

**Table 4.6.1 Factors within the organization that contributed to 'very good' and 'good' performance**

Factor	Respondents (ni)						Associate (%)	Mean %
	A (%)	B (%)	C (%)	D (%)	E (%)	Associate (%)		
	5	2	3	9	16	11		
Professional and experienced staff	80.0	85.0	78.8	70.6	76.0	79.0		<b>78.2</b>
High standards of service	90.0	96.4	92.0	73.5	89.6	80.4		<b>87.0</b>
Affordability and flexibility	70.6	78.4	80.0	78.0	90.0	96.6		<b>82.3</b>
Tailor-made services to customers' requirements	88.0	84.6	78.5	85.0	70.4	68.0		<b>79.1</b>
Highly maintained vehicles and investment in new vehicles	80.6	79.2	86.0	90.0	87.5	93.0		<b>86.1</b>
Maintaining teamwork with drivers and clients	78.7	80.6	76.2	83.4	75.6	79.0		<b>78.9</b>
Being sensitive to workers' needs	90.5	88.6	87.7	92.1	86.4	85.0		<b>88.4</b>
Enhanced marketing efforts through websites	94.3	91.0	87.9	90.0	87.3	84.1		<b>89.1</b>
Investment in technological advancement mostly in communication and office equipment	87.0	85.6	90.4	82.3	78.3	69.8		<b>82.2</b>

**Source: Research data**

The results in Table 4.6.1 show all the factors scored over 69%. This indicates that all of the factors mentioned received very high consideration by the tour operators.

The findings show a consensus by tour operators surveyed that their performance over the last three years has generally been good. This observation ties with the current trend in the tourism sector in the country. The industry has grown significantly since the year 2003 and has emerged to be the biggest contributor to the country's GDP. Thus, in addition to the internal factors stated by the different tour companies as contributing to their performance, all the companies surveyed seem to have benefited from the general boom in the tourism sector in the country.

#### 4.7 Importance of environmental factors in gaining competitive advantage

The respondents were asked to rate various environmental challenges faced by their organization in trying to gain competitive advantage in a dynamic industry. Mean scores were ranked on a 5-point scale with 1 – not important and 5 – very important.

**Table 4.7.1 Respondents' rating of environmental challenges faced by their organization in trying to gain competitive advantage**

Attribute	Mini- mum rank	Maxi- mum rank	Mean score	Standard deviation (std dev)
Advances in information communication technology which could result in a company's current systems being obsolete	5	5	5	0
Need for e-business capability to market products locally and internationally	4	5	4.75	0.87
Customers' increased demand for value of money spent	3	5	3.75	1.66
Inflation which reduces customer's ability to afford your products	3	5	3.75	1.66
High interest rates increasing the cost of capital needed for expansion of business	3	4	3.5	1
Taxation regimes and licensing too complicated making cost of doing business	3	5	3.75	1.67
Poor infrastructure (i.e. roads, air transport, rail transport etc.) making it expensive to operate travel business	4	5	4.75	0.87
Changes in laws/regulations affecting the industry	2	5	3.75	2.6
Feeling by the local society that tourism activities are eroding their values and beliefs	3	5	4	2
Changing consumer lifestyles making it difficult to predict their needs and wants	2	5	3.75	2.18
Increased need for environmental conservation making it more costly to operate	1	4	2.5	2.24
Climate change and its impact on wild resources thus decreasing the appeal of destinations	3	5	4.25	1.66
International terrorism and its effects on tourism and travel	4	5	3.5	0.87
Competition from other global and regional tourist destinations	5	5	5	0
<b>Grand Mean score</b>			<b>4</b>	

Source: Research data

The findings in Table 4.7.1 show that generally all the environmental factors which the respondents were asked to rate are quite significant to their operations (a grand mean score of 4 out of possible 5). Some of the factors according to the findings are absolutely fundamental, for instance, competition from other global and regional tourist destinations and advances in information communication technology which could result in a company's current systems being obsolete (both have mean scores 5). Other factors like poor infrastructure and need for e-business capability to market products locally and internationally also rank quite highly (Mean score 4.75). Issues of climate change, local communities' demands, taxation regimes and multiple licensing requirement, changes in consumer attitudes also score above 3.75.

One variable that scored lowly was need for environmental conservation (Mean score 2.24). The findings show that this factor received a big variability with the lowest ranking being recorded at 1 and the highest ranking at 4. A check amongst the categories shows that the factor received the lowest ranking in categories C to 'Associate' (80% of the companies ranked it at 2 and below). This shows that the most established companies in categories A and B are more conscious of environmental conservation than the categories C to 'Associate'. This could be due to the reason that most of the companies in categories C to 'Associate' are more concerned with growing their revenue base and establishing their competitive position.

#### **4.8 Influence of competitive forces on company's business strategy**

Based on Porter's five competitive forces, the respondents were asked to rank the forces in respect of influence to their company's business strategy. Mean scores were ranked on a 5-point incremental scale with 1 – Least influence and 5 – Greatest influence

**Table 4.8.1 Respondents' ranking of competitive forces in respect of influence to their company's business strategy**

Attributes	Minimum rank	Maximum rank	Mean score	Std dev
Direct competition with existing tour operators	4	5	4.75	0.87
Potential entrants of new tour operators	4	5	4.25	0.87
Influence and power of customers served	2	5	3.5	2.24
Influence and power of suppliers of company's inputs	1	5	3	3.16
Threat of substitutes of other forms of travel	1	4	2.5	3

**Source: Research data**

The results in table 4.8.1 show that direct competition with existing tour operators and threat of entrance of new tour operators received the highest ranking (mean scores of 4.75 and 4.25 respectively). With increase in the number of tour operators, competition is bound to increase resulting to reduced earnings due to reduced prices for product offerings. Some tour operators expressed concern that over the last few years, the prices charged on destination packages have significantly dropped owing to the number of new registered companies, which have come up with reduced prices to penetrate the market.

Threat of substitutes by other forms of travel received the lowest ranking (mean score of 2.5). This could be due to the fact that tour operators generally depend on road transport to transport their clients and that the other forms of travel like rail, air and water are only limited to some specific destinations in the country. Also, tour operators view these other forms as complementing their main form of transport, which is by road, as opposed to being substitutes to the road transport.

#### 4.9 Influence of environmental factors on marketing mix of tour operators

In view of the emerging trend where every organization is aggressively striving to satisfy and retain current customers and also attract more potential customers, the respondents were asked to state to what extent they agree with particular adjustments to their company's marketing mix in response to the challenges posed by factors in the business environment. Mean scores were ranked on a 5-point where 1 represents strongly disagree and 5 represents strongly agree.

**Table 4.9.1 Respondents' extent of agreement with particular adjustments to their company's marketing mix in response to the challenges posed by factors in the business environment**

<b>A. Product/Service</b>	<b>Mini- mum rank</b>	<b>Maxi- mum rank</b>	<b>Mean score</b>	<b>Std dev</b>
Introduction of new and unique products/services	3	5	4.5	1.73
Building in extra features on existing products/services to meet customer expectations	4	5	4.75	0.87
Attaining excellence in customer service	4	5	4.75	0.87
Ensuring total quality in product/service offered to clients	5	5	5	0
Greater investment in technology to improve quality of services	3	5	4.5	1.73
Sometimes divesting from certain service lines	1	5	2.75	2.96
<b>Grand Mean score</b>			<b>4.4</b>	
<b>B. Pricing</b>				
Pricing of product by international currency due to inflation	4	5	4.25	0.87
Use of price discrimination for different client groups	1	4	2.25	2.6
Use of discounts	3	5	4.25	1.66
Lowering of product/service prices due to competition	1	5	3.25	2.96
<b>Grand Mean score</b>			<b>3.5</b>	
<b>C. Distribution</b>				
Expansion and opening of regional offices to coordinate tour activities	4	5	4.75	0.87
Formation of strategic alliances with other firms to improve distribution network for products/services	3	5	4.25	1.66
<b>Grand Mean score</b>			<b>4.5</b>	

<b>D. Promotion</b>				
Increase in advertising expenditure	4	5	4.75	0.87
Increase in sponsoring events	1	5	3.5	3
Increased expenditure on brand positioning, public relations and image building activities	2	5	4.25	2.6
Increased use of incentives and sales promotions to achieve strict sales targets	5	5	5	0
<b>Grand Mean score</b>			<b>4.4</b>	
<b>E. Market Research Activities</b>				
Increase in expenditure on meeting customer needs and satisfaction	4	5	4.5	1
Increase in expenditure on understanding competitor strategies	2	5	3.25	2.6
Continuous search for cost reduction without sacrificing quality and essential features of products/services	1	5	3.5	3.32
Investment on training and development programs for staff	4	5	4.75	0.87
Increase in expenditure on strategic and marketing planning	4	5	4.5	1
<b>Grand Mean score</b>			<b>4.1</b>	

**Source: Research data**

The results in Table 4.9.1 indicate that the respondents generally agree with particular adjustments to their marketing mix due to the dynamic environment in which they operate. All the marketing mix variables studied received grand mean scores of above 3.5. Distribution channels (with a grand mean scores of 4.5), product/service and promotion (with each having grand mean score of 4.4) seem to receive a great attention by tour operators. This could be due to the fact that the three variables form the core business for tour operators. Tour companies' main activity is to distribute clients to different parts of the country and beyond, and thus they have to ensure that the distribution system is already in place and functioning. Product/service and promotion have also received high consideration by tour operators. It is clear from the findings that product quality is absolutely fundamental and has to be guaranteed. It received an overwhelming mean score of 5.0. Pricing received the lowest grand mean score at 3.5.

#### 4.10 Strategic responses of tour operators

The respondents were asked to rank various responses in order of importance in addressing or facing the challenges posed by the dynamic environment. Mean scores were ranked on a 5-point incremental scale with 1 representing least importance and 5 representing most important.

**Table 4.10.1 Respondents' ranking of strategic responses to dynamic environment**

A. PRODUCT/SERVICE	Minimum rank	Maximum rank	Mean score	Std dev
Growth and expansion of company operations	4	5	4.5	1
Continued profitability	4	5	4.25	0.87
Attaining lead in market share	2	5	3.75	2.6
Maintaining excellent public image	4	5	4.75	0.87
Maintaining a competitive position	4	5	4.75	0.87
<b>Grand Mean score</b>			<b>4.4</b>	

Source: Research data

The results in Table 4.10.1 indicate that attaining an excellent public image and maintaining competitive position (both have a mean score of 4.75) are most important factors in addressing the challenges posed by dynamic environment. This could be due to the fact that tourism is highly influenced by image of specific destinations. Destinations cannot exist in absence of the service providers within them. Therefore, if the image of the service providers is affected, their ability to attract tourism clientele is also affected.

Attaining lead in market share seems to have been ranked the least. A check within the categories shows that most of the companies in category D to 'Associate' (72%) ranked it below 3. This could be due to the fact that their main focus may not necessarily be attaining lead in market share, but growth and expansion of company operations (80% of them rated growth and expansion of operations at 4 and above).



## CHAPTER FIVE

### 5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary and Conclusion

The focus of this research was on the marketing responses of tour operators to changes in tourism industry in Kenya. The study therefore analysed how tourism business environment has affected tour operators, with special regard to the impact on the marketing mix employed by tour operators.

The study had three objectives. The first one sought to establish the importance of changes in tourism industry environment to the operations of tour operators in Kenya. As far as the first objective is concerned, the study has revealed that various environmental factors are quite important and affect the operations of tour operators in different ways. Some of the factors according to the findings are absolutely fundamental, for instance, competition from other global and regional tourist destinations and advances in information communication technology which could result in a company's current systems being obsolete. Other factors like poor infrastructure and need for e-business capability to market products internationally also rank quite highly. Issues of climate change, local communities' demands, taxation regimes and multiple licensing requirement, changes in consumer attitudes also ranked highly.

The second objective sought to assess the influence tourism environmental factors have on tour operators' marketing mix. The findings indicate that the respondents generally agree with particular adjustments to their marketing mix due to the dynamic environment in which they operate. Distribution channels, product/service and promotion seem to receive a great attention by tour operators. It is clear from the findings that product quality is absolute and has to be guaranteed. It received an overwhelming rating. Pricing has received the lowest consideration, though its importance cannot be underestimated given that it scored above average.

The third objective was to identify the strategies adopted by tour operators to address the challenges of the tourism business environment. The findings indicate that maintaining an excellent public image and maintaining competitive position are most important factors in addressing the challenges posed by dynamic environment.

Attaining lead in market share seems to have been ranked the least. A check within the categories shows that most of the companies in category D to 'Associate' rated it quite lowly.

The study has managed to identify various differences and similarities among the six categories of tour operators' studied. The categories differences in terms of revenue size show that the various companies in each category are focused on different goals in their operations. Generally, those in category D to 'Associate' are more focused on growth and expansion of company operations, while those in categories C to A are more geared towards maintaining the right public image, attaining market leadership and maintaining profitability. In terms of similarities, the study established that almost all the tour operators in their various categories are conscious of the need to enhance competitiveness as a tourist destination in view of competition posed by the emerging destinations, and the need for government to improve infrastructure and make it easier for operators to do business in the country.

Another major observation in this study is the need for company's mission to focus their operations. Tour companies are currently struggling with the ever-increasing complexity of the environment - with finding and developing skilled employees; with controlling costs; with managing productivity; dealing with competitive pressures and the resultant cost squeeze; with an increasingly long list of government regulations; and with understanding and applying technology. Managers everywhere are discovering that an important part of the solution to this dilemma is focus - concentration of resources. To achieve this focus, managers must share a common understanding of the very foundation of their enterprise - hence the need for company mission.

## **5.2 Limitations of the study**

This study was done during the peak season of the tourism calendar in Kenya. Hence, it was not easy to get the target respondents in most of the companies. This is reflected in the response rate. Time and financial resources were also a major impediment to the researcher's ability to do a more comprehensive study, especially outside Nairobi.

### **5.3 Recommendations**

The results of this study show that marketing is quite critical for the success of tour operations in this country. Marketing strategic planning needs to be encouraged in all tour companies. Marketing research should also be encouraged, especially in tour operators in Categories D to Associate since these categories seemed to lag behind in this major marketing facet.

Ultimately the Kenyan Government should review its plans towards sustainable tourism in the country in view of the other competing destinations. The government needs to review its attitude towards tourism especially on infrastructure development, taxation regimes and licensing. Most tour operators expressed their displeasure in the way the government seems to be neglecting the 'goose that lays the golden eggs'. With proper focus and attention to small details, the government can continue to reap huge benefits from tourism sector. However, continued neglect could lead to loss of tourism clientele to other upcoming destinations like Tanzania, Mozambique and Botswana.

### **5.4 Suggestions for further research**

This study only focused on one sub-sector in the tourism industry – the tour operators. A further integrated study covering the other players in the industry like the hoteliers, parks and museums would reveal more insights on how the environmental factors have impacted the tourism industry.

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# APPENDIX I: TOUR OPERATORS QUESTIONNAIRE

## PART A: CLASSIFICATION QUESTIONS

1. In which year was your company established here in Kenya? \_\_\_\_\_
  
2. Is your company  
    {    } Locally owned                      {    } Foreign owned  
    {    } Other (Please Specify) \_\_\_\_\_
  
3. Does your company have branches or associated companies in  
    {    } Kenya  
    {    } Outside Kenya
  
4. Please list your organization's main products and services  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## PART B: BUSINESS ENVIRONMENT (CONTEXTUAL) QUESTIONS

5. What markets are served by your company?  
    {    } Domestic markets only  
    {    } Foreign markets only  
    {    } Both domestic and foreign markets
  
6. How would you describe the level of competition faced by your company in this market region?  
(Please tick one)  
    {    } Very competitive                      {    } Fairly Competitive  
    {    } Competitive                              {    } Not competitive at all

7. Does your company have:

- a) A mission statement {  } Yes {  } No
- b) A marketing Strategy {  } Yes {  } No

8. If **NO** to either a) or b) or both in question 7, explain briefly why

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9. If **YES** to question 7, have you ever felt the need to change either your mission statement or marketing strategy?

- a) A mission statement {  } Yes {  } No
- b) A marketing Strategy {  } Yes {  } No

10. If **EITHER** or **BOTH** your company's mission statement and marketing strategy have changed, please state the reason why they have had to be changed.

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11. In terms of achieving your business or marketing goals, how would you rate the performance of your company over the last three years?

- {  } Very good {  } Good {  } Fair {  } Poor

12. Which factors within your organization have contributed to the above performance?

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13. As organizations strive to gain competitive advantage in a dynamic industry, it will encounter various environmental challenges. In view of this, how would you rate the following environmental challenges faced by your organization?

(Please use a scale of 1-5 to rate, where 1. Not important 2. Least Important 3. Neutral

4. Important 5. Very Important)

	1	2	3	4	5
Advances in information communication technology which could result in your current systems being obsolete					
Need for e-business capability to market products internationally					
Customers' increased demand for value of money spent					
Inflation which reduces your customer's ability to afford your products					
High interest rates increasing the cost capital of capital needed for expansion of business					
Taxation regimes and licensing too complicated increasing making cost of doing business					
Poor infrastructure (i.e. roads, air transport, rail transport etc.) making it expensive to operate travel business					
Changes in laws/regulations affecting the industry					
Feeling by the local society that tourism activities are eroding their values and beliefs					
Changing consumer lifestyles making it difficult to predict their needs and wants					
Increased need for environmental conservation making it more costly to operate					
Climate change and its impact on wild resources thus decreasing the appeal of destinations					
International terrorism and its effects on tourism and travel					
Competition from other global and regional tourist destinations					
Other (Please specify)					



14. Please indicate below how the following competitive forces have influenced your company to change its business strategy

(Please tick for each according to the incremental scale given 1 representing Least influence and 5 representing Greatest change)

	1	2	3	4	5
Direct competition with existing tour operators					
Potential entrants of new tour operators					
Influence and power of customers you serve					
Influence and power of suppliers of your inputs					
Threat of substitutes of other forms of travel					

### PART C: INFLUENCE ON MARKETING MIX AND STRATEGIC RESPONSES

15. In view of the challenges posed by the environment, please rank the following responses in order of importance for your company (Use the incremental scale given)

Least important

most important

	1	2	3	4	5
Growth and expansion of company operations					
Continued profitability					
Attaining lead in market share					
Maintaining excellent public image					
Maintaining a competitive position					

16. Every organization aggressively strives to satisfy and retain current customers and also attract more potential customers. To what extent do you agree with the following adjustments to the marketing mix by your company or others in the industry in response to the challenges posed by the factors in the business environment?

(Use scale of 1 to 5, where 1 represents strongly disagree and 5 represents strongly agree)

A. PRODUCT/SERVICE	1	2	3	4	5
Introduction of new and unique products/services					
Building in extra features on existing products/services to meet customer expectations					
Attaining excellence in customer service					

Ensuring total quality in product/service offered to clients					
Greater investment in technology to improve quality of services					
Sometimes divesting from certain service lines					
<i>Other(Please specify)</i>					
<b>B. PRICING</b>	1	2	3	4	5
Pricing of product by international currency due to inflation					
Use of price discrimination for different client groups					
Use of discounts					
Lowering of product/service prices due to competition					
<i>Other(Please specify)</i>					
<b>C. DISTRIBUTION</b>	1	2	3	4	5
Expansion and opening of regional offices to coordinate tour activities					
Formation of strategic alliances with other firms to improve distribution network for products/services					
<i>Other(Please specify)</i>					
<b>D. PROMOTION</b>	1	2	3	4	5
Increase in advertising expenditure					
Increase in sponsoring events					
Increased expenditure on brand positioning, public relations and image building activities					
Increased use of incentives and sales promotions to achieve strict sales targets					
<i>Other(Please specify)</i>					
<b>E. MARKET RESEARCH ACTIVITIES</b>	1	2	3	4	5
Increase in expenditure on meeting customer needs and satisfaction					
Increase in expenditure on understanding competitor strategies					
Continuous search for cost reduction without sacrificing quality and essential features of products/services					
Investment on training and development programs for staff					
Increase in expenditure on strategic and marketing planning					
<i>Other(Please specify)</i>					

17. In view of the changes in the environment, what is your company's future plans regarding Kenya as a destination? (Please tick one)

{  Increase market presence

{  Maintain market presence

{  Decrease market presence

{  Exit Market

{  Not sure

18. Do you have any other comments that you may deem to be relevant to this research?

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19. If you would like to receive the results of this study, please give your company contact details

**(Optional)**

Company Name \_\_\_\_\_

Address: \_\_\_\_\_

Email: \_\_\_\_\_

Fax: \_\_\_\_\_

**Thank you for your co-operation.**



**UNIVERSITY OF NAIROBI**  
**FACULTY OF COMMERCE**  
**MBA PROGRAM - LOWER KABETE CAMPUS**

Telephone: 4184160 Ext. 208  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE..... 27/08/07 .....

**TO WHOM IT MAY CONCERN**

The bearer of this letter MR. JULIUS M. MBII .....

Registration No: DG1/P/7067/05 .....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The project is entitled: AN EMPIRICAL STUDY OF MARKETING RESPONSES OF TOUR OPERATORS TO CHANGES IN TOURISM INDUSTRY IN KENYA

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**J.T. KARIUKI**  
**CO-ORDINATOR, MBA PROGRAM**

UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA OFFICE  
P. O. Box 30197  
NAIROBI

### APPENDIX III: KATO MEMBERS

1	Abercrombie & Kent Ltd	Category A
2	African Horizons Travel & Safaris Ltd	Category A
3	African Quest Safaris Ltd	Category A
4	African Secrets Ltd-Msa	Category A
5	Bush Homes of East Africa Ltd	Category A
6	Cheli & Peacock Ltd	Category A
7	Dodoworld (K) Ltd	Category A
8	Express Travel Group	Category A
9	Gamewatchers Safaris Ltd	Category A
10	Kenya Wildlife Trails Ltd	Category A
11	Kobo Safaris Ltd	Category A
12	Liberty Africa Safaris	Category A
13	Maniago Safaris Ltd	Category A
14	Mini Cabs Tours & Safaris	Category A
15	Origin Safaris Ltd	Category A
16	Pollman's Tours & Safaris Ltd-Msa	Category A
17	Private Safaris (EA) Ltd	Category A
18	Rhino Safaris Ltd	Category A
19	Somak Travel Ltd	Category A
20	Southern Cross Safaris Ltd	Category A
21	Transworld Safaris (K) Ltd.	Category A
22	Twiga Car Hire & Tours Ltd	Category A
23	Vintage Africa Ltd	Category A
24	Wildlife Safari (K) Ltd	Category A
25	Across Africa Safaris Ltd	Category B
26	Balloon Safaris Ltd	Category B
27	Big Five Tours & Safaris Ltd	Category B
28	Charleston Travel Ltd	Category B
29	Discover Kenya Safaris Ltd	Category B
30	Guerba (K) Ltd	Category B
31	Intra Safaris Ltd-Msa	Category B
32	Jade Sea Journeys Ltd	Category B
33	Southern Sky Safaris	Category B
34	Sunworld Safaris Ltd	Category B
35	African Expeditions Ltd	Category C
36	African Latitude (Kenya) Ltd	Category C
37	African Road Safaris	Category C
38	Best Camping Tours	Category C
39	Dallago Tours & Safaris	Category C
40	Eastern and Southern Safaris	Category C
41	Gametrackers (K) Ltd	Category C

42	Ker & Downey Safaris Ltd	Category C
43	Kelty Tours Travel & Safaris Ltd	Category C
44	Kimbla Mantana (K) Ltd	Category C
45	Muthaiga Travel Ltd	Category C
46	Nature Expeditions Africa	Category C
47	Richard Bonham Safaris Ltd	Category C
48	Shoor Travels & Tours	Category C
49	Suntrek Tours & Travel Ltd	Category C
50	Tusker Safaris Ltd	Category C
51	Apollo Tours & Travel	Category D
52	Archers Tours & Travel Ltd	Category D
53	BCD Travel	Category D
54	Bill Winter Safaris	Category D
55	Bottger Productions & Tours Ltd	Category D
56	Chameleon Tours	Category D
57	Concorde Car Hire & Safaris Ltd	Category D
58	Cottar Safaris Service	Category D
59	David Penrose Safaris Ltd	Category D
60	Destination (K) Ltd	Category D
61	Dominio Di Doriano Ltd	Category D
62	East Africa Safari Ventures Ltd	Category D
63	East African Wildlife Safaris	Category D
64	Geo Safaris Ltd	Category D
65	Grant & Cameron Safaris Ltd	Category D
66	Habib's Tours & Travel	Category D
67	J.H.Safaris Ltd	Category D
68	Kenia Tours & Safaris	Category D
69	Kibo Slopes & Safaris Ltd	Category D
70	Kuldips Touring Company-Msa	Category D
71	Let's Go Travel	Category D
72	Motto Tours & Travel Ltd	Category D
73	Offbeat Safaris Ltd	Category D
74	Outdoor Expeditions Safaris	Category D
75	Rajair Travel & Tours	Category D
76	Raylenne Tours & Safaris	Category D
77	Robin Hurt Safaris Ltd	Category D
78	Safari Seekers (K) Ltd	Category D
79	Safaris Unlimited (Africa) Ltd	Category D
80	Special Lofty Safaris-Msa	Category D
81	Star Travel & Tours Ltd	Category D
82	Texcal House Service Station	Category D
83	Tobs Kenya Golf Safaris	Category D
84	Tour Africa Safaris	Category D
85	Travel Affairs Ltd	Category D
86	Travel Creations Ltd	Category D
87	Travel 'n Style Ltd	Category D

88	Tropical Breaks	Category D
89	Tropical Ice Ltd	Category D
90	Venture Africa Safaris & Travel	Category D
91	Westminster Safaris Ltd	Category D
92	Wild Trek Safaris Ltd	Category D
93	Adventure Centre Ltd-Msa	Category E
94	African Jacana Safaris	Category E
95	African Tropical Safaris Ltd	Category E
96	Allamanda Safaris	Category E
97	Aloha Tours & Safaris	Category E
98	Amazing Tours & Travel Ltd	Category E
99	Archer Clark Enterprises Ltd	Category E
100	As You Like It (Safaris) Ltd	Category E
101	Australken Tours & Travel Ltd	Category E
102	AV Tours and Safaris Ltd	Category E
103	Avenue Motors Ltd	Category E
104	Avenue Service Station	Category E
105	Bateleur Safaris Ltd	Category E
106	Bushbuck Adventures Ltd	Category E
107	Call of Africa Safaris	Category E
108	Chronicle Tours & Travel	Category E
109	CKC Tours & Travel	Category E
110	Cotts Travel & Tours Ltd	Category E
111	Destination Link Services	Category E
112	El Molo Tours & Travel	Category E
113	Exotic Destinations Ltd-Msa	Category E
114	Feather Trails Tours & Travel	Category E
115	Ferrari Tours	Category E
116	Four By Four Safaris Ltd	Category E
117	Franz Lang Safaris	Category E
118	Fredlink Company Ltd-Msa	Category E
119	GAT Safaris	Category E
120	Going Places Ltd	Category E
121	Grand Edition Tours	Category E
122	Hamerkop Safaris	Category E
123	Haya Safaris (A) & Travel Ltd-Msa	Category E
124	Holiday Bazaar Ltd	Category E
125	Hotel Adventure Travel Ltd	Category E
126	Imperial Air Services	Category E
127	IntoAfrica Eco-Travel Ltd	Category E
128	Jet Travel Ltd	Category E
129	JMAR Safaris Ltd	Category E
130	Kenya Beach Travel Ltd-Msa	Category E
131	Linderberg Holidays & Safaris	Category E
132	Madukha Tours & Safaris Ltd	Category E
133	Maridadi Safaris Ltd	Category E

134	Mathews Safaris	Category E
135	Mombasa Air Safaris Ltd-Msa	Category E
136	Nahdy Travel & Tours	Category E
137	Naked Wilderness Africa	Category E
138	Nutty Safaris	Category E
139	On Safari (K) Ltd	Category E
140	Partners of Adventures	Category E
141	Penfam Tours & Travel	Category E
142	Phoenix Safaris (K) Ltd	Category E
143	Preps Safaris International Ltd.	Category E
144	Raydoll Tours & Travel	Category E
145	Safari Line Africa	Category E
146	Safari Partners Kenya Ltd.	Category E
147	Safari Travel Kenya Ltd	Category E
148	Satguru Travel & Tours Services Ltd.	Category E
149	Scenic Wildlife Safaris Ltd	Category E
150	Silver Africa Tours & Travel	Category E
151	Smile Tours & General Agencies	Category E
152	Special Camping Safaris	Category E
153	Speedbird Travel & Safaris	Category E
154	Sportsmen's Safaris & Tours	Category E
155	Spurwing Travel & Tours Ltd	Category E
156	Taipan Vacations & Travel Ltd	Category E
157	Tamasha Africa Ltd	Category E
158	Tekko Tours & Travel	Category E
159	The Specialized Safaris Co.Ltd	Category E
160	Tor Allan Safaris	Category E
161	Travel Care Ltd	Category E
162	Travel Plaza Ltd	Category E
163	Travel Scene Services	Category E
164	Travelmart Ltd	Category E
165	Tropical Nature & Cultural Safaris Ltd	Category E
166	Tulip Travel Ltd	Category E
167	Ulf Aschan Safaris Ltd	Category E
168	Uniglobe Northline Travel Ltd	Category E
169	Unik Car Hire & Safaris-Msa	Category E
170	Visit Africa Ltd	Category E
171	Wild Destinations Ltd	Category E
172	Woni Safaris Ltd	Category E
173	Yare Safaris Ltd	Category E
174	Zirkuli Expeditions Ltd	Category E
175	Acacia Holidays Ltd	Associate
176	African Safari Diani Adventures - Msa	Associate
177	African Servalcat Safaris & Tours	Associate
178	Africhoice Tours & Travel	Associate
179	Anste Tours & Travel Limited	Associate



180	Basecamp Travel Ltd	Associate
181	Belken Adventure Safaris Ltd	Associate
182	Bernie Tours & Safaris Ltd	Associate
183	Bruce Safaris Ltd	Associate
184	Catalyst Travels Ltd	Associate
185	Designer Tours & Travel	Associate
186	East African Shuttles & Safaris	Associate
187	Eurasian Tours & Safaris Ltd	Associate
188	Fin Razel Holidays	Associate
189	Flawless Links	Associate
190	Furstenberg Safaris Ltd	Associate
191	Go Africa Travel Co.Ltd	Associate
192	Ibis Tours and Travel Ltd	Associate
193	Incentive Travel Ltd	Associate
194	Karisia Limited	Associate
195	Kisima Tours & Safaris	Associate
196	Leading Expeditions Safaris	Associate
197	Leboo Safari Tours Ltd	Associate
198	Long Ren Tours & Travel Ltd	Associate
199	Luca Safari Ltd.	Associate
200	Matembo Tours & Safaris	Associate
201	Menengai Holidays Ltd	Associate
202	NatureTrek Adventure Safaris Ltd	Associate
203	New Kenya Travel & Tours Safaris Ltd	Associate
204	Noah's East African Trails Ltd	Associate
205	Palbina Travel & Tours	Associate
206	PioneerTravels Ltd	Associate
207	Safaris In Style	Associate
208	Selective Safaris	Associate
209	Silverbird Adventure Tours & Travel	Associate
210	Steenbok Safaris & Car Hire	Associate
211	Tee Off Kenya	Associate
212	Top Deck Travel & Tours	Associate
213	Travel Connections Ltd	Associate
214	Travel Shoppe Ltd.	Associate
215	Wild Times Ltd	Associate
216	Wilderness Explorer	Associate