

**ANALYSIS OF FACTORS INFLUENCING THE MIDDLE  
AND HIGH END SEGMENTS OF THE TOURISM  
INDUSTRY IN KENYA**

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**A RESEARCH PROJECT PROPOSAL SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS OF DEGREE OF THE MASTER  
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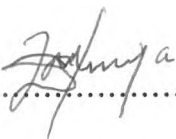
**OCTOBER 2007**

## DECLARATION


This Research Project is my original work and has not been presented for a degree in any other University.

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D61/P/8838/04

SIGNED.  ..... DATE 6/11/07 .....

This Research Project has been presented for examination with my approval as a University Supervisor.

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## **DEDICATION**

This Research project is dedicated to my parents, wife, daughter, brothers, sister and all friends and colleagues.

With all my love!

## ACKNOWLEDGEMENTS

This study in its present form would not have been possible without the extraordinary support of a number of people and institutions to whom I am greatly indebted and to whom I would like to express much gratitude.

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## ABSTRACT

This project focused on factors influencing the middle and high end segments of the tourism industry in Kenya with a view of increasing arrivals and in return income generation through the high yield segment. This study specifically was carried out on various tour operators in the country. The objective of the study was to establish factors influencing the middle and high end segments of the tourism industry as perceived by tour operators in Kenya.

The study sought to investigate the factors influencing the middle and high end segments of the tourism industry in Kenya. To meet these objectives, primary data was collected through the use of a questionnaire. The researcher used a simple random sampling to identify tour operators who were involved in the study. Various levels managers were the ones who responded on the questionnaire.

The data collected was analysed using frequency tables, percentages and other statistical measures. The findings from the analyses led to three major conclusions:

- The study established that the tour firms targeting high yield tourists are conscious of factors influencing the segment and that they have taken measures to address guest concerns individually and through their parent association as well as ministry of tourism
- The results of the study showed that most of the tour operators in the tourism industry had engaged in various strategies to ensure they attract high yield tourists.
- Such measures included new product development, diversification and market penetration as well as innovation to offer unique experiences.



In view of these conclusions, the following recommendations were made to the tour companies in Kenya

- The companies that do not continuously monitor strategic issues and factors affecting the high yield segment throughout the year need to take deliberate steps to do so in order to be able to realize the full potential of the tourism industry
- Tour companies need to push the government to invest more in infrastructure development and also improve quality on existing products that are sought after by visitors
- The tour companies need to change and adapt new strategies to improve quality product development and ensure service offered is of the highest quality as the high yield tourist tastes and preferences have changed over time

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

Kenya is endowed with a unique combination of tourist attractions, comprising tropical beaches, abundant wildlife in natural habitats, scenic beauty and a geographically diverse landscape. The diversity of Kenya's habitat is represented by the remarkable variety of flora and world famous wildlife heritage. Kenya's cultural history stretches back over 4.5 million years, with some of the oldest known evidence of early man. Thus, Kenya can truly be promoted as a destination that offers the visitor - whether foreign or domestic - an unparalleled variety of travel experiences (KWS, 2006).

Tourism currently accounts for about 10 percent of the Gross Domestic Product (GDP), making it the third largest contributor to GDP after agriculture and manufacturing, and Kenya's largest foreign exchange earner having overtaken tea and horticulture. The tourism sector has been identified as one of the sectors that shall contribute significantly towards poverty alleviation as set out in the Government's Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 (KWS, 2006).

The tourism sector is a major source of employment, estimated in 1998 at over 500,000 jobs, of which some 360,000 jobs were in the formal sector and 180,000 jobs in the informal sector. Sindiga, I. (1995) asserts that the sector is also a major source of Government Revenue in the form of taxes, duties, license fees, entry fees, etc., while the spatial distribution of tourist attractions contributes to equitable distributions of economic and infrastructural development. Given that the necessary infrastructure and superstructure are already largely in place, tourism has the potential to expand rapidly. In addition, tourism through its multiplier effect has the capacity to promote regional development, create new commercial and industrial enterprises, stimulate demand for locally-produced goods and services and provide a market for agricultural products.

According to Masau and Prideaux (1997) the tourist sector is one of the most important sectors of the Kenyan economy. The sector provides employment to thousands of people

directly and many more indirectly. The tourism sector also has strong linkages in the national economy in the transport sector, agriculture sector, manufacturing, financial, insurance and entertainment.

Kenya is a vast country with a wide range of potential tourist attractions, which have not been fully exploited. Currently, the tourism industry is mainly concentrated at the country's coastal area and in the National Parks and Game Reserves. As a policy matter, the Government of Kenya is strongly committed to the regional diversification of this very important industry to other areas for some good reasons Masau and Prideaux (1997).

In recent years, the tourism sector worldwide has undergone considerable change. This has given rise to a need to revise and update our National Tourism Policy to ensure that Kenya continues to benefit from what has now become the leading global industry (Summary, 1987).

According to Sindiga, I. (1996) Kenya has in the past relied heavily on international tourism. This reliance has resulted in steep decline of 22.7% in tourism. According to Dieke (1994) overdependence on tourists from certain countries implies that Kenya runs the risk of reduced tourist receipts occasioned by a fall in demand from such countries. Tourism – led demand has stimulated rapid growth in service and other activities including vehicle hire companies, curio shop and restaurant as well as food and drinks consumed by tourist (KWS, 1990)

(Myers, 1972; Jewell, 1974; Muthee, 1992) However the widespread perception among industry players is that the tourism resources that attract people from around the world to this country are being overrun by myriad of factors among them: poor infrastructure; insecurity; poor marketing, over reliance on wildlife and beach as main products. There is equally the press, both local and international that is constantly projecting a negative image about Kenya to the rest of the world. In any business the aim is to make profit and it is for this reason that the industry has to adopt or come up with strategies that make it

competitive and double its profits in the middle and high end segments of tourism that in any case contribute more in terms of revenue and have less negative impact on the environment Sindiga, I. (1996).

### **1.1.1 Tourism in Kenya**

Prior to independence in 1963, the country had appreciable tourism interaction. This state of affairs was fortunate for the country since it did not have to start from scratch like many destinations in Africa as Kenya had a fairly good but limited tourism infrastructure and superstructure in place. The years that followed independence saw spectacular growth in the tourism industry this was characterized by strong government involvement and active partnership with the private sector.

In view of the proven potential of the tourism sector, the Government formulated Sessional Paper No.8 of 1969 on the Development of Tourism in Kenya which defined the growth targets that it hoped to achieve in the years ahead as well as outline the areas where the Government would participate jointly with the private investors in developing the tourist industry. The Government policy as outlined in this historic document covered the following main fields:- Type of tourism to be encouraged; Protection and development of Kenya's tourist attractions; Protection and development of tourist infrastructure and superstructure as well as other tourist facilities; Training and manpower development for the sector; Promotion and marketing in the tourist generating markets and Research.

The Government projected an average growth rate of approximately 20% each year in visitor arrivals. With the increase of package tours, tourists tended to stay longer than was the case previously. The growth in demand for hotel accommodation and other facilities increased proportionately. It is worth noting however that the 20% average growth rate targeted then was somewhat over ambitious considering both internal and external factors that were to come into play in the future.

Kenya's ability to attract international tourists depends on its natural and cultural heritage, adequacy of its tourism infrastructure and the ability to achieve long-term sustainability of its key environmental resources. Until recently, the combination of wildlife and 3S tourism (sun, sand and sea) has given Kenya an advantage particularly with European visitors (Weaver, 1998). However, relative peace in Southern Africa and the dismantling of the South African apartheid regime have seen Kenya's previous market dominance eroded. Tourists who previously chose a Kenyan holiday due to its relative political stability are now offered a wider choice of similar yet more curious destinations in East and Southern Africa. It would also appear that repeat tourists to Africa have opted for new destinations including Botswana, Zimbabwe, Namibia and South Africa. Unfortunately, some sectors of Kenya's tourism industry and infrastructure have failed to keep pace with changing consumer sentiment, particularly in the area of sustainability (Abele, 1996).

Tourism in Kenya dates back to pre-independence days and history has it recorded that as early as the 1930's, overseas visitors and explorers had started coming to Kenya mainly for big-game hunting expeditions while others came in search of solitude. These expeditions were locally referred to by the Swahili word "Safari" thus bequeathing to the travel world literature with a new vocabulary. Among the early visitors were Statesmen, Royalties and celebrities such as Theodore Roosevelt, Her Majesty Queen Elizabeth II, and Ernest Hemingway respectively.

In spite of increased competition from other destinations, Kenya is still one of the foremost tourist destinations in Africa. Tourism in Kenya is mainly based on natural attractions which include wildlife in its natural habitats as well as idyllic beaches. 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 the Africa's savanna and forests. A Safari is such a popular product that has enabled the country to continue recording remarkable growth in the volume of visitors. Kenya registered well over 1,000,000 visitors' arrivals in 1997 while the bed capacity rose to over 73,000 beds

in classified hotels. The sector is a major employer as it currently employs approximately over 219,000. This figure represents about 11% of the total workforce in the country.

## **1.2 Statement of the Problem**

The tourism sector has recorded a marginal improvement despite the adverse effects of the travel advisory issued by the USA in 2003. Tourism earnings increased from Kshs 21 billion in 2005 to Kshs 25 billion in 2006. International visitor arrivals increased by 14% from 1.1 million in 2005 to 1.14 million in 2006 according to Central Bureau of Statistics (CBS, 2007).

Barron and Prideaux (1998) despite the fact that Kenya has many attractions - tourism has not developed as expected due to the absence of a shared tourism vision for the future and a long-term development strategy. This can also be attributed to the accumulation of a range of other factors that have limited the ability of the tourism industry to play a more effective role in the national economy which include: - Actual and perceived concerns regarding safety and security, with resulting negative publicity in the international and local media; Negative travel advisories against travel to Kenya issued by the Governments in the main international source markets, coupled in some cases with the suspension of scheduled and charter flights to Kenya; Deterioration and near collapse of infrastructure in some parts of Kenya which has affected access to tourist attractions; Lack of harmonization between national policies on land-use, wildlife and tourism, resulting in pervasive land-use and human-wildlife conflicts affecting conservation, settlement, agriculture, pastoralism, etc.

Although tourism has been and continues to be an important source of revenue for Kenya, and a source of livelihood for many, its dynamics have changed in the wake of terrorism and increased competition. The tourism industry in Kenya has suffered from the issuance of travel advisories by foreign governments in the last two to three years as these advisories resulted in a reduction of foreign tourists, which in turn led to the closing down of hotels and the laying off of staff. The country also faces increased competition

from alternative tourist destinations such as South Africa, the Far East and Asia Bale and Drakakis (1988).

According to Buckley and Araujo (1997) despite these challenges, the industry recorded a boom in 2004. The industry is however still very vulnerable to the dynamics affecting global tourism and the players realize the need to bolster the economy against this volatility. Both the government and the industry players are responding to this challenge by increasing marketing activity, setting up of the Tourist Police Unit specifically entrusted with tourists' safety, targeting tourists from diverse locations and providing incentives for local tourists amongst other efforts. Central Bureau of Statistics (1997) to meet the current demand and to strategically place themselves for the future, individual players are investing in and making internal changes to their businesses to increase their capacity and improve their processes. This growth increases business needs and requires a professional services partner.

Kenya's primary attraction to international tourists is its natural setting and wildlife. Most tourists come to see wildlife although many combine this with holidays at the coast in towns such as Mombasa, Malindi and Lamu (Sindiga, 1996; Weaver, 1998). Unfortunately, quality international tourist numbers have declined in recent years leading to a contraction of visitor numbers in national parks and game reserves. Reasons for the decline are not clear but appear to be a combination of internal political unrest during the 1990s, increased competition in Africa, supply side deficiencies (Sinclair, 1992) and problems with the nation's tourism product and services. Low hotel occupancies in Kenya have also been affected by declining conference attendance since 1990 (Central Bureau of Statistics, 1997). While not all of these issues can be addressed by Kenya's private tourism sector there is considerable scope for identifying and implementing new strategies to halt any further decline in the tourism sector.

Falling demand in the hotel sector and particularly in the demand for nature-based experiences in national parks and game reserves indicates a need to review the sector's

performance based on the perceptions of guests. By analyzing the hotel sector from the perspective of the guest, it is possible to ascertain if there is a relationship between the decline in demand and a perceived failure to meet guest expectations. Moreover, by examining the sector from the guest's perspective, it is possible to determine if their perceptions of sustainability have been overlooked by the tourism industry. Tour operators are the country's ambassadors as the guests see the country through their eyes by putting together itineraries and ensuring the guests enjoy what is on offer. Many deficiencies and guest concerns and perceptions on areas of improvement are brought to the attention of tour operators. The problem of this study therefore is to establish the factors influencing the middle and high end segments of the tourism industry in Kenya as this is where the most revenue to be generated is.

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

The major objective is

- To establish factors influencing the middle and high end segments of the tourism industry as perceived by tour operators in Kenya

Sub-objective

- To establish ways of increasing the number of visitors in this segment choosing to travel to Kenya and in turn revenue generation

### **1.4 Importance of the Study**

#### **To academics**

The research will provide valuable information regarding the shortcomings of the industry, economic empowerment and income generation.

It will also contribute to the general body of knowledge and form a basis for further research on ways of utilizing the tourism industry to spur economic growth.

#### **To tour companies**

Through this research the companies will become aware of the availability of various ways of empowering their employees and the conditions for consideration as well as



appropriate strategies to segment the market, maximize their potential and raise their profitability.

The study will enlighten them through the provision of knowledge of the diverse considerations tourists in the middle and high end segments factor in choosing a destination and application of the same will ensure growth and competition as well as setting industry standards to be emulated by others.

### **To the government**

The research will bring in current statistics that the government can utilize in analyzing the tourism sector. The government will be able to know how such companies are assisting in poverty alleviation through job creation and expansion.

The study will also help the government in its quest for infrastructural development as the requisite feedback generated can help in proper planning of tourist facilities. As one of the corner stones of its vision 2030, the government will further get light of where it needs to concentrate to make tourism in the country a viable industry worth investing in and spur growth.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter reviews literature on factors that influence the increase of tourists from middle high end segments of tourism industry in Kenya and in turn increase revenue generation. The first part is the facilities that include infrastructure, hotels and national parks. The second section looks at the marketing strategies adopted for example electronic marketing and domestic marketing. The third is the products that the tourism industry holds that include wildlife, beaches, international conferences and other attraction sites in Kenya

### 2.2 Facilities

The most important source of tourists visiting Kenya is Europe with Germany, United Kingdom, Italy, Switzerland, France and the Scandinavian countries accounting for more than half of the total number of Tourists visiting Kenya every year. Africa has a share of 15.4 per cent of departing visitors rising from 145.1 thousand in 2000 to 149.6 thousand in 2001. The two East African countries of Tanzania and Uganda made up more than half of all departing visitors to Africa. Visitors destined for North America declined marginally from 72.3 thousand in 2000 to 71.7 thousand in 2001. Over 70% of departing visitors to North America were destined for USA (Abele, 1996).

Provision of efficient infrastructure encompassing, transport and communication (Roads, rail and telecommunication e.t.c.), water and sewage facilities among other is now widely recognized as indispensable to economic development (Anyango, 1996). Taken together, the services associated with the use of infrastructure account roughly between 7-11 percent of a country's GDP, with transport being the largest sector. Currently, providing infrastructure to meet demand of business and other users are the major challenges of economic development. Infrastructure grows linearly with economic output. One percent

increase in the stock of infrastructure is associated with one percent increase in GDP (World development Report: infrastructure for development, World Bank)

According to Abele (1996) it has been argued that tourism has a larger multiplier effects than any other sector since every unit of tourist expenditure goes through several rounds of income creation and expenditure before its effect is exhausted. For instance, money spent by a tourist on hotel accommodation, food and beverages, shopping, entertainment and transport, does not stagnate but provides an income to hotel staff, taxi operators, shopkeepers and suppliers of goods and services. They in turn spend part of this income on their daily requirements of goods and services. Hence money accruing from tourism circulates through numerous segments of the economy through the multiplier process.

Bachmann (2006) the serious problems facing the development of infrastructure and its maintenance are directly linked to the allocated financial resources, legal and institutional framework required for development of new infrastructure, the operation and maintenance of available infrastructure. It is against this background that the implications of poor infrastructure development and operations to business and the economy as whole is increasingly becoming a key issue especially to the tourism industry in Kenya.

### **2.2.1 Infrastructure**

The existence of good and well-functioning infrastructure, including road and rail networks; air transportation services; telecommunications systems; and energy supply and other utilities is vital for the operation of a competitive tourism industry with the ability to deliver services that provide customer satisfaction. The efficiency and quality of these services and facilities is equally important for local people Sinclair. (1992).

According to Sinclair, (1992) government continues to prioritize and to seek funding for the rehabilitation of the tourism infrastructure, especially the comprehensive repair and regular maintenance of roads leading to, and within, in the most-frequented national parks and reserves. Some of this work should be done in partnership with the private sector. The necessary consultations with international development finance institutions (DFIs) shall be concluded as rapidly as possible. A soft loan facility shall be put in place

to facilitate the rehabilitation of hotels as well as access roads and other infrastructure in order to improve the quality of the facilities and services offered to both international and domestic visitors.

### **2.2.2 Security and Safety**

The general security and safety of a destination has a big impact on the decision of tourists to travel. The government has the responsibility for securing the destinations and making the same safe for tourists besides the general citizenry. Insecurity brought about by banditry in the northern circuit, politically instigated tribal clashes that reached the tourist haven of Mombasa and the coast region as well as the terrorist bombing of the U.S embassy in Nairobi in the late 90's had far reaching effects with continued decline in tourist arrivals. (DN 2003)

According to Yabs, (2007) the effects of the terror attacks in the US had a spiral effect reaching Kenya in terms of security inconveniences at airports. Later, in 2002 one of the beach hotels frequented by Israeli tourists and an Israeli charter was targeted by terrorists further aggravating the situation along the coast. Given the security situation then, foreign governments led by the US and the UK issued travel advisories to their citizens against visiting Kenya leading to mass cancellations not only of charter and scheduled flights but pre-booked tours as indicated by Lovgren Stefan, (2003). Government should also give high priority to ensuring road safety, security and convenience for all road users, through appropriate training and testing of road transport service providers; establishment of road rescue services; road traffic and security patrols; and establishment of rest points along major highways.

Government should ensure that airport service charges and taxes are retained by Kenya Airports Authority in order to develop and maintain airport and airstrip facilities, and to enhance safety and security measures. Kenya Railways (now Rift Valley railways) shall be maintained and aspects of passenger liability insurance taken into consideration, to ensure its return as a major player in the tourism industry. Sinclair, (1992) asserts that recognizing that efficient and affordable communication is a necessary prerequisite for the

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smooth operation of the tourism industry as well as creating an attractive environment for potential investors, Government, in consultation with relevant Ministries, shall facilitate countrywide provision of cheaper and more efficient telephone, Internet and mobile phone services as most travelers today want to keep in touch wherever they travel.

Gustin, and Weaver, (1996) assert that the government should facilitate provision of reliable and affordable electricity supply, and shall seek to eliminate intermittent supply failures and to reduce the high cost of electricity supply, especially in the Coastal Area and the marginalized areas frequented by tourists.

### **2.2.3 Hotel Accommodation in Kenya**

According to Hotels and Restaurants Act (HRA) CAP (494) Laws of Kenya, this Act of Parliament, which governs the licensing of hotels and restaurants in the country also provides for:

- (i) Regulation of hotels, restaurants and lodges.
- (ii) Collection of a training levy to finance training programmes for personnel working in the tourism industry.
- (iii) Dealing with matters incidental to and directly connected with the management of hotels and restaurants in the country.

Bachmann (2006) Kenya's hotel infrastructure is dispersed over the entire country although the concentration and quality varies widely. Many of Kenya's main tourist hotels are found in the major cities and resort areas including Nairobi, Mombasa, Malindi, Nakuru and Kisumu. Other tourist hotels are located on the south coast region, which includes Diani and Tiwi beaches, around the Mt Kenya region, and in the central part of the Great Rift Valley. Lodges and tented camps are found mainly in the South West (covering the Amboseli and Maasai Mara) in the Western region (Kakamega) and the northern parts of Kenya at Isiolo, Samburu and Mararal. Although containing areas of high potential tourist interest, West and North Kenya have a relatively underdeveloped tourism sector (Bachmann, 1988). The northern region has been overlooked because of

the absence of reliable transport infrastructure while the under-developed nature of tourist attractions in the west has led to stagnation in the accommodation sector.

It has been previously noted (Bachmann, 1988) that hotel bed numbers are an indication of the international tourism capacity of a country or region. The main tourist regions of Nairobi, Mombasa and other coastal areas together contain 70% of the nation's five star hotels. The highest hotel bed occupancy rate occurs in coastal areas (54%) while Nairobi, Amboseli and Maasai Mara average 50% (Sindiga, 1995). The western and northern regions have the lowest occupancy rates with 28 and 20% respectively. A substantial part of the country's bed nights are spent in the two main cities of Nairobi (46%) and Mombasa (54%). It is now apparent that most of Nairobi's hotel visitors are not tourists per se but business travelers. In 1996, 40% of all Nairobi hotel nights were spent by permanent guests, 15% by Kenyans and 20% by residents of East Africa. Central Bureau of Statistics, (1997).

Hospitality accommodation developments are capable of destroying the natural resources on which they depend on if not managed sustainably (Hundloe, 1996). Kenya's tourism is currently faced with a similar challenge. Other challenges include lack of diversity of its tourism product, the unavailability or degradation of supportive infrastructure and the absence of alternative and sustainable tourist products. These problems form the basis for the need to undertake a comprehensive review of the tourism industry in Kenya. However, it is not possible to investigate the many issues arising and, hence, this article will be limited to determining how Kenya's hotel sector is meeting the requirements of the environmentally aware guest. The perceptions of tourists of the Kenyan hotel sector will be crucial in achieving this objective Sinclair, M.T. (1992).

The current crop of high end travelers seek exclusive accommodation in less visited areas and shy away from the mass tourism oriented hotels and lodges. Kenya will do well if such boutique facilities are built up to cater for this segment.

### 2.3 Market

The Tourism industry in Kenya operates within a liberalized economic environment that is characterized by active partnership between the Government and the private sector. While the private sector is expected to be the motive force, the Ministry of Tourism is charged with the responsibility of formulation and implementation of policies a kin to tourism as well as co-ordination of planning, development, promotion and marketing of tourism. In addition, the government provides such basic infrastructure for tourism development, as roads, educational programmes and the requisite security. It should also be noted that the government is responsible for demarcating, protecting and gazetted all protected areas.

Evans (1994) states that, "marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizations objectives". Marketing in tourism is a systematic and coordinated execution of business policy by tourism undertaking private or state owned at local, regional, national or international level to achieve the optimal satisfaction of the needs of identifiable consumer goods and in doing so achieves an appropriate return.

The marketing of tourism is a thorny issue. This is so because it is complicated by a multiplicity of factors as indicated by Gakuru (1993). Firstly, the components to be amalgamated in order to make up a complete package for offering to customers are numerous. The suppliers of these components are also very different. Again the product can be packaged in a package form or the individual tourist can package it himself or herself through his own efforts or with assistance of the travel agents. As such there are different ways of combining these components for consumption by the tourist. It is therefore difficult to decide on the right approach of developing a tourist product package strategy. In essence, the individualistic nature of tourism complicates the marketing process.



**Internet:** Marketing firms that sell Kenya abroad should be encouraged to adopt the internet as a powerful tool by appropriate display of their websites making it possible for potential tourists' access diverse choices before making the decision. Competition encourages innovation and keeps standards high thus guaranteeing better services and a good name for the industry. Tourists paying high prices want the best possible and are keen on the offers that are available.

**Branding:** As part of creating awareness of the readily available products, Kenya Wildlife Services embarked on a branding mission of all its popular National parks IN 2003. The euphoria and great publicity accorded Maasai Mara National Reserve in 2006 when voted together with the extensive Serengeti National Park as one of the modern wonders of the world should be exploited to benefit all stake holders and maximize revenue generation as tourists flock the region to witness the annual wildebeest migration. Other less known conservation and wildlife heritage localities can be branded to optimize the country's product offerings. (KWS 2006)

**Tourism Promotion:** Cater and Lowman (1994) indicates that to revamp the Industry, the Kenya Tourism Board (KTB), Kenya Tourism Development Corporation (KTDC) and the Ministry of Tourism and Information stepped up tourism promotion. They participated in various fairs in Europe and South Africa. The Board also organized a Miss Tourism contest with the aim of promoting tourism both locally and overseas. The Kenya Utalii College continued to play a leading role in training personnel in the tourism industry. By 2006, this college had professionally trained over 10,000 graduates.

### **Development of Domestic Tourism**

Abele, (1996) the Kenya government realized the need and importance of domestic tourism and set a policy to promote domestic tourism alongside international tourism by forming the Kenya tourist development corporation (KTDC) in 1965 according to tourist market (1987/88). Its function was to investigate and formulate projects.

It is in Kenya where you can witness safari vehicles en route every day all year round. whatever your heart desires, Kenya has all that a visitor would want to see and do from the beautiful shores of Lake Victoria and its welcoming Luo cultural Community, the big game safaris and now the New 7th wonder of the world - The Maasai Mara with its Annual Migration of the wildebeest, the pristine beaches along the Kenyan coast and the beautiful snow-capped mount Kenya under the equator line, lastly is the cultural and community ecotourism experience. Many residents of Kenya have not appreciated domestic tourism Abele, (1996).

The President of Kenya on many occasions has encouraged more Kenyans to tour the country and see its beauty and wide variety of touristic products. This has spurred an interest among many who previously had little appreciation for domestic tourism.

### **2.3.1. Product**

A product can be defined as anything that can be offered to the market for attention, acquisition, use or purchase. It can also be defined as anything that can be offered to a market to satisfy a want or need (Kotler, 1997). The product characteristics (physical goods features, branding, product lines, packaging and accessories) influence price promotion and distribution strategies. Therefore, product quality, design features, branding, packaging, product positioning and labeling are essential elements of the product strategy.

According to Masau, and Prideaux, (1997) in the short and medium term, as Kenya starts re-building its capacity to deliver high quality and more diversified tourism products, it shall continue to rely on a blend of high and low-volume markets. Once demand has recovered sufficiently, and facilities and services have been improved, prices can gradually be raised to a level sufficient to attract a higher value tourist clientele.

Quality of products shall be emphasized at every stage of product development and the related services. To achieve this objective, industry members shall be encouraged to form associations and to develop and adhere to (where not already existing) Codes of Conduct that shall ensure that the quality of tourism products and services are maintained. In

return, the tourism industry shall be expected to give full support to the registration, classification licensing systems; and to collaborate with Government, other members of the private sector and community-based tourism-interest groups in ensuring the safety, security and health of visitors, including provision of safety. World Tourism Organization (2000).

There is need for repackaging and quality improvement of existing poorly planned facilities, including the upgrading and refurbishing of coastal resorts' accommodation and other products; Support for eco-tourism as a development priority, including promotion of new eco-tourism products; and Support for the improvement of design, marketing and packaging skills of craft producers; co-operatives product development. World Tourism Organization (2000). Today's tourists are highly sophisticated and are seeking unconventional tourism products, the age of the modern traveler in the middle and high end segment seek exclusive accommodation with exciting activities far surpassing the tourist of yester years.

According to the KWS (2006) Kenya offers some of the finest natural attractions in the world, which combined with a network of the outstanding hotels and game lodges give visitors great value for their money. With its network of well managed national parks, game reserves, marine parks, biosphere reserves, archaeological sites, and striking scenic beauty, pearly white sandy beaches along coral reef sheltered waters, green palms swaying with the breeze, sparkling cocktails and sumptuous international cuisine. Kenya is, indeed, the ultimate ideal destination. The most preferred tourist attractions in Kenya are the Coastal Beaches, Game Reserves and National Parks. Other tourist attractions include Animal Orphanage, Museums, Snake Parks and Historical sites Dieke, (1991).

The number of local conferences recorded in 2000 dropped from 980 to 609 in 2001 while international conferences declined from 162 to 108 over the same period. The number of delegate days for local and international conferences also went down from 312,655 and 66,404 to 120,385 and 23,626 over the same period respectively. However,

percentage occupancy rose from 7.7 per cent and 1.6 per cent for local and international conferences tot 8.7 per cent and 1.7 per cent respectively over the same period Central Bureau of Statistics (1997). According to Gakahu and Waithaka, (1992) the KWS is important since it is the primary custodian of the country's flora and fauna. Its active participation has ensured reasonable resolution of human/wildlife conflict. However a lot remains to be done in this area.

### **2.3.2 Price**

Price is a consideration given in exchange of a product. It is the value placed on a product by consumers at some point in time (Kibera and Waruinge, 1988). Despite being so critical to the profitability of a mobile phone service provider: aggressive pricing strategies have been rarely used. (View Appendix 3 for the different tariff charges). The pricing policy affects sales volumes, demand, profit, the target market penetrated, and consumer perception of services and competitive evaluation of the service attractiveness. According to Butler, (1993) government should continuously review the taxes and fees levied on the tourism sector and on visitors (including park entry fees, visa fees, airport service charges and air passenger service charges, etc.) in order to remove or modify any charges that may hinder tourism growth. In particular, it shall encourage the continued use of differential fees for peak and off-peak periods in congested parks and reserves; differential charges for citizens, residents and non-residents at national parks and hotels; the use of air licensing to reduce airfares and to improve accessibility to remote areas; reduction in jet fuel prices; and work with fellow members of the East African Community towards eliminating visa requirements for bona fide visitors from the major source markets.

### **2.3.3. Promotion**

It covers all those communication tools that can deliver a message to the target audience. These tools include advertising, sales promotion, personal selling and publicity (Kotler, 1997). A sound promotion mix is made of personal selling, sales promotion, and advertising and publicity strategies. The aim of a promotional strategy is to bring existing

and prospective customers from a state of relative unawareness of organizations products to a state of actively adapting them (Cowell, 1984). It helps create widespread awareness about services on offer and to enhance the image of the service from (Quinn et al, 1990). There is need to change the image or perception of Kenya in overseas markets which has been adversely affected by negative publicity, whether warranted or unwarranted. The Kenya Tourist Board shall be strengthened to continue its key role in promoting and marketing Kenya both internationally and locally through increased budgetary allocation. Key policies include the promotion of up market eco-tourism and wildlife safaris; a gradual move away from low value package or mass tourism; the diversification of tourism products and markets; and the promotion of regional and domestic, as well as international, tourism. Emphasis shall be placed on obtaining a precise understanding of customer needs, and developing and delivering the products that customer's desire. The policy endorses the following broad strategies for development of tourism from international, regional and domestic markets:

#### **2.3.4. Place**

Place refers to the process of getting the services from the supplier to the customer. It involves the selection of the most expedient channel of distribution and the servicing of that channel. Every firm must decide how to make its services available to its target market. The company's chosen channels ultimately affect all other marketing decisions (Kotler, 1997). The channel type, intermediaries, outlet locations and managing channels are some place elements that are fundamental in analyzing the place strategies. A look at how services are delivered to high end tourists is crucial to understand any shortcomings and deliver a unique experience.

#### **International Tourism**

The main objective (once the current market recovery initiative is completed) is to establish Kenya as the destination of choice in Africa for upscale international visitors. Destination marketing shall be spearheaded by Government through the KTB in partnership with the private sector. The main means of achieving this objective shall be to: Differentiate Kenya with a distinct market image and positioning in target markets as a quality safari and coastal destination offering a rich diversity of culture, adventure and

activity experiences; Build on the new Kenyan brand image in a manner that reflects the diversity of the tourism product and that has a strong and distinct appeal in the marketplace; Maximize the impact of scarce marketing resources of the government and private sectors by aiming at concentration rather than dispersal of marketing efforts; Target new segments in established source markets and core segments in emerging markets, particularly in Africa and Asia; Effectively carry out joint marketing with appropriate partners, particularly with the Kenyan private sector, airlines, KWS, exporters, regional operators; and other tourism and conservation organizations; Establish overseas offices in key markets and employ highly competent marketing representatives through the Kenya Tourist Board on an agency basis in subsidiary markets. (KTB 2006)

### **Domestic and Regional Tourism Markets**

According to Sindiga, I. (1996) domestic and to a lesser extent regional tourism have sustained the operation of many hotels, lodges and other tourist facilities during recent difficult periods. The marketing strategy recognizes the importance of these markets, and the need to allocate adequate resources and budgets for the promotion of regional and domestic tourism. With economic growth comes a growing middle and upper class of citizens thus a new market segment for the middle and high end segments of tourism within the country and East Africa.

### **Domestic Tourism**

Kenya's tourism products attract visitors from all over the world. However, most Kenyan nationals have not been able to experience the same attractions due to financial constraints, lack of tourism knowledge coupled with a lack of programmes and packages that would enable nationals to participate in domestic tourism. Sindiga, I. (1996). Strategically, the domestic market (comprising Kenyan nationals as well as foreign nationals living in Kenya) shall be further developed to form an enduring foundation of the demand for tourism facilities and services, and not just a temporary palliative during times of difficulty.

Focusing on tourism awareness education, public relations and publicity, Sindiga, (1996) asserts that the government should take a proactive role in promoting domestic tourism to nationals and residents of Kenya as a core strategy. It shall forge linkages between the industry and national and resident domestic segments through ongoing tourism awareness educational campaigns aimed at the local population; sensitizing tourism suppliers as to the value of domestic tourism; and encouraging the development and promotion of tailor-made products, programmes and packages specifically for domestic tourists.

### **Regional Tourism**

Tourism practitioners shall also be encouraged to recognize the importance of, and pay increased attention to, attracting visitors from other parts of Africa to Kenya by developing and implementing specific strategies and action plans aimed at nationals and residents of neighboring countries. Particular attention shall be given to promotions to those African countries with which Kenya has good air links and to which Kenya can offer complementary – rather than similar – products Bachmann, (1988).

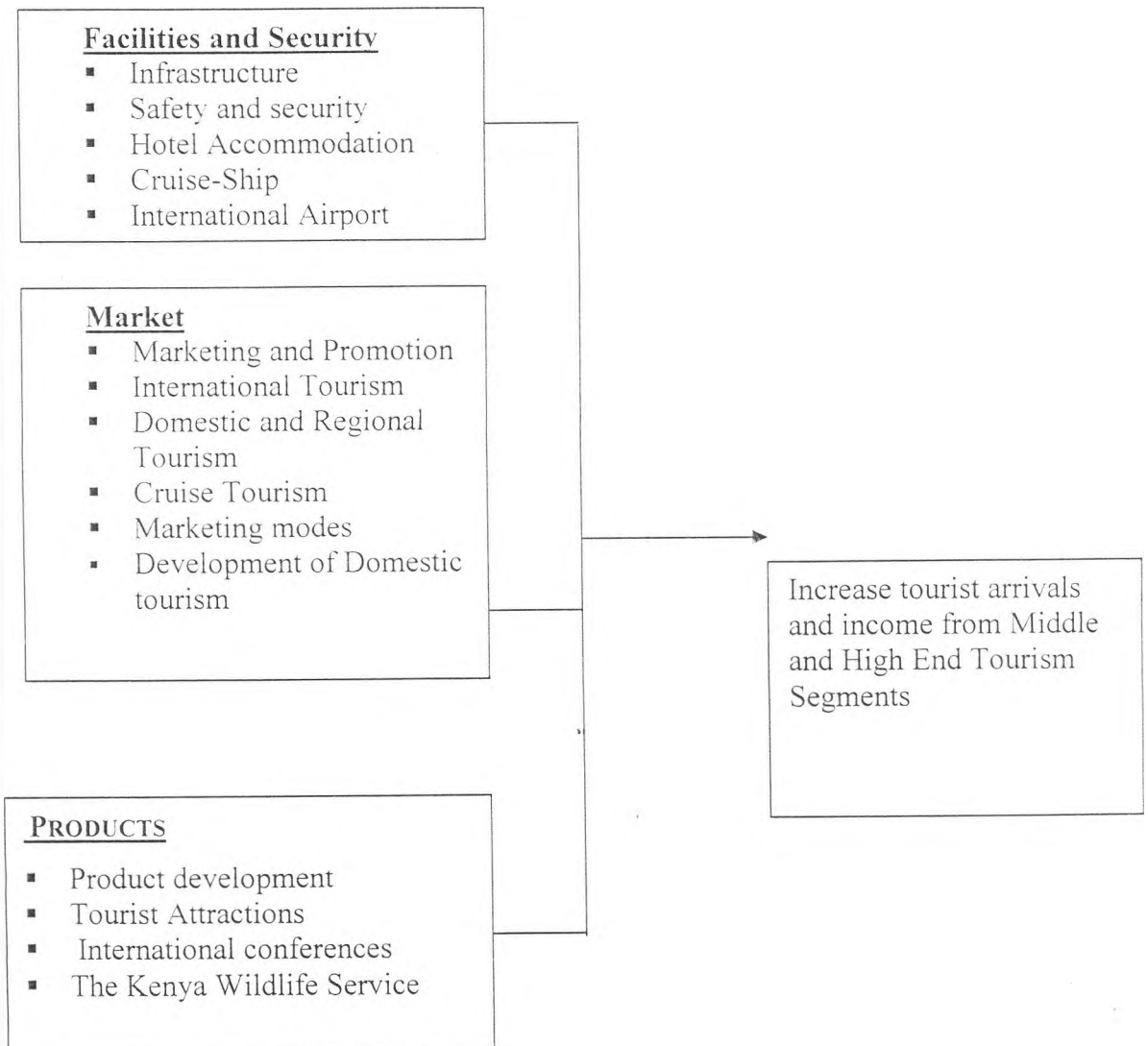
Community based tourism where maximum cultural exchange takes place with the local or host community should be encouraged to grow further as a new venture. This will enhance the locals' appreciation of tourism and encourage conservation at the grassroots level as the locals will benefit through entry fees and ready markets for their side products like crafts besides employment at the eco – lodges.

### **Cruise Tourism**

Bale, John and David Drakakis-Smith, (1988) assert that the government should seek to re-establish Kenya's role and position in Indian Ocean cruise tourism by encouraging KPA to develop improved cruise ship and passenger reception facilities at the Port of Mombasa. It shall also encourage KPA and other stakeholders to actively participate in the Cruise Indian Ocean Association; attend Sea Trade and other cruise industry trade

exhibitions, particularly with a view to attracting North European cruise lines to winter in the Indian Ocean using Mombasa as a homeport; and join together in targeted marketing to individual cruise lines. Government shall also encourage and support measures to re-establish cruise tourism on Lake Victoria.

## 2.5 Conceptual Framework





## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter outlines the overall methodology to be used in the study. This includes the research design, population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation.

### **3.2 Research Design**

The research will use descriptive survey method to assist us to get the general and specific objective of the study. The descriptive survey method will collect data from the population and help the researcher to get the existing phenomena by asking individuals about their perceptions, attitudes, behaviour or values. This is a process of relating an empirical test to support or refute a knowledge claim, it involves making decisions on what type of data is required, where the data will be found, techniques of data collection analysis and interpretation

### **3.3 Population**

Nachmias and Nachmias (1996) a population is the total collection of elements about which we wish to make some references. The population will constitute of operations managers working in tour companies who get feedback regarding guest expectations and experiences. Middle level managers and employees in supervisory positions are to be selected to participate in the study because this group tends to be the focus of most of the organizations.

### **3.4 Sampling**

A sample allows the researcher to make generalization about populations. A sample is a subset of a population, but that subset is only useful if it accurately represents the longer population. To ensure that the sample accurately represents the population, the researcher

must clearly define the characteristics of the population, determine the required sample size, and choose the best method for selecting members from the population. Currently, there are 228 tour companies in Kenya according to Kenya Association of Tour Operators members list (2007). A random sample of 30 large tour companies out of those will be included in our sample. This sampling design is best when the generalization of the findings to the whole population is the main objective of the study, which is the case here. There are many top quality tour operators in Kenya. Most maintain high standards of quality and are active in the promotion of the tourism sector through their participation in associations such as (KATO).

### **3.5 Data Collection Methods**

The data collection instrument will be a questionnaire which will contain both open and closed ended structured questions developed by the researcher. This data collection instrument is ideal in capturing the general objective and specific objective of the study. It will also be easier for the respondents to answer the questions as asked. (See appendix II). Given that this is a survey, self-administered questionnaire will be used and it will be administered to Managers of Tour companies.

### **3.6 Data Analysis**

Data analysis method will be qualitative. The structured questionnaire will be coded in respect to questions for ease of electronic data processing prior to the commencement of the fieldwork. After tabulation, the data will be coded to facilitate statistical analysis. The SPSS (Statistical Package for Social Sciences) package will be used to analyze the data. Descriptive statistics such as means, percentages, standard deviation and frequency distribution will be used to enable the researcher to meaningfully describe the distribution of measurements.

### **3.7 Research Ethical Issues**

All the responses from the employees and managers will be treated with at most confidentiality. The respondents need to be approached ethically in order to get good responses. Real research will be conducted to avoid duplication which is unethical practice.

## CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

### 4.1 Introduction

This chapter presents analysis and findings of the research. Findings in this chapter have tried to fulfill the objectives of this study.

### 4.2 Number of years has been in operation

This sought to find out from the respondents the number of years the company had been in operation.

**Table: 2 Years in operation**

Years	Frequency	Percentage
0-2 years	2	6.67
2-5 years	15	50.00
5-7 years	9	30.00
Over 7 years	4	13.33
Total	30	100.0

**Source Author (2007)**

As can be seen from this table, 50% of the tour operators had been in operation for 2 to 5 years, while 30% had been in operation for 5 to 7 years, 13.3% had been in operation for over 7 years and only 6.67% had been in operation for less than 2 years.

### 4.3 Ownership of the organization

This part sought to find out the ownership of the tour operators firms. The results are documented in the table below:

**Table 3: Ownership**

Ownership	Frequency	Percentage
Local	25	83.33
Both	2	6.67
Foreign	3	10.00
Total	30	100.00

**Source Author (2007)**

Majority of the tour operators were locally owned as shown by 83.3% of the total population, 10% were both locally owned and foreign owned and only 6.7% were owned by foreigner.

#### 4.4 Designation of respondent

This section focuses on the respondent's designation in the organization

**Table 4: Designation**

Designation	Frequency	Percentage
MD	5	16.67
Operations manager	12	40.00
Human resource manager	6	20.00
Finance manager	7	23.33
<b>Total</b>	<b>30</b>	<b>100.00</b>

The respondents interviewed were of various hierarchy in the organization. Of these, 40% were operations managers, 23.3% were finance managers, 20% were human resource managers while 16.7% were the managing directors.

#### 4.5 Gender

This section sought to find out the gender of the respondents

**Table 5: Gender**

Gender	Frequency	Percentage
Male	20	66.67
Female	10	33.33
<b>Total</b>	<b>30</b>	<b>100.00</b>

The above table shows that majority of the respondents were male, consisting of 66.7% of the population, while 33.3% were female.

#### 4.6 Length of time in the company

The respondents were asked for how many years they had been in the company.

**Table: 6 Length of time**

Years	Frequency	Percentage
0-2 years	4	13.33
2-5 years	16	53.33
5-7 years	6	20.00
Over 7 years	4	13.33
<b>Total</b>	<b>30</b>	<b>100.0</b>

The above table shows that majority of the respondents were in the company for a period of 2 to 5 years, comprising of 53.3% of the total population. 20% had been in the company for 5 to 7 years, while 13.3% were in the company for over 7 years, the same percentage had also been in the company for less than 2 years.

#### 4.7 Expansion

The respondents were asked whether they had experienced any growth since the company started its operations. The results are documented below:

**Table: 7 Expansion**

Response rate	Frequency	Percentage
Yes	30	100.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

All the respondents indicated that they had experienced growth since they were established.

#### 4.8 Consideration of factors affecting tourism

This section sought to find out whether the companies involved in the survey had considered a review of the issues affecting the middle /high end segments of the tourism industry in Kenya. The results are shown in the table below:

**Table: 8 Consideration of factors affecting tourism**

Response rate	Frequency	Percentage
Yes	22	73.33
No	8	26.67
<b>Total</b>	<b>30</b>	<b>100.0</b>

Source Author (2007)

#### 4.9 Tactics to attract tourists

This section set out to find out the tactics that the tour operators used to attract tourists. The results are documented in the table below

**Table 9: Tactics used to attract tourists.**

Tactics	Very great extent		Great extent		Moderate extent		Less extent		Not applicable	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
New product (market penetration)	13.0	43.3	12.0	40.0	4.0	13.3	1.0	3.3	0.0	0.0
New market	15.0	50.0	10.0	33.3	5.0	16.7	0.0	0.0	0.0	0.0
Product development	10.0	33.3	8.0	26.7	10.0	33.3	2.0	6.7	0.0	0.0
Diversification of products	12.0	40.0	14.0	46.7	4.0	13.3	0.0	0.0	0.0	0.0

Source Author (2007)

As can be seen from the above table, all the factors listed above were used by tour operators to attract customers. In this case seeking for a new market was used by 50% of the companies to a very great extent in attracting tourists, diversification was used by

40% of the firms involved in the survey to a very great extent, market penetration was used to a very great extent by 43.3% of the firms, product development was used to very great extent by 33.3% of the firms. Diversification was also used to a great extent by 46.7% of the firms, while product development was used to a moderate extent by 33.3% of the respondents.

#### 4.10 Strategy formulation

This part sought to find out the extent of use of the factors listed in the table below in strategy formulation process. The results are listed in the table below:

**Table 10: Factors considered in strategy formulation**

Factors	Very great extent		Great extent		Moderate extent		Less extent		Not applicable	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Political and legal	5.0	16.7	8.0	26.7	12.0	40.0	5.0	16.7	0.0	0.0
General Economic trends	10.0	33.3	12.0	40.0	8.0	26.7	0.0	0.0	0.0	0.0
Competitors	12.0	40.0	14.0	46.7	4.0	13.3	0.0	0.0	0.0	0.0
Market trends	13.0	43.3	9.0	30.0	6.0	20.0	2.0	6.7	0.0	0.0
Innovation Technological changes	9.0	30.0	11.0	36.7	8.0	26.7	2.0	6.7	0.0	0.0
Social and cultural trends	6.0	20.0	8.0	26.7	10.0	33.3	4.0	13.3	2.0	6.7
Mode of transport used and its Safety	12.0	40.0	6.0	20.0	8.0	26.7	4.0	13.3	0.0	0.0
Environmental changes	6.0	20.0	5.0	16.7	12.0	40.0	7.0	23.3	0.0	0.0
Infrastructure (roads, electricity, communication etc)	8.0	26.7	12.0	40.0	5.0	16.7	5.0	16.7	0.0	0.0
Human resources attitudes towards accepting change	6.0	20.0	4.0	13.3	13.0	43.3	7.0	23.3	0.0	0.0
Terrorism (International and domestic)	10.0	33.3	6.0	20.0	8.0	26.7	4.0	13.3	0.0	0.0
Brand Name recognition	8.0	26.7	10.0	33.3	6.0	20.0	6.0	20.0	0.0	0.0
Unique attractions	12.0	40.0	6.0	20.0	8.0	26.7	4.0	13.3	0.0	0.0

**Source Author (2007)**

Political and legal issues were considered moderately by 40% of the firms involved in the survey in the formulation of strategies. On the other hand 40% of the total population considered general economic climate to a great extent in their strategy formulation



process, while 46.7% of the firms considered competitors in their strategy formulation strategy. Market trends were considered to a very great extent by 43.3% of the respondents, technological changes were considered by 36.7% of the companies involved in the survey, social and cultural trends were considered by 33.3% to a moderate extent of the firms involved in the survey. Mode of transport was considered by 40% of the total population to a very great extent in the formulation of strategy. Environmental changes was only considered to a moderate extent by a majority of the respondents. on the other hand infrastructure was considered to a great extent by 40% of the respondents. human resource was considered by 43.3% to moderate extent in the formulation of strategy. Terrorism was considered by quite a number to very great extent in the formulation of strategy and the same applied brand name recognition and unique attractions.

#### 4.11 Factors affecting the organization.

This part sought to find out the effect of the statements listed in the table below on the company. The results are as shown in the table below:

**Table 11: Factors affecting the organization**

Factors	Very great extent		Great extent		Moderate extent		Less extent		Not applicable	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
The middle and high end segments are key to our prosperity	18.0	60.0	6.0	20.0	6.0	20.0	0.0	0.0	0.0	0.0
The management of our company reviews factors affecting the middle/high end segments of the tourism industry	14.0	46.7	6.0	20.0	10.0	33.3	0.0	0.0	0.0	0.0
The company responds to the above factors immediately	10.0	33.3	13.0	43.3	7.0	23.3	0.0	0.0	0.0	0.0

The company trains all employees on the issues that hinder growth in the middle/high end segment of the industry	6.0	20.0	8.0	26.7	10.0	33.3	0.0	2.0	0.0	0.0
The company generates tourists views regarding their choice of destination and driving force behind their decision	9.0	30.0	11.0	36.7	8.0	26.7	2.0	6.7	0.0	0.0
The company has set in place continuous review of tourist trends in this market segment	6.0	20.0	8.0	26.7	10.0	33.3	4.0	13.3	2.0	6.7

Source Author (2007)

Majority of the firms agreed that middle and high end segments were key to their prosperity and that the management of the company reviews factors affecting the middle/high end segments of the tourism industry. Most of the companies also involved in the survey agreed that they trained their employees on the issues that hinder growth of the company. To a great extent the companies involved in the survey agreed that they generated tourists views regarding their choice of destination and that the company had set in place continuous review of tourist trends in this market segment

#### 4.12 Facilities sought by quests

This part sought to find out the facilities and activities sought after by guests in the middle and high-end segments of the tourism industry in Kenya that respondents targeted.

**Table: 12. Facilities sought by quests**

Factors	Very great extent		Great extent		Moderate extent		Less extent		Not applicable	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Exclusive Game Drives	18.0	60.0	6.0	20.0	6.0	20.0	0.0	0.0	0.0	0.0
Bush Meals: (Dinner, Lunch, Breakfast)	11.0	36.7	9.0	30.0	10.0	33.3	0.0	0.0	0.0	0.0
Bush Cocktails	10.0	33.3	14.0	46.7	6.0	20.0	0.0	0.0	0.0	0.0
Nature walks	8.0	26.7	13.0	43.3	9.0	30.0	0.0	2.0	0.0	0.0
Cultural Exchanges / village-visits	8.0	26.7	10.0	33.3	7.0	23.3	5.0	16.7	0.0	0.0
Boat rides	8.0	26.7	6.0	20.0	6.0	20.0	10.0	33.3	2.0	6.7
Horseback/Camel rides	11.0	36.7	10.0	33.3	3.0	10.0	6.0	20.0	0.0	0.0
Star gazing	5.0	16.7	12.0	40.0	3.0	10.0	10.0	33.3	0.0	0.0
Birding	8.0	26.7	12.0	40.0	5.0	16.7	7.0	23.3	0.0	0.0
Balloon rides	4.0	13.3	4.0	13.3	12.0	40.0	6.0	20.0	4.0	13.3
Fishing expeditions	10.0	33.3	11.0	36.7	6.0	20.0	3.0	10.0	0.0	0.0
Archeological excursions	14.0	46.7	8.0	26.7	6.0	20.0	2.0	6.7	0.0	0.0
City tours	8.0	26.7	6.0	20.0	11.0	36.7	3.0	10.0	0.0	0.0
Golfing	13.0	43.3	5.0	16.7	10.0	33.3	2.0	6.7	0.0	0.0

Source Author (2007)

Table 12 above indicate that the most sought after facilities by tourists were exclusive game drives, bush meals, bush cocktails, archeological excursions and nature walks. Other activities though not so much sought after but tourists were attracted to were golfing, birding, star gazing, boat rides, cultural exchanges. balloon rides, city tours and golfing

#### 4.13 Use of facilities

The respondents were asked whether the availability of these facilities was dependent on whether the traveler was international or domestic. The results are shown in the table below:

**Table: 13 Availability of facilities**

Response rate	Frequency	Percentage
No	30	100.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

Source Author (2007)

All the respondents indicated that they availability of resources was not dependent on whether the respondent was an international or domestic traveler.

#### 4.14 Preference of accommodations

This part sought to find out the premises that tourist preferred to be accommodated in.

**Table: 14 Preference of accommodations**

Place of accommodation	Frequency	Percentage
Permanent lodges	6	20
Deluxe tented camps	12	40
Temporary Camp	4	13.3
5 Star Hotels	8	26.7
<b>Total</b>	<b>30</b>	<b>100</b>

Source Author (2007)

Majority of the tourists who visited the country preferred to be accommodated in deluxe tented camps, comprising of 40% of the total population, 26.7% wanted to be accommodated in 5 star hotels, 20% in permanent lodges and 13.3% in temporary camps.

#### 4.15 Satisfaction in undertaking strategic issue management

This section sought to find out the satisfaction the respondents had in undertaking strategic issue management of factors affecting the middle and high end segments of tourism in the organization.

**Table: 15 Satisfaction in undertaking strategic issue management**

Place of accommodation	Frequency	Percentage
Less Satisfied	3	10.0
Satisfied	18	60.0
Very Satisfied	9	30.0
<b>Total</b>	<b>30</b>	<b>100</b>

Table 15 above indicate that majority of the respondents comprising of 60% of the total population were satisfied in implementing strategic issue management, while 30% were very satisfied and only a 10% of the respondents were less satisfied.

#### 4.16 Consideration of issues affecting the tourism industry

This part sought to find out the extent to which the respondents considered the issues affecting the middle and high end segments of the tourism industry as a project worth investing resources.

**Table 16: Consideration of issues affecting the tourism industry**

Extent of consideration	Frequency	Percentage
To a less extent	1	3.3
To a moderate extent	6	20.0
To a great extent	18	60.0
To a very great extent	5	16.7
<b>Total</b>	<b>30</b>	<b>100.0</b>

Table 16 above indicate that 60% of the respondents indicated that they had considered the issues to a great extent affecting the tourism industry, 20% considered the issues to moderate extent, 16.7% had considered the issues to a very great extent while 3.3% had considered the issues to less extent.

#### 4.17 Success through consideration of middle/high end segments

This section sought to find out from the respondents whether a company can succeed without consideration of factors affecting the middle/high end segments of the industry.

**Table 17: consideration of middle/high end segments**

Extent of agreement	Frequency	Percentage
To a less extent	5	16.7
To a moderate extent	12	40.0
To a great extent	10	33.3
To a very great extent	3	10.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

Table 17 above indicates that 40% of the respondents indicated that they agreed to moderate extent that a company cannot succeed without consideration of middle/high end segments of the industry, 33.3% agreed to a great extent, 16.7% agreed to less extent while 10% agreed to a very great extent.

## CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATION

### 5.1 Introductions

This chapter provides a summary of the findings, conclusions and recommendations into the factors influencing the middle and high-end segments of the tourism industry in Kenya.

### 5.2 Summary of the Findings

The findings indicate that majority of the companies involved in the survey had been in operation for 2 to 5 years, meaning that they had a good experience in the operations of the industry. To add to this majority of these companies were locally owned hence they could provide sufficient information about the factors affecting the tourism industry. Majority of the respondents were those in the middle and top management level hence assuring the researcher about the respondents' knowledge in the industry.

All the firms involved in the survey had experienced growth since they were first established. The companies used a number of tactics to attract tourists to their services. The most prominent tactics that were employed by the respondents include: market diversification, new product development and market penetration. The respondents also considered many factors in varying degrees in strategy formulation. Those that they considered to a large extent include competition, mode of transport used, market trends, general economic trends and infrastructure.

Consideration of middle and high end segments as a key to prosperity was employed by a majority of the tour operators in the survey carried out. Majority of these companies also reported that they reviewed the factors affecting the middle/high end segments of the tourism industry. Another factor these companies put into consideration with major emphasis was generation of tourists' views regarding their choice of destination and driving force behind their decision. The respondents indicated that the tourist were attracted a large number of facilities with which they had ensured that they were available

to the tourists. These factors include: exclusive game drives, bush meals, bush cocktails, archeological excursions, nature walks and golfing.

The facilities were available to all tourists without regard as to whether they are international or domestic travelers. When hosting these tourists the tour operators reported that the tourists were attracted to being accommodated in deluxe tented camps more than other places of accommodations. On the issue of undertaking strategic issue management, the respondents indicated that they were satisfied in implementing them.

### **5.3 Conclusions**

Tourism is a major income earner to the government but even more to that it provides livelihood to many other people. The tour operators have one of these groups of people who have grown in the industry and have experienced the benefits of such a growth. This has been through an implementation of factors that are considered to be very important to survival in the industry.

Survival in a competitive industry has been through various ways of attracting tourists with the facilities on offer. This has been through product development, market penetration to include domestic tourism as well as diversification of products to ensure that tourists are spoilt for choice on all the travel packages available. This has ensured that the industry continues to grow in unprecedented levels.

Strategy formulation in the industry has taken into consideration factors that affect tourism to ensure that these companies are in good position for any eventuality. The factors that they have put on top of the list in strategy formulation include general economic trends, market trends especially packages to attract tourist during the low seasons as well as innovative products in the market. These companies have also sought government's help in terms of infrastructure development as well brand name recognition. To add to this list these firms have ensured that tourists have a number of facilities and activities at their disposal. Such activities include: exclusive game drives, bush meals, bush cocktails, archeological excursions and nature walks



These companies have also undertaken strategic issue management in order to ensure that they succeed in the tourism industry. The companies have also put enough consideration in middle/high end segments of the industry so as to ensure that they continue to expand.

#### **5.4 Limitations of the Study**

Care must be taken to generalize the results of this study as there were some limitations. First this study included only 30 of the tourist operations and not all them. In this case this number may not be representative of the whole tourism sector. In addition only tour operators were considered yet there other stakeholders in the tourism industry who play a very significant role such as the government, owners of tourists hotels as well the Kenya wildlife service.

#### **5.5 Recommendation**

##### **To The Managers and Owners of Tourist Operators**

The tourism industry is one in which growth has been noted over the past few years. In this case those who have been in the sector have reported considerable success. However as an industry experiences growth so can there be a slump in its growth. In this case those in the industry need to be prepared for any eventuality. One way is to ensure that they diversify their products to ensure they attract different markets. For example they should try to encourage domestic tourism that attractive and affordable to general citizens. This would ensure that they continue in operations especially during the off peak seasons when revenue collection is low.

The major players should also look into consideration market penetration to ensure that more people are aware of the services that they offer. One way is to advertise for the various facilities and activities that would attract tourist both abroad and locally. This would place the industry to compete with other tourist destinations. In this case more

tourist would consider visiting the country if the services they receive is up to standard then they may consider coming back again.

### **5.6 Further study**

This study one stakeholder in the tourism industry, the findings of this study would be more conclusive if response was from other stakeholders too such as government officers, owners of tourist hotels as well as the Kenya wildlife service. Future studies should consider exploiting such areas for more research.

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## APPENDIX I

### LETTER OF INTRODUCTION

School of Business,  
University of Nairobi,  
P.O Box 30197,  
July 30, 2007.

#### To Whom It May Concern:

Dear Respondent.

#### RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the University of Nairobi undertaking a research project as part of the requirement of the degree of Master of Business Administration (MBA). The topic of my research is "Analysis of the factors affecting the middle and high end segments of the Tourism Industry in Kenya".

Your firm has been selected to form part of the study. I kindly request you to fill the attached questionnaire. Any information provided will be treated in strict confidence and used solely for academic purposes. Neither your name nor that of the firm will be mentioned in the final report. A copy of the research project will be made available to you upon request. Your co-operation will be greatly appreciated. Thanking you in advance.

Sincerely,

**George Mogambi Omuya.**

**MBA Student**

**REG. NO D/61/8838/04**

**E-mail [geomogams04@hotmail.com](mailto:geomogams04@hotmail.com)**

**P.O Box 39319-00200 Nairobi**

**Tel. 0724587095**

**Dr. John Yabs**

**Supervisor**

**Dept. of Bus. Admin**

**University of Nairobi**

## Appendix II

### Questionnaire

#### Section A: Company and respondent profile

In this section kindly tick the appropriate box and fill out where space has been provided the correct data.

1. Please indicate the name of your company (Optional).....
2. Number of years the Tour company has been in operation
  - 0-2 years [ ] 2-5 years [ ] 5-7 years [ ] Over 7 years [ ]
3. Is your organization ( ) local ( ) foreign ( ) both
4. What is your Designation \_\_\_\_\_
- 4 Gender
- 4.5 Male [ ] b. Female [ ]
- 5 How long have you been in the Tour company
  - 0-2 years
  - 2-5 years
  - 5-7 years
  - Over 7 years
- 6 Have you experienced any expansion since the organization was established?
  - ( ) Yes ( ) No

**Section B**

**FACTORS THAT INFLUENCE THE MIDDLE AND HIGH END SEGMENTS OF TOURISM**

In this section, please tick the appropriate statement that best reflects the degree to which the particular statement expresses your true feelings and responses regarding factors affecting middle and high end segments of the tourism industry.

7 Has your comp any considered a review of the issues affecting the middle /high end segments of the tourism industry in Kenya

7.5 Yes [ ]                      b. No [ ]

8 Given that the tour industry operates in a dynamic and challenging environment, to what extent has your company used the following tactics to attract tourists?

To what extent does this strategy help to attract visitors?

(1-Not applicable, 2=to a less extent, 3 to a moderate extent, 4= to a great extent, 5 to a very great extent)

Strategy	1	2	3	4	5
New product (market penetration)					
New market					
Product development					
Diversification of products					

10. Indicate the extent to which information in the following factors is considered in the strategy formulation process; to what extent does this factor impact the firms' ability to attract tourists in the middle and high end segments of the industry? (1-Not applicable, 2=to a less extent, 3 to a moderate extent, 4= to a great extent, 5 to a very great extent)

Factors	1	2	3	4	5
Political and legal					
General Economic trends					
Competitors					
Market trends					
Innovation / Technological changes					
Social and cultural trends					
Mode of transport used and its Safety					
Environmental changes					
Infrastructure (roads, electricity, communication etc)					
Human resources attitudes towards accepting change					
Terrorism (International and domestic)					
Brand Name recognition					
Unique attractions					

11. To what extent do the following statements apply to your organization? (1=Not applicable, 2=to a less extent, 3= to a moderate extent, 4= to a great extent, 5 to a very great extent) (Tick where appropriate)

Statement	1	2	3	4	5
The middle and high end segments are key to our prosperity					
The management of our company reviews factors affecting the middle/high end segments of the tourism industry					
The company responds to the above factors immediately					
The company trains all employees on the issues that hinder growth in the middle/high end segment of the industry					

The company generates tourists views regarding their choice of destination and driving force behind their decision					
The company has set in place continuous review of tourist trends in this market segment					

12. To what extent are the facilities and activities listed below sought after by guests in the middle and high end segments of the tourism industry in Kenya that you target? (1=Not applicable, 2=to a less extent, 3= to a moderate extent, 4= to a great extent, 5 to a very great extent) (Tick where appropriate)

Activities	1	2	3	4	5
Exclusive Game Drives					
Bush Meals: (Dinner, Lunch, Breakfast)					
Bush Cocktails					
Nature walks					
Cultural Exchanges / village-visits					
Boat rides					
Horseback/Camel rides					
Star gazing					
Birding					
Balloon rides					
Fishing expeditions					
Archeological excursions					
City tours					
Golfing					
Whitewater rafting					

13. Does the cost of using these activities depend on whether one is an international or domestic traveler?

Yes

No

14. Do the guests in these categories show preference for any of the below accommodations;

Permanent lodges  Deluxe tented camps  Temp Camp

5 Star Hotels

1. Generally speaking, how satisfied are you in undertaking strategic issue management of factors affecting the middle and high end segments of tourism in your organization?

1. Not applicable
2. Not Satisfied
3. Less Satisfied
4. Satisfied
5. Very Satisfied

2. To what extent do you consider the issues affecting the middle/high end segments of the tourism industry as a project worth investing resources in?

1. Not applicable
2. to a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent

3. With respect to your organization, to what extent would you agree with the view that tour companies in Kenya cannot operate successfully without taking into consideration the factors affecting the middle/high end segments of the industry?

1. Not applicable
2. To a less extent
3. To a moderate extent

4. To a great extent

5. To a very great extent

## Appendix III

### Kenya Association of Tour Operators (KATO) Members 2006

Abercrombie & Kent Ltd	Avenue Motors Ltd
Absolute African Special Holiday	Avenue Service Station
Acacia Holidays Ltd Associate	Baisy Oryx Tours and Safaris
Across Africa Safaris Ltd	Balloon Safaris Ltd
Adventure Centre Ltd	Basecamp Travel Ltd Associate
Adventure Naturetrek Safaris Ltd	Bateleur Safaris Ltd
African Expeditions Ltd	BCD Travel
African Horizons Travel & Safaris Ltd	Belken Adventure Safaris Ltd
African Jacana Safaris	Bernie Tours & Safaris Ltd
African Latitude (Kenya) Ltd	Best Camping Tours
African Quest Safaris Ltd	Best Kenya Safaris & Tours
African Road Safaris	Best of Africa Tours & Safaris
African Safari Diani Adventures	Big Five Tours & Safaris Ltd
African Secrets Ltd-Msa	Bill Winter Safaris
African Servalcat Safaris & Tours	Blue Wave Ltd
African Tropical Safaris Ltd	Bottger Productions & Tours Ltd
Africhoice Tours & Travel	Bruce Safaris Ltd Associate
Allamanda Safaris	Bush Homes of East Africa Ltd
Aloha Tours & Safaris	Bushbuck Adventures Ltd
Amazing Tours & Travel Ltd	Call of Africa Safaris
Anste Tours & Travel Limited	Campfire Conservation Ltd
Apollo Tours & Travel	Catalyst Travels Ltd
Archer Clark Enterprises Ltd	Chameleon Tours
Archers Tours & Travel Ltd	Charleston Travel Ltd
As You Like It (Safaris) Ltd	Cheli & Peacock Ltd
AustraKen Tours & Travel Ltd.	Chronicle Tours & Travel
AV Tours and Safaris Ltd	CKC Tours & Travel



Concorde Car Hire & Safaris Ltd  
 Cottar Safaris  
 Cotts Travel & Tours Ltd  
 Current Holidays (Africa Ltd)  
 Dallago Tours & Safaris  
 David Penrose Safaris Ltd  
 Days Safaris Adventure  
 Den and Burrows Safaris  
 Designer Tours & Travel  
 Destination (K) Ltd  
 Destination Link Services  
 Discover Kenya Safaris Ltd  
 Dodoworld (K) Ltd  
 Dominio Di Dorianio Ltd  
 East Africa Safari Ventures Ltd  
 East African Shuttles & Safaris  
 East African Wildlife Safaris  
 Eastern and Southern Safaris  
 El Molo Tours & Travel  
 Eurasian Tours & Safaris Ltd  
 Exotic Destinations Ltd-Msa  
 Express Travel Group A  
 Feather Trails Tours & Travel  
 Ferrari Tours  
 Fin Razel Holidays  
 Flawless Links  
 Four by Four Safaris Ltd  
 Franz Lang Safaris  
 Fredlink Company Ltd-Msa  
 Furstenberg Safaris Ltd  
 Gametrackers (K) Ltd  
 Gamewatchers Safaris Ltd  
 GAT Safaris  
 Genet Adventure Safaris  
 Geo Safaris Ltd  
 Go Africa Travel Co.Ltd  
 Going Places Ltd  
 Gorilla Tours & Safaris  
 Grand Edition Tours  
 Grant & Cameron Safaris Ltd  
 Guerba (K) Ltd  
 Habib's Tours & Travel  
 Hamerkop Safaris  
 Haya Safaris (A) & Travel Ltd-Msa  
 Holiday Bazaar Ltd  
 Hotel Adventure and Travel Ltd  
 Hotel Adventure Travel Ltd  
 Ibis Tours and Travel Ltd  
 Imperial Air Services  
 IntoAfrica Eco-Travel Ltd  
 Intra Safaris Ltd-Msa  
 J.H.Safaris Ltd  
 Jade Sea Journeys Ltd  
 Jet Travel Ltd  
 JMAR Safaris Ltd  
 K.P.S.G.A Affiliate  
 Karisia Limited  
 KATO Secretariat  
 Kenia Tours & Safaris  
 Kenya Beach Travel Ltd-Msa  
 Kenya Wildlife Trails Ltd  
 Ker & Downey Safaris Ltd

Ketty Tours Travel & Safaris Ltd  
 Kibo Slopes & Safaris Ltd  
 Kimbla Mantana (K) Ltd  
 Kinazini Funzi Dhow Safaris-Msa  
 Kisima Tours & Safaris  
 Kobo Safaris Ltd  
 Kuldips Touring Company-Msa  
 Leading Expeditions Safaris  
 Leboo Safari Tours Ltd  
 Let's Go Travel  
 Liberty Africa Safaris  
 Linderberg Holidays & Safaris  
 Long Ren Tours & Travel Ltd  
 Luca Safari Ltd.  
 Madukha Tours & Safaris Ltd  
 Maniago Safaris Ltd  
 Maridadi Safaris Ltd  
 Matembo Tours & Safaris  
 Mathews Safaris  
 Menengai Holidays Ltd  
 Mini Cabs Tours & Safaris  
 Mombasa Air Safaris Ltd-Msa  
 Motto Tours & Travel Ltd  
 Muthaiga Travel Ltd  
 Nahdy Travel & Tours  
 Naked Wilderness Africa  
 Nature Expeditions Africa  
 NatureTrek Adventure Safaris Ltd  
 New Kenya Travel & Tours Safaris Ltd  
 Noah's East African Trails Ltd  
 Nutty Safaris  
 Offbeat Safaris Ltd  
 On Safari (K) Ltd  
 Origin Safaris Ltd  
 Outdoor Expeditions Safaris  
 Partners of Adventures  
 PAWS Africa Safaris Ltd  
 Penfam Tours & Travel  
 Phoenix Safaris (K) Ltd  
 PioneerTravels Ltd Associate  
 Pollman's Tours & Safaris Ltd-Msa  
 Preps Safaris International Ltd.  
 Private Safaris (EA) Ltd  
 Rajair Travel & Tours  
 Raydoll Tours & Travel  
 Raylenne Tours & Safaris  
 Rhino Safaris Ltd  
 Richard Bonham Safaris Ltd  
 Robin Hurt Safaris Ltd  
 Safari Line Africa  
 Safari Partners Kenya Ltd.  
 Safari Seekers (K) Ltd  
 Safari Travel Kenya Ltd  
 Safaris In Style  
 Safaris Unlimited (Africa) Ltd  
 Satguru Travel & Tours Services Ltd.  
 Scenic Wildlife Safaris Ltd  
 Selective Safaris  
 Sher Safari Services Ltd.  
 Shimoni Aqua Ventures  
 Shoor Travels & Tours  
 Silver Africa Tours & Travel

Silverbird Adventure Tours & Travel	Travel Creations Ltd
Smile Tours & General Agencies	Travel 'n Style Ltd
Somak Travel Ltd	Travel News Affiliate
Southern Cross Safaris Ltd	Travel Plaza Ltd
Southern Sky Safaris	Travel Scene Services
Special Camping Safaris	Travel Shoppe Ltd.
Speedbird Travel & Safaris	Tropical Breaks
Sportsmen's Safaris & Tours	Tropical Ice Ltd
Spurwing Travel & Tours Ltd	Tropical Nature & Cultural Safaris Ltd
Star Travel & Tours Ltd	Tulip Travel Ltd
Steenbok Safaris & Car Hire	Tusker Safaris Ltd
Suntrek Tours & Travel Ltd	Twiga Car Hire & Tours Ltd
Sunworld Safaris Ltd	Ulf Aschan Safaris Ltd
Taipan Vacations & Travel Ltd	Uniglobe Northline Travel Ltd
Tamarind Management Ltd	Unik Car Hire & Safaris-Msa
Tamasha Africa Ltd	Venture Africa Safaris & Travel
The Specialized Safaris Co.Ltd	Vintage Africa Ltd
Tobs Kenya Golf Safaris	Visit Africa Ltd
Top Deck Travel & Tours	Westminster Safaris Ltd
Tor Allan Safaris	Wild Destinations Ltd
Tour Africa Safaris	Wild Times Ltd
Transworld Safaris (K) Ltd.	Wildlife Safari (K) Ltd
Travel Affairs Ltd	Woni Safaris Ltd
Travel Care Ltd	Yare Safaris Ltd
Travel Connections Ltd	Zirkuli Expeditions Ltd

**Source: Kenya Association of Tour Operators members list (2007)**