STRATEGIC RESPONSES BY KENYAN TOURISM INDUSTRY TO CHALLENGES BROUGHT ABOUT BY E-COMMERCE: A CASE OF MOMBASA AND COAST TOURIST ASSOCIATION

BY:

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DECLARATION

This management research project is my original work and has not been presented for examination in any other university.

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

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DEDICATION

This project is dedicated to my parents and family

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I thank God for giving me the strength and will to complete this project. I would like to thank all those who helped me to ensure the success of this project. They include the management of Mombasa and Coast Tourist Association (MCTA) and the managers of different member organizations of MCTA.

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ABSTRACT

New technology such as the internet and e-commerce has revolutionized the way companies conduct business and the tourism industry is no exception. Recently, many challenges have emerged as a result of the use of e-commerce as a strategic tool in the tourism industry. Hence, the need for companies to respond strategically to these e-commerce challenges.

This study was done with the objective of establishing the challenges brought about by e-commerce in the tourism industry and the strategic responses towards these e-commerce challenges.

Primary data was collected by means of semi-structured questionnaire. The questionnaires were emailed to managers who are entrusted with the operations of the firms. Others were dropped and picked later. The response rate was 64% (32/50). The data was analyzed using descriptive statistics.

The results of the study showed that tourist firms have embraced e-commerce as a major strategic tool in their businesses. However, many firms experience a number of challenges. These challenges are mainly technological, infrastructural or regulatory. They include inadequate technological skills, limited user traffic, high accessibility costs, lack of government support, insecurity related to information abuse and insecurity related to payments.

The study revealed that firms have tried to respond strategically to the e-commerce challenges to ensure their survival and success. They have done this by mainly training staff on e-commerce, improving website accessibility, allocating budget for e-commerce, using a reliable ISP and applying secured website technologies. The study also showed that many companies would support government effort in improving and regulating e-commerce.

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LIST OF ABBREVIATIONS

DoD	– Department of Defense
EAPA	– East Africa Publicity Association
EATTA	– East Africa Tourist Travel Association
E-Commerce	– Electronic Commerce
FTP	– File Transfer Protocol
GDP	– Gross Domestic Product
GDS	– Global Distribution System
ICT	– Information and Communication Technology
IT	– Information Technology
ISPs	– Internet Service Providers
KAHC	– Kenya Association of Hotel Keepers and Caterers
KATO	– Kenya Association of Tour Operators
KTB	– Kenya Tourism Board
KTDC	– Kenya Tourism Development Corporation
KTF	– Kenya Tourist Federation
Ksh.	– Kenya shillings
MCTA	– Mombasa and Coast Tourist Association
USA	– United States of America
WTO	– World Trade Organization
WWW	– World Wide Web

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment within which companies operate is constantly changing and firms have to respond to these changes. Strategic planning has developed as a response to increasing challenges caused by high levels of environmental turbulence. Strategy helps firms to cope with change by designing appropriate strategic responses (Pearce and Robinson, 1988). Strategic decisions are those that determine the overall direction of an enterprise and its ultimate viability in light of the predictable, the unpredictable, and the unknowable changes that may occur in its most important surrounding environments.

One way managers diagnose environmental pressures is through urgency and manageability assessments (Kuvaas, 2002). The higher the level of urgency, the more important it is for the organization to respond quickly and decisively (Mitchell *et al.*, 1997). The manageability assessment concerns whether or not the firm possesses the means needed to effectively respond to a specific set of pressures (Dutton *et al.*, 1990).

Business people in the world today are greatly influenced in the way they operate due to the rapid pace of technological developments. Over a long period of time, trade has been limited to 'arms length' transactions but with the advent of Information and Communication Technology (ICT), the internet and Electronic Commerce (E-Commerce) many organizations have been greatly affected. The information superhighway is what many business leaders see as a solution to challenges posed by globalization (Chaffey et al, 2000). E-Commerce is changing the shape of competition, the speed of action and the nature of leadership. This has necessitated businesses to look at their decisions and respond accordingly.

Koenderman (1999) estimated that global traffic on the internet was doubling every 100 days with e-commerce to reach $220 billion a year and the total number of internet users to reach 300 million in the year 2001. Research done by Forrester projects that e-commerce will boom in the U.S. to more than $64 billion in 2003 and that worldwide e-commerce is expected to reach $3 trillion (Bloomberg, 2001). According to Nyingi (2003), E-Commerce in Africa is yet to assume a full blown status.

Tourism is an important foreign currency earner for the Kenyan economy. According to the Kenyan Tourism Federation, tourism brings U.S. $500 million in annual revenue. The sector employs 150,000 people. Kenya's tourist assets are its wildlife, mostly accessible through a system of parks and reserves, extensive white sand beaches protected by coral reefs and dramatic scenery from deserts to tropical rain forests.

Kenyan tourism industry was severely damaged by the 2007 post election violence and the global economic downturn. The decline in the tourism industry naturally results in laying off. These challenges have resulted in the Kenyan tourism industry to better travel policies and strategies to improve tourism standards. The changes have also necessitated aggressive marketing strategies to lure tourists back to Kenya. One of these strategies is Internet adoption and E-Commerce.

The challenges and limitations to technological innovation of enterprises in the developing countries have been well visited. Concerning Internet adoption, three of the most commonly cited obstacles are the inadequate and unreliable telecommunications infrastructure, the cost involved with adopting and using the technology, and the lack of the relevant knowledge and skills (Kuwayama, 2001; Purcell *et al.*, 2004; Rizk, 2006). Identifying strategies that can enable tourism enterprises to overcome Internet adoption and e-commerce challenges is imperative to its widespread diffusion.

1.1.1 Strategic Responses

Strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. Firms need strategy for direction, focusing of effort, to define the organization and to provide consistency (Mintzberg, 1987). A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. Hamel and Prahalad (1989) considered strategy to be about winning and defining the business of the company.

Formulation of an effective business strategy requires managers to consider three main players, the company, its customers, and the competition. In terms of these three key players, strategy is defined as the way in which a corporation endeavors to differentiate itself positively from its competitors, using its relative corporate strengths and weaknesses to better satisfy customer needs.

Successful firms continually scan their environment in order to identify future economic, competitive, technological and political discontinuities, which could affect operations (Ansoff and McDonnell, 1990). In every industry, a successful firm continually reassesses competitive factors which will bring future success. Whenever historical strategies do no match the future success factors, the firm develops new strategies or leaves the industry. Ansoff and McDonnell (1990) observed that strategic diagnosis helps determine the firm's strategic responses which will ensure success. Ansoff (1990) noted that strategic responses involve changes in the firm's strategic behaviors to assure success in the transforming future environment.

1.1.2 Electronic Commerce

E-commerce is associated with buying and selling of products and services over computer networks. It involves conducting traditional commerce electronically where information is transferred from one location to another via internet. According to Kotler et al (2006), E-Commerce is the company's efforts to communicate about, promote, and sell products and other services over the internet.

The internet is a vast network that connects computers in all parts of the world using cables, ordinary telephone lines, radio connections or satellite. According to Zhenhua (2000), internet is the global "network of networks" of interlinked computers operating on a standard protocol which allows data to be transferred between them. The fast growth of the internet and the accompanying user demographics has created an exciting new communication channel that can help businesses to increase their revenue dramatically.

According to Comer (2001), the internet has been growing exponentially and therefore doubling after every nine to twelve years. The internet has had a great impact on marketing tourism than any technology since the invention of the television (WTO, 1999). This shows that the internet will have considerable impact on the Kenyan tourism sector, which incidentally is a major foreign exchange earner for the country (Chelanget, 2005).

Internet is about networking of computers to allow users to share information and other resources. It has been used to provide speedy, inexpensive and convenient means of individuals to send or receive messages throughout. In general, the communication services offered by the internet include e-mail, fax services, chat and teleconferencing. The internet also provides information services that include Telnet, Gopher and File Transfer Protocol (FTP) which allows users to access data that has been made available by others (Zhenhua, 2000).

The internet has been transformed completely by the World Wide Web (WWW). The WWW integrates protocols like Gopher and FTP and allow users to access hosts via Telnet. It also facilitates newsgroups and e-mailing. The web capability to blend text, images, sounds and video clips into multimedia documents played a key role in popularizing the internet beyond its traditionally academic boundaries and became an effective communication tool in business and everyday life.

The introduction of E-Commerce has brought about many challenges in the Kenyan tourism industry which necessitated formulation of strategic responses to cope with the challenges and improve businesses in the industry.

1.1.3 Kenyan Tourism Industry

Over the last thirty years, tourism in the global economy has grown rapidly. Many less developed countries like Kenya have declared it a priority sector in their development agenda. Tourism at the turn of the 21st century is growing faster than predicted.

During the period between 1890 and 1938, tourists found the sea journey to East Africa. The journey was not only too long and expensive, but also the attractions were underdeveloped. According to Korir (2005), tourism in Kenya was restricted to a number of adventures until the Second World War and most of the tourists arrived by ship. In 1938, The East Africa Publicity Association (EAPA) was formed to market Kenya and South East Africa destinations.

After the Second World War, in 1948, EAPA was renamed East Africa Tourist Travel Association (EATTA). In 1965, after Independence, the activities of EATTA were taken over by the Kenya Tourism Development Corporation (KTDC) which together with the then Ministry of Tourism and Wildlife marketed and organized the tourism industry in Kenya (Korir, 2005).

Tourism registered consistent growth between 1963 and 1968. In the 1990s, Kenya emerged as a key destination in Africa receiving over 60% of total tourist arrivals in the continent. Although tourist arrivals decreased in 1991 to 1992, when the first multiparty elections were held, the numbers rose again in subsequent years (KATO, 2004).

The Kenyan tourism industry encompasses both the private and public sectors. The public sector is essentially the government that provided an enabling environment for the industry players. Government bodies that regulate the tourism industry are Kenya Tourism Development Corporation (KTDC), Kenya Tourism Board (KTB) and Kenya Tourism Federation (KTF). These bodies are also concerned with marketing the country locally and abroad as a tourist destination. The private sectors comprise hotels, tour operators, travel agents among others.

The tourism industry has been identified as one industry likely to be impacted most by the advance of e-commerce. Tourists visiting Kenya are mainly international, coming form continents like North America where over one million travel products were purchased online in 1998 (WTO, 1999). Kenya has a chance to gain from the online travel market and to compete internationally despite its limited capital resources.

Tourism impacts the economy through forward and backward linkages expressed as demand for goods and services in different industries most of which are channeled through tourist stakeholders like hotels. The tourist dollar has a multiplier effect whose absence would affect the general government revenue collection. For instance, in 2002, over one billion shillings was collected as value added tax in hotel establishments and approximately Ksh 400 million was received from catering levy (Nduta, 2003).

Tourism remains one of the most important sources of foreign exchange to Kenya. Tourism generates an average of Ksh. 40 billion annually. As per the economic survey, 2007, tourism continued to post impressive performance in 2006 and maintained an upward growth momentum despite challenges facing the global tourism such as terrorism, health scares and rising jet fuel price. Consolidated earnings from the sector grew by 14.9% from Ksh. 48.9 billion in 2005 to Ksh. 56.2 billion in 2006. This upward trend may have been affected however, by the post election violence in 2007.

Promotion trends by KTB and other industry stakeholders coupled with enhanced efforts to market Kenya as a preferred tourist destination continued to yield positive results in 2006. Table 1.1 shows that the total international arrivals increased from 1,479.0 thousand in 2005 to 1,600.6 thousand in 2006, an 8.2% percent growth.

Table 1.1: Yearly Visitor Arrivals by Purpose of Visit, 2002-2006

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Purpose	2002	2003	2004	2005	2006*
Holiday	732.6	684.0	885.6	1,063.2	1,087.5
Business	86.6	182.1	246.4	206.1	226.2
Transit	163.3	219.1	162.2	79.8	137.2
Other	19.0	61.0	66.5	129.9	149.8
TOTAL	**1.001.3**	**1,146.2**	**1.360.7**	**1,479.0**	**1,600.6**

*Provisional
Source: Economic Survey, 2007

The good performance was attributed to the strategic marketing activities in the USA, France, United Kingdom, Italy and Germany. A resurgence in the number of return visitors also contributed to the positive out-turn. However, compared with the 8.7% growth in 2005, the current performance was slightly lower on account of deliberate efforts to contain visitor volumes while focusing on high yield tourists. This involved branding Kenya as a high value market, continuous product range improvements and diversification in order to attract up-market tourists.

Tourism continued to be exclusively centered on three geographical areas namely coastal area for beach tourism, Nairobi for those on business or conferences and Maasailand for game viewing and safari drives. This underscores the need to diversify the country's tourism product range as well as opening up new avenues. The Kenyan Coast continued to be the most popular zone accounting for 54.5% of total bed-nights in 2006 from 50.8% in 2005. Table 1.2 shows that the total bed-nights occupied in this zone increased remarkably from 2,273.7 thousand in 2005 to 3,228.8 thousand over the review period, reflecting a 42% growth.

Table 1.2: Yearly Visitor Arrivals by Region of Visit, 2002-2006

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Region	2002	2003	2004	2005	2006*
Coastal-Beach	2,171.8	1,269.6	1,883.5	2,273.7	3,228.8
Coastal-Other	108.2	36.5	29.4	43.5	108.6
Nairobi-High Class	589.8	572.7	793.7	870.9	946.8
Nairobi-Other	65.7	124.0	194.5	180.5	257.2
Maasailand	135.2	130.4	272.3	361.9	460.9
TOTAL	**3070.7**	**2,133.2**	**3,173.4**	**3,730.5**	**5,002.3**

*Provisional

Source: Economic Survey, 2007

1.1.4 Mombasa and Coast Tourist Association (MCTA)

The Mombasa and Coast Tourist Association has been in existence since 27^{th} June 1948 initially under the umbrella of the East African Tourist Travel Association (EATTA) incorporating Kenya, Uganda, Tanzania and Zanzibar. In 1962 however, the EATTA ceased to exist and its assets and objectives were taken over by the Mombasa and Coast Tourist Association (MCTA). A committee was elected under the chairmanship of Mr. John Soper with offices at the then Carlton Hotel along Moi Avenue in Mombasa. In 1963, the Municipal Council of Mombasa made available land for construction of an office along Moi Avenue where the MCTA Information bureau is today located.

MCTA is an association of stakeholders in the tourism industry. The membership in the region is currently of 107 members consisting of travel agents, hoteliers, tour operators, restaurants, airline companies and other tourism related service sector organizations. The objectives of the association are non political and include promoting, fostering and maintaining tourist traffic as well as safeguarding the interests of tourists.

MCTA helps to improve of tourist attractions and condition of travel. It promotes and assist co-operation between the association and various Government departments in order to improve the tourism industry. MCTA acquires, collects and distributes information needed by tourists in the promotion of the Coast region and Kenya as a whole as a viable tourist destination.

MCTA is run by an Executive committee who control the association's activities and the administrative arm of the association. MCTA also has sub committees namely marketing, promotions and exhibition, training, environment, infrastructure and Mombasa beautification.

1.2 Statement of the Problem

The dynamism of the environment implies that organizations have to remain competitive, Johnson and Scholes (2002). The failure to effectively adapt the organization leads to a strategic problem, Ansoff and McDonnel, (1990). Aosa (1992) observed that the modern approach to strategic planning has developed as a response to increasing challenges caused by high levels of environmental turbulence. Strategy helps an organization cope with changes in the environment (Pearce and Robinson, 1988).

The use of internet and web based information systems is an essential strategy for survival and improving competitiveness (Chang and Hyung, 2000). E-Commerce has revolutionized the traditional procedures involved in processing business transactions as a result of which many organizations are enthusiastic about applying it. However, E-Commerce has also brought about challenges that necessitate organizations to respond to if they are to remain competitive and survive.

Tourism has played a major role in the Kenyan economy. The tourism sector continues to play an important role in the country's economic development in terms of Gross Domestic Product (GDP) accounting for 16% of GDP (WTO, 2000). Indeed for a period of over ten years, it has maintained the number one position as the country's highest foreign exchange earner. The Internet and E-Commerce have been widely used in the Kenyan Tourism Industry to attract more tourists and improve sales. The introduction of e-commerce has brought about challenges that have affected the industry and necessitated various strategic responses of doing business.

Although a lot of research work has been done on the prospects and challenges of Information Technology in Kenyan firms, a gap exists in studies of response strategies to e-commerce challenges. Ojung'a (2005), for example, studied E-Commerce Services in Commercial Banks in Kenya. Chelanget (2005) studied The Impact of E-Commerce as a Facilitating Tool for Business: The case of Tour Operators in Nairobi. The study focused on the impact of e-commerce but in the context of tour operators who are in Nairobi.

Several studies have been carried out on strategic responses of firms to the changes in the environment in a number of industries. Those that have been done have rarely been done on the tourism industry or on strategic responses to challenges brought about by E-commerce. For instance, Chepkwony (2001) studied the strategic responses of oil industry in Kenya to the changes in the environment. Thiga (2002) studied the responses of airline industry to the changes in the environment. Another study done by Mugambi (2003) focused on strategic responses of tourist hotels to changes in the environment. This study concentrated on hotels that were in Nairobi. Muhindi (2007) studied response strategies to increased competition by spare parts dealers franchised by Japanese motor vehicle companies in Kenya.

In this study, the context is MCTA members that comprise different tourism stakeholders and not specific members such as tour operators. The context targets coastal tourism industry that may be different from Nairobi tourism industry. The latter concentrates much on business and conference tourism while the former is more of leisure tourism.

This research focuses on challenges brought about by E-Commerce in the tourism industry. It also goes further to determine strategic responses adopted towards e-commerce challenges by the Tourism Industry, with the context of Kenyan Coast in mind. The researcher therefore sought to address the following questions:

i) What are the challenges brought about by E-commerce in the tourism industry?

ii) What strategic responses can be adopted towards E-Commerce challenges in the tourism industry?

1.3 Objectives of the Study

The study focuses on all Kenyan Tourism stakeholders based in Coastal Kenya who are members of MCTA. The aim of the study is:

i) To establish challenges brought about by e-commerce in the tourism industry.

ii) To establish strategic responses towards E-Commerce challenges in the tourism industry

1.4 Importance of the Study

It is envisaged that this study will be important to tourism stakeholders who are intending on adopting e-commerce to improve their businesses.

The study may help scholars and researchers who may be interested in making similar studies in business sectors in issues related to e-commerce. Academics may use the findings of the study as background material for further research in the area.

MCTA can gain better understanding on the challenges of e-commerce and help its members with these challenges.

Finally, the government may use the findings of the study to implement policies that may improve E-commerce use in the tourism industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In chapter two, a detailed concept of the study is discussed. The chapter starts by defining strategy and strategic responses. A discussion of E-Commerce, its benefits and challenges then follows.

2.2 Strategy

Johnson and Scholes (1997) explain that, strategy is the direction and scope of an organization over the long term through its configuration of resource, within a changing environment, to meet the needs of markets and to fulfill stakeholder's expectations. Chandler (1962), defined strategy as a means of establishing the purpose of a company by specifying its long term goals and objectives, action plans and resource allocation to achieve the set goals and objectives.

According to Mintzberg (1987), strategy is a plan, ploy, pattern, position and a perspective. As a plan, strategy specifies consciously intended course of action of the firm. As a ploy, strategy is seen as a maneuver intended to outwit competitors. As a pattern, strategy is seen as a pattern emerging in a stream of actions. As a position, strategy is seen as a means of locating an organisation in its environment. As a perspective, strategy consists of a position and an ingrained way of perceiving the world.

John and Scholes (1999), states that the organization operates within environments, which are turbulent, and are rapidly changing. Due to the fact that the environment is constantly changing, it is imperative that an organization has to constantly adapt its activities to reflect the new environmental requirements. Porter (1980) states that, yesterday cannot be used to predict tomorrow therefore companies that would like to survive must adapt and adopt change.

Porter (1985), asserts that a change in the competitive position requires a company to decide on which generic strategies to adopt. The generic strategies are Cost leadership, differentiation and focus strategies. The choice depends on a firm's perception of the environment and the basis of successful competition.

Cost leadership strategy is adopted by marketers who sell lower cost goods. According to Porter (1985), cost leadership requires a firm to have economies of scale, which enables firms to favourably achieve lower costs of production. Clark (2000) noted that a product can be differentiated by creating something perceived industry-wide as being unique. Pearson and Robinson (2002) calls it a unique way of appealing to customers. This can be achieved through design and creation of innovative features. Focus strategies are used to appeal to customers in a certain segment (Porter, 1985). Organisations identify certain segments that they want to serve and then adopt either cost or differentiation strategy to meet the needs of that particular segment.

Strategic issues have different dimensions, first, they require top-management decisions. This is because strategic decisions over arch several areas of the firm's operations. Second, they require large amounts of the firm's resources. They involve substantial allocation of people, physical assets or funds. Third, they often affect the firm's long term prosperity. Strategic decisions commit the firm to a long time, typically five years. Fourth, strategic issues are future oriented. Strategic decisions are based on what managers forecast rather that what they know.

Strategic issues usually have multifunctional or multibusiness consequences. Strategic decisions have complex implications for most areas of the firm, hence, may involve different divisions or departments. Finally, strategic issues involve considering the firm's external environment. Business firms are open systems that affect and are affected by external conditions. This makes it important for firms to look beyond their operations.

2.3 Strategic Responses

Pearce and Robinson (1988) define strategic responses as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. It is thus a reaction to what is happening in the environment of organizations. Porter (1991) pointed out that an organization needs to know the underlining sources of competitive pressure to develop an actionable strategic agenda. When firms face unfamiliar discontinuities in the environment there is need to revise their strategies.

There are two broad levels of responses, namely, strategic and operational responses. The strategic responses are at two levels, corporate and business responses. According to Johnson and Scholes (2002), the corporate level strategy deals with overall scope and purpose of the organization and ensures stakeholder expectations are met. The business level strategy determines and defines how the organization competes in its market and how its long range objectives will be achieved. This can either be through existing or new products.

Functional divisions undertake the operational level strategies which contain more specific guidelines needed for business operating components. According to Bowman (1998), the functional structure in an organization enables a firm gain the specialization benefits and links the functional level strategies with the business strategy.

Different actions which constitute strategic responses, may be considered to better understand how firms behave when the environment changes. Restructuring is based on the notion that some activities within a business's value chain are more critical to the success of its strategy than others (Pearce and Robinson, 1988). Managers need to make the strategically critical activities the central building blocks for designing the organization structure. The structure must be designed to ensure timely integration with other parts of the organization.

Process restructuring aims at bringing the company to an acceptable level of performance. It covers activities like marketing, product development and service delivery with the aim of cutting costs. Cost improvement can be achieved through outsourcing of services. Functional restructuring involves laying off redundant staff or training the staff in functional skills where they are encouraged to acquire new skills. Downsizing may occur by reducing workload as well as eliminating functions. Downsizing helps firms to lower overheads, speed up response time and eliminate red tape (King, 1997).

When an environment changes significantly, a firm can undertake selective shrinking. Whiltington (1989) observed that this could involve focusing on specific market segment that provide a profitable core of higher margins. It could also involve withdrawal from unprofitable market segments. Morine (1980) suggested sale of investment to get funds with higher rates of returns in the principal activities of the business. Also cut backs could be necessary if the business is a low margin one that faces cash-flow problems.

An economic downturn that reduces the consumer's purchasing power reduce opportunities for sale of improved products and services. Marketing is therefore a more desirable alternative to increase volume instead of cutting profit margins or continually discounting prices (Morine, 1980). Firms wishing to thrive in an economic downturn should not be cutting back on marketing and product development. Marketing improvement activities have helped firms to survive during the recession periods.

Marketing policies need to be redefined in line with customer shifts for more value adding products or services (Slatter, 1992). A firm needs to keep in constant touch with its existing client base, introduce quick adjustments to its portfolio, and refocus on clients needs. Attention should be given to reliable after sale service and aesthetic features of the product (Morine, 1980).

In most businesses, cost reduction is a faster method to achieve greater profits than increasing sales volume. Cost cutting helps to tackle a cash-flow crisis within a business (Slatter, 1992). Hence, the adoption of cost cutting strategies minimize wastage and unnecessary expenditure during a down turn (Whiltington, 1989).

Clark (2002) expresses that joint ventures, collaborations and strategic alliances are becoming popular. They involve two or more organization sharing resources and activities to pursue a strategy. Hamel and Prahalad (1990) noted that firms can respond to the environment through resource based view that focuses on strengths and weaknesses, opportunities and threat analysis. Organisational capabilities enable firms to respond effectively to opportunities and threats. The organisation concentrates on areas where they have distinctive advantages and outsource services where they have no distinctive advantages, hence, concentrating in their core business. This makes them more effective and efficient in their operations.

2.4 The Internet and E-commerce

The internet is a group of worldwide information highways and information resources enabling the world to become an information society (Korir, 2005). Its origins can be traced to an experimental network established by the US Department of Defense (DoD), to enable scientists engaged in DoD projects communicate with one another.

The internet belongs to everyone and no one, since there is no single organization that owns and controls it. However, there is an internet society that co-ordinates and sets standards for its use. The internet has become ubiquitous (Korir, 2005). Not long ago, a business may have been considered leading edge if it had internet or e-mail address. Internet and e-mail have long since become commonplace. Domain names appear on everything from billboards to business cards to hotel folios to broadcast advertising among others. The Internet provides new opportunities for the tourism industry to conduct business in electronic marketplaces (Chu, 2001).

Despite the increased exposure extended to electronic references, some remain sceptical about the internet and where it may be heading. The internet has been claimed to be ungovernable because it is a network of networks whose only common feature is that they can interconnect using common protocols (Korir, 2005).

E-commerce can be defined as communication transacted using automated processing procedures integrated with automated procedures for the interchange of information. Bui et al., (2006) explains that the application of e-commerce in the tourism industry has been recognized as one of the most successful uses of the Internet in the global economy.

Information is an integral part of e-commerce but electronic and traditional commerce each deal with information differently. Conveying information has traditionally been done through paper exchanges and direct personal contacts. In e-commerce information may be conveyed via a communication network or other electronic media. In e-commerce also, information processing is automated reducing or eliminating the need for human intervention and the use of paper (Korir, 2005).

E-commerce, intended to be the enabler of a seamless, highly competitive economy can be a key competitive advantage for those who use it effectively in a less than perfect e-market (Bui *et al.*, 2006). Requirements of e-commerce can be divided into categories such as technical infrastructure of computers and network communication, database management system, specialised software like those for accommodation and bookings, and Staff training and development in e-commerce.

Some requirements in e-commerce are complex and may require both national and international commitment by governments. Governments need to formulate a legal regulatory framework to recognize e-commerce. There should be a financial infrastructure for the facilitation of payment for goods and services through use of credit cards (Korir, 2005). Telecommunication infrastructure is vital if e-commerce is to thrive, for example, the recent introduction of fibre optic cables to increase internet bandwidth.

E-Commerce also requires acquisition of the necessary skills thus training of employees in ICT (Wataku, 2007). There should be a proper transportation and distribution network to facilitate delivery of goods. Finally, provision of constant supply of affordable and accessible electric power is important for organizations to use e-commerce.

Credit cards have a key role to play in e-commerce. The most common way of paying in an e-commerce transaction is with a credit card. The customer types the card number, expiry date and billing address on the order form and the seller can verify the details and the confidence of the payment.

E-commerce is a buyer driven commerce in that buyers tell sellers what they want to purchase and how they want to pay. This technology collects demand from each customer, presents their offers to sellers that they pick and choose what offers to fulfill. This demand collection system is authorized by the buyer to transact if the seller agrees to offer. It then becomes a sale guaranteed by a credit card. The presence of the Global Distribution System (GDS) provides consumers with near perfect information that they use to compare prices of tourism products online to objectively make worthwhile decisions (Korir, 2005). In the new e-commerce market, things that will shape the industry include the consumer ability to search globally for products that meet their precise needs.

2.5 Benefits of E-Commerce

The benefit of E-commerce has resulted in efficiency, intelligence and availability. The Internet is perceived as an effective tool to reduce the complexity of the search process (Tse, 2007). The information available in the internet across the global network has wooed online consumers to buy products/services from different online channels like search engines, comparison shopping engines, among others.

Kenya is said to have some of the best tourist attractions in the world and most of the people who spend on these tourist attractions are foreign. It is because of this reason that Kenyan tourism industry has taken advantage of e-commerce to aggressively compete internationally. E-commerce has a number of benefits to tourism enterprises. Some of these are reduced cost of advertising, more effective and cheaper communication, exposure to a global market, more efficient access to information and possibility of attracting multinational organizations (Purcell *et al.*, 2004).

It should be noted that the Internet is a powerful tool for providing an e-presence at the point of sale and also foster collaboration between the different tourism sub-sectors such as Tour and safari operators, hotels, airlines and travel or tourist agents. The web has enabled tourism destinations to do business using well developed and promoted websites (Zhenhua, 2000).

In an effort to remain competitive, members of the tourism industry in the country such as MCTA are now strategically responding to challenges brought about by e-commerce globally.

These responses impact positively by benefiting the members directly in reducing costs and increasing their profits. The impact of e-commerce goes beyond activities related purely to transactions and includes collaborative activities between members. However, the value of non-transaction benefits is hard to quantify.

Transactional costs have received most attention in discussion of the benefits of e-commerce (Korir, 2005). E-Commerce has reduced search costs in terms of efforts, time and money. A major contribution made by E-Commerce in terms of reducing transaction costs is that the new technologies allow a great deal of information to be passed on to consumers inexpensively (Tse, 2007). Consumers in the traditional economy frequently experience a long-winded and time-consuming shopping process. With the Internet this cumbersome process has been transformed into a series of clicks (Evans and Wurster, 1997).

Through the Internet, consumers can obtain information about a product or service in a more cost effective fashion, allowing them to make faster and better-informed decisions (Tse, 2007). This is achieved through bringing together large number of buyers and sellers engaged in similar lines of business into a single trading community hence reducing search costs.

Reduction of costs can also be through automation of transaction processing such as invoices, purchase orders and payment arrangements. Online processing adds value to other functions through the supply chain, for instance, improved inventory management and logistics costs, all of which are linked to transactions. The Internet can also compensate for the information asymmetry problem by reducing the information transmitted between buyers and sellers (Zott *et al.*, 2000).

According to Tse (1998), on-line companies can gain substantial advantages by being the first to market a new idea, product or business model. Being first is essential in achieving competitive advantage because it allows a company to capture a significant share of a new market swiftly (Chircu and Kauffman, 1999). As the first-mover, a company can grow rapidly in size, making it increasingly difficult for rivals to enter the market (Tse, 2007). Industry players can use the Internet to create new methods of producing, marketing and selling, hence offering consumers brand new value propositions (Amit and Zott, 2001).

E-Commerce transforms the traditional supply chain enabling suppliers' interaction with the buyers directly and hence elimination of intermediaries and distributors. This is largely because of the possible reduction in information and other transactional costs and increased market transparency that reduces the role of intermediaries as a source of information. Some observers have however suggested that by using ICT, intermediaries have become more efficient and add value to their services, thus ensuring contrived demand for their services.

Retailers can bring new value to customers by providing on-line information and services to complement those that are offered in the physical branches (Otto and Chung, 2000). Levary and Mathieu (2000) suggest that a retailer can gain advantage over its rivals by providing consumers with information on-line about items that are on sale in its physical stores.

By bringing together large number of buyers and sellers, e-commerce reveals market prices and transaction processing to participants. This results in price transparency that reduces price difference prevailing in the market place. Increased transparency has curbed sellers' abilities to profit from limiting information spread, making it much harder for sellers to hide their costs and pass along inefficiencies to consumers (Downes and Mui, 1998). Buyers are also allowed more time to compare prices and make purchasing decisions.

Steinfield *et al.* (2002) suggest that when customers serve themselves using the Internet, they require less attention from sales staff. This allows the company to recruit more staff for other functions, such as technical or sales assistance, which in turn empowers customers to better help themselves.

E-commerce has brought about the growth of e-markets which provide scope for the creation of economies of scale. There are considerable upfront expenses in establishing an e-market, for example, programming costs. This creates the traditional supply-side cost-based economies of scale. By linking large number of buyers and sellers, e-markets provide demand-side economies of scale or network effects. The latter do not relate to the supply side in the form of reduced average costs, they relate to the fact that the addition of each incremental participant in a market creates value for all existing participant on the demand side. Large number of participants, that is, a critical mass is a key that attracts users to an e-market since it promises benefits for both buyers and sellers.

E-Commerce enables suppliers to improve competitiveness by becoming “closer to the customer”. A simple example is whereby many companies have employed e-commerce technology to offer improved levels of pre and post sales support with increased level of product information, guidance on product use and rapid response to customer enquiries. Zhenhua (2000) and Kotler (2000) have noted that the internet enables the marketer to dialogue with consumers and learn from them. The boundaries of e-commerce are not defined by geography or national boundaries, but rather by the coverage of computer networks. The most important network is global presence that allows worldwide business transactions.

In traditional commerce, consumers send paper enquiries to companies. It may take several days before the customer is informed of any difficulty, such as fully booked tour operations. However, in e-commerce customers can be informed straightaway giving time for consideration of an alternative product or alternative date of the tour to be advised. Digital catalogues can be produced thereby avoiding costs of printing and mailing (Kotler, 2001). More accurate sale forecasting and business planning is possible due to information availability at the right place at the right time.

2.6 E-Commerce Challenges

E-Commerce benefits tend to surpass those of conventional commerce. It makes it possible to achieve level playing fields in the fiercely competitive world of business. Large multinationals and small businesses can all take advantage of the available e-commerce tools and technology to enhance productivity and use them innovatively to maintain a competitive edge (Korir, 2005).

Consumers view the internet with a certain amount of suspicion especially when it involves entering credit cards details on the internet. There is a general concern that e-commerce transactions are less secure in that there is no signature that can be checked and there is no possibility of accessing if the customer gives the impression of being genuine. Internet security breaches are increasing and hackers are particularly breaking into systems containing personal customer information (Wataku, 2007). Concerns for security of online credit card payments are such like fraudulent use of credit cards, interception of credit card details, remote storage of credit card details, among others. Zhenhua (2000) noted that some of the worry is not justifiable because it is caused by people who are not sufficiently aware of the possible protection that exist.

E-commerce relies on the ability of buyers and sellers to identify themselves and provide some form of assurance to one another when doing a business transaction on the net. This means being able to verify digital signatures, negotiate title and make electronic payments. Contracts need to be kept confidential and the systems should be stable and reliable.

There is no legal framework for internet that is binding worldwide. Coupled with legal issues is the concern about copyrights, in that once information has been published on the internet it becomes easy for competitors and new start-ups to copy it and use it for their own businesses (Korir, 2005).

According to (Karanasios and Burges, 2008), in May 2000 the "I Love You" virus moved with such speed around the world and infected even the most secured computer systems including the United States defense departments, the British Parliament and the White House. Over 10 million computers were infected and billions of dollars lost in damaged information and time taken to repair the damage. The virus spread via an email message forcing many large banks to shut down and disconnect from the outside world until the problems were solved. This event has not helped an already skeptical business and consumer market.

Today internet has become the most preferred and leading sales channel for many businesses. Be it any business, there involves operations cost. The simple business formula to increase profit is to "cut down cost". From an online merchant's business perspective, running and managing an E-commerce site has become increasingly tough. Although internet has given much scope to increase the business, there might be some internal operational work which would entail cost and eat up the profit (Karanasios and Burges, 2008).

Formation of an online contract with the growth of e-commerce on the internet depends to a large extent on the confidence of traders in forming the legally enforceable contracts online. The timing of the acceptance offer determines when the contract is formed. If for example, a company in one country browses the electronic of a company in another country and places an electronic order for goods that will be delivered electronically, the question would be, precisely at what point is a binding contract established between the companies and what would be the legal status of this contract (Korir, 2005).

There have been many instances of abuse of privacy on the internet. hence, fear by users of carrying out e-business via the internet (Wataku, 2007). In the information age the most valuable thing a customer gives an organization is his or her profile. As a consequence of this, sellers become wise to the benefits offered by data mining attempts to extract valuable customer information that could result in the invasion of privacy.

There are problems associated with jurisdiction of the parties, since it is the one that determine the laws that would be applicable in case of disputes. The internet allows anyone to set up a website anywhere in the world (Korir, 2005). Its location could however be interpreted to decide the jurisdiction of disputes especially in e-commerce. Jurisdiction determines which laws would be applicable.

Realising the full potential of e-commerce requires universal access. Every company and every consumer must be able to access all organisations offering products or services regardless of geographical position or the specific networks to which these organizations are connected. These in turn demand universal standards for network interconnection and inter-operation (Musembi, 2001). Even though the internet is a worldwide communication vehicle, culture, language, currency and other differences among countries can act as barriers to a firm seeking global internet strategy.

E-commerce has resulted in increased online consumers' preferences and awareness while the online merchandisers fail to match up. Other major challenges in e-commerce include increased competition, inadequate and unreliable telecommunications infrastructure and lack of relevant knowledge and skills (Karanasios and Burges, 2008).

Zhenhua (2000) also identified some of the challenges to be organizational related. These include lack of management commitment. lack of investment capital and lack of qualified technical skills. All these may hinder full exploitation of e-commerce benefits. A company corporate culture and the fact that e-commerce may not capitalize on the company's core competencies may pose a challenge of using e-commerce.

Policy makers, at a minimum, must provide training to increase Internet skill level, provide education to raise awareness and interest in the Internet, and require changes in the offerings at the appropriate educational institutions to adequately prepare students for computer-related jobs (Darley, 2003). These macro-level inputs will provide the right environment to enable businesses to compete in the global marketplace. Governments can increase investment in education, infrastructure, and basic research. It is worth noting that the advanced factors such as communications infrastructure, sophisticated and skilled labour are most significant for competitive advantages (Quelch and Klein, 1996).

Ensuring adequate electricity supply, efficient telecommunication infrastructure, and adequate education are a few of the things governments can do (Porter, 1990). Governments can also improve access to global information sources and provide opportunities for Internet knowledge, as well as simplify export documentation through electronic data transfers, and offer on-line export assistance to help enhance export performance (Hill, 1999). Governments can also promote strong competition within domestic markets because this would prepare local businesses to participate in global commerce.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the procedures that the researcher used in the study to collect and analyse the data from the field. The section covers research design, the population interest, sampling and sampling procedure, data collection and data analysis.

3.2 Research Design

This study surveyed the strategic responses by Mombasa and Coast Tourist Association (MCTA) members to challenges brought about by E-Commerce. A descriptive survey was used to find out the challenges and response strategies adopted among the tourist organizations. The descriptive study allows one to describe the characteristics of certain goals and estimate the proportion of companies who respond in a certain manner to various variables of the research.

3.3 The Population

The population of interest for this study comprised all companies registered and listed in the directory of Mombasa and Coast Tourist Association for the year 2009. The geographical scope of the study was limited to the Coast region. The advantage of using this list is that majority of tourist businesses at the Coast region are MCTA members. Studies done by Korir (2005) and Wataku (2007) used this method to form the basis for concrete generalizations from the data analysis.

3.4 Sample and Sampling design

A sample size of 50 organizations was selected from the list of MCTA directory of the year 2010 that had 107 members in total, hence, the MCTA directory as a sampling frame. This was considered as a good representative of the population of interest. Stratified random sampling was used to ensure that different groups of the population are adequately represented in the sample. The MCTA members are categorized into different group membership, that is, hotels, allied businesses, tour operators, restaurants or entertainment, banks, corporate, airlines, apartments and institutions. Therefore, the researcher's choice of stratified random sampling method.

3.5 Data Collection

The information required was both secondary and primary. Primary data was collected through semi-structured questionnaire (see Appendix II) completed by managers of the organizations who were entrusted with the operations of the firm. The 'drop-and-pick-later' method of data collection was employed. This method was considered appropriate in view of time constraint as well as the consideration that managers were to fill the forms when they had less work to do, thus giving them more consideration to the questions. For tourist companies that had a functional website and email address, the questionnaires were sent with a return email address. Follow up on the respondents was through telephone calls and e-mails. The questionnaires were then collected and subsequently analyzed.

The questionnaire was divided into three parts. Section A captured demographic information, Section B described challenges brought about by E-Commerce and Section C explained the strategic responses towards E-Commerce challenges. A 5-point likert scale questionnaire was adopted for the study.

3.6 Data Analysis

The data collected was analyzed through statistical analysis by use of summarized percentages, proportions and tabulations in all the three sections of the questionnaire. The researcher used the results to present research findings in respect to strategic responses used by the Kenyan Tourism organizations in responding to E-Commerce challenges. Mbuvi (2000), Korir (2005) and Wataku (2007) successfully used this method in past studies.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the research. Findings have tried to fulfill the objectives of this study. Out of the 50 firms targeted, 32 firms responded through filling a questionnaire which was administered through email and 'drop-and-pick-later' method. This was a response rate of 64%. 18 companies did not respond for different reasons, among them being too busy, fear that the responses may get into the hands of competitors and unwilling to fill questionnaires due to undisclosed reasons.

Data obtained in the study was analyzed using descriptive statistics. These included proportions and percentages where appropriate. The data documents strategic responses that firms in the tourism industry have adopted to challenges brought about by e-commerce.

4.2 General Information Analysis

The general information considered in the study included the year of incorporation, form of ownership of the organization, organizations' capital base, operations carried out by the companies through the internet and the issues that prompted the companies to use e-commerce.

Table 4.1 Year of Incorporation

Year of Incorporation	Number of Responses (Out of 32)	Number of Responses in Percentage (%)
Before 1980	3	9.3
1980 – 1989	6	18.8
1990 – 1999	12	37.5
2000 – 2010	11	34.3
Total	32	100.0

The table above shows that most of the companies were incorporated between the years 1990 – 1999. This accounts for 37.5% of the total responses. This percentage can be explained by the fact that this is the period when Kenya emerged as a key tourist destination in Africa.

Table 4.2 Form of Ownership

Form of Ownership	Number of Responses (Out of 32)	Number of Responses in Percentage (%)
Sole Proprietorship	5	15.6
Partnership	6	18.8
Company	21	65.6
Total	32	100.0

The above table shows that most of the firms are companies which accounts for 65.6% of the total responses. This percentage can be explained by the fact that most organizations wanted to have a limited liability making the firms entities in themselves than being either sole proprietorship or partnership where individuals become responsible in the success or failure of the organization.

Table 4.3 Organizations Capital Base

Capital Base in Ksh.	Number of Responses (Out of 32)	Number of Responses in Percentage (%)
0 – 999,999	1	3.2
1 – 20 Million	7	21.8
Over 20 Million	24	75.0
Total	32	100.0

The above table shows that most of the firms have a capital base of Ksh. Over 20 Million. This accounts for 75% of the total responses. This can be explained by the fact that most organizations in the tourism industry are capital intensive. This is mostly so in the coastal region because of leisure tourism that requires high standards to be set up and maintained for tourists to keep on coming back.

Table 4.4 Operations carried out using the internet

Operations	Number of Responses (Out of 32)	Number of Responses in Percentage (%)
Information gathering	11	34.7
Advertising	14	43.6
Buying online	3	9.3
Selling online	1	3.1
Other	3	9.3
Total	32	100.0

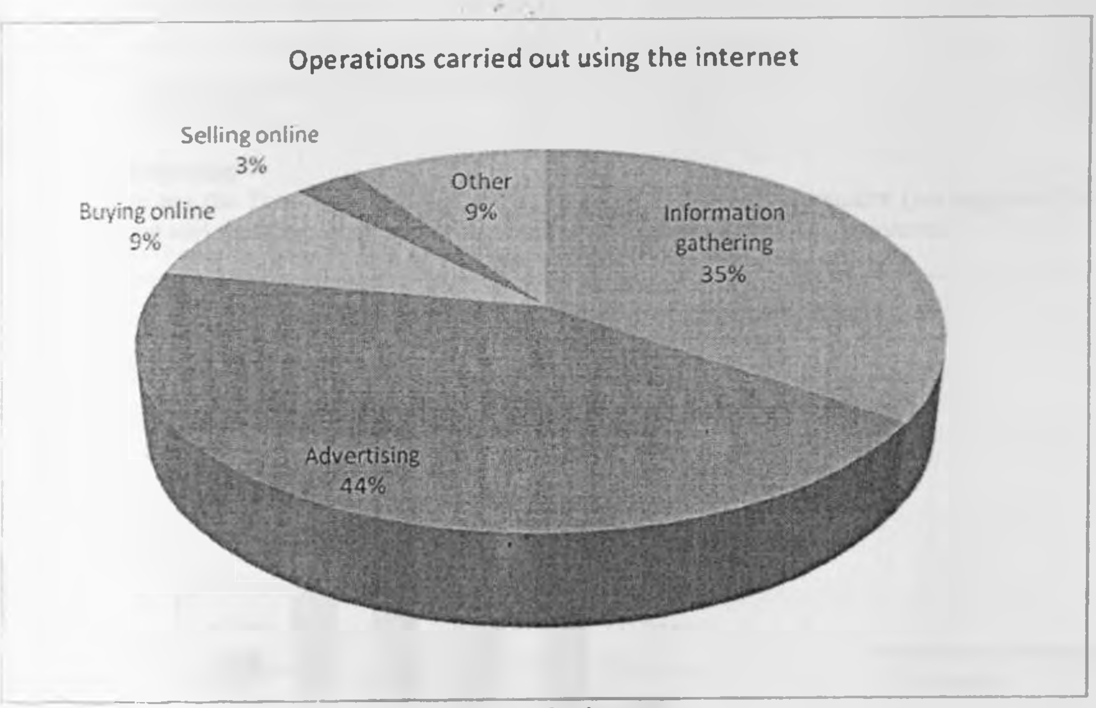

Figure 4.1 Operations carried out using the internet

The above table and pie chart show that most of the firms use the internet for advertising and information gathering. These account for 43.6% and 34.7% response respectively. This can be explained by the fact that many firms in the tourism industry have functioning websites that are used for advertising. The firms also access other websites to search and gather important information that is relevant to their businesses.

The table also shows that buying and selling online accounts for 9.3% and 3.1% response respectively. This means that very few firms use internet to buy or sell online. It also implies that there are challenges that companies face when using the internet to do e-commerce, hence, the researcher's objective in finding these challenges and the appropriate strategic responses that firms apply towards these challenges.

Table 4.5 Issues that prompted companies to use E-commerce

Prompting Issues	Number of Responses	Number of Responses in Percentage (%)
Internet Service Providers	2	6.25
Management	7	21.86
Customers	19	59.36
Competitors	20	62.50
Consultants	7	21.86
Requirements by KRA	2	6.25

Note

Number of Responses

These are the Total of values 4 and 5 in Question 8 of the Questionnaire (see Appendix II). The values imply important and most important issue that prompted the companies to use e-commerce.

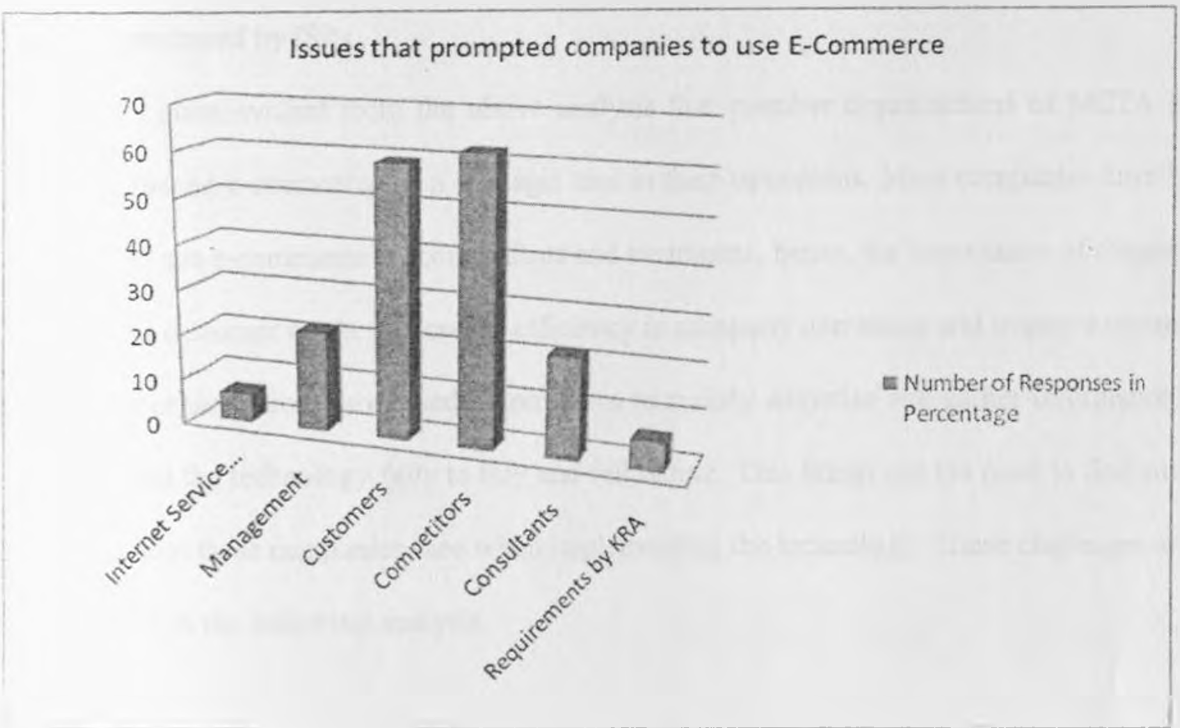

Figure 4.2 Issues that prompted companies to use E-Commerce

Table 4.5 and its subsequent bar chart show the number of responses in percentage of what issues prompted companies to use e-commerce. The table shows that competitors have the highest response percentage of 62.50 followed by customers with a percentage of 59.36. This means that the most prompting factor in the use of e-commerce was competitors followed by customers. This could be due to the fact that if a company sees a competitor using e-commerce as strategy to lure customers to increase company revenues and ease operations then the company will easily adopt e-commerce for the same benefits. The table also shows that customers play a big role in influencing the use of e-commerce as they are the ones who ensure survival of organizations.

The least influencing issues are ISPs and requirements by KRA with both having percentage responses of 6.25. This shows that companies in the tourism industry have not been forced to use e-commerce by the recent tax submission requirements by KRA via the internet or by being convinced by ISPs.

It is quite evident from the above analysis that member organizations of MCTA have widely embraced e-commerce as a strategic tool in their operations. Most companies have been prompted to use e-commerce by competitors and customers, hence, the importance of competitor analysis and customer needs to increase efficiency in company operations and improve revenues.

The organizations have used e-commerce to mainly advertise and gather information but have not used the technology fully to buy and sell online. This brings out the need to find out the challenges that these companies face when implementing the technology. These challenges are to be addressed in the following analysis.

4.3 Challenges of E-Commerce

These are challenges that are faced by member companies of MCTA when using e-commerce as a strategic tool in business. These challenges can be categorized broadly into technological, infrastructural and regulatory challenges. A total of 14 factors were defined and used to analyse these challenges.

4.3.1 Technological Challenges

There were 3 factors categorized as technological challenges. These were inadequate technological skills, complexity of e-commerce use and limited user traffic.

Table 4.6 Technological Challenges in using E-Commerce

Technological Challenges	Number of Responses	Percentage Response (%)
Inadequate technological skills	26	81.25
Complexity of e-commerce use	0	0.00
Limited user traffic	24	75.00

Note
Number of Responses
These are the Total of values 4 and 5 in Part B, Question 1(iii), 1(v) and 1 (xiv) of the Questionnaire (see Appendix II). The values imply important and most important technological challenges that the companies encountered when using e-commerce.

The above table shows that inadequate technological skills has the highest percentage of 81.25 followed by limited user traffic with a percentage of 75.00. This means that companies thought of inadequate technological skills as the most technological challenge followed closely by limited user traffic. This could be due to the fact that companies felt that there are few highly qualified system programmers and that less people access the internet to seek tourist services or that websites are not highly publicized. The table also shows that complexity of e-commerce use has a percentage response of zero indicating that companies did not think of this challenge as important at all.

4.3.2 Infrastructural Challenges

There were 4 factors categorized as infrastructural challenges. These were high accessibility cost, outdated resources or infrastructure, low internet connectivity and unreliable power connection.

Table 4.7 Infrastructural Challenges in using E-Commerce

Infrastructural Challenges	Number of Responses	Percentage Response (%)
High accessibility cost	25	78.13
Outdated resources or infrastructure	0	00.00
Low internet connectivity	2	6.25
Unreliable power connection	1	3.12

Note

Number of Responses

These are the Total of values 4 and 5 in Part B. Question 1(i), 1(ii), 1 (xi) and 1(xii) of the Questionnaire (see Appendix II). The values imply important and most important infrastructural challenges that the companies encountered when using e-commerce.

Table 4.7 shows that high accessibility cost has the highest percentage response of 78.13. This means that companies experienced high cost of accessing internet and e-commerce tools as the main infrastructural challenge. It is important to note that outdated resources or infrastructure had a zero percentage implying that it was rated as not an important challenge at all. This is due to the fact that internet technology has become sophisticated with time and now many companies in the tourism industry have adopted to the latest internet and networking infrastructure.

Low internet connectivity and unreliable power connection were insignificant infrastructural challenges with 6.25% and 3.12% responses respectively. The low internet connectivity may be found to be insignificant due to the increase in internet bandwidth by many ISPs during and after the laying of the fibre optic cable in Kenya. Unreliable power connection was rated not important because companies may have resorted to the use of generators when power gets disconnected or there could be improvement of power supply to the companies.

4.3.3 Regulatory Challenges

There were 4 factors categorized as regulatory challenges. These were insecurity due to information abuse, insecurity related to payments, lack of government support and lack of regulations.

Table 4.8 Regulatory Challenges in using E-Commerce

Regulatory Challenges	Number of Responses	Percentage Response (%)
Insecurity due to information abuse	27	84.37
Insecurity related to payments	20	62.50
Lack of government support	22	68.75
Lack of regulations	3	9.38

Note

Number of Responses

These are the Total of values 4 and 5 in Part B, Question 1(vi), 1(vii), 1 (ix) and 1(x) of the Questionnaire (see Appendix II). The values imply important and most important regulatory challenges that the companies encountered when using e-commerce.

The above table shows that highest challenge is insecurity due to information abuse with 84.37% followed by lack of government support with 68.75%, then insecurity related to payments with 62.50%. Insecurity due to information abuse was rated as an important challenge because many companies feel that their online contents are subjected to abuse. This is also the case with many company clients. Lack of government support has a high percentage because many organizations feel that the government is not doing enough to address regulatory challenges in e-commerce. Insecurity related to payments also has a high percentage due to the fact the companies feel insecure against cyber criminals and hackers who have made it impossible to realize fully benefits of buying and selling online.

4.3.4 Organizational Challenges

There were 2 factors categorized as organizational challenges. These were staff resistance to e-commerce and fear of job loss.

Table 4.9 Organizational Challenges in using E-Commerce

Organizational Challenges	Number of Responses	Percentage Response (%)
Staff resistance to e-commerce	2	6.25
Fear of job loss	2	6.25

Note
Number of Responses
These are the Total of values 4 and 5 in Part B, Question 1(iv) and 1(viii) of the Questionnaire (see Appendix II). The values imply important and most important organizational challenges that the companies encountered when using e-commerce.

Table 4.9 shows that both staff resistance to e-commerce and fear of job loss have a 6.25%. This is a low percentage response that suggests companies see these factors as not important challenges in e-commerce. This could be due to the fact that staff in the companies have been educated on the importance of e-commerce hence reducing staff resistance during technology implementation and likewise reducing the fear of job loss.

It is clear from the above analysis that most challenges that are experienced by member organizations of MCTA are technological, infrastructural and regulatory. Companies that experienced organizational challenges such as staff resistance and fear of job loss are rare. Most experienced challenges were inadequate technological skills and limited user traffic as technological challenges. The main infrastructural challenge was high accessibility cost in accessing e-commerce and internet services. Challenges that were related to regulation included insecurity related to information abuse, insecurity related to payments and lack of government support.

This sub section established the first objective of the study which was to find out the challenges that were brought about by e-commerce in the Kenyan tourism industry. The next objective of establishing strategic responses to the above e-commerce challenges is addressed below.

4.4 Strategic Responses to E-Commerce Challenges

These are strategic responses that member companies of MCTA have applied or apply to counter the challenges of e-commerce. A total of 11 responses were defined and used to analyze the responses that are related to technological, infrastructural and regulatory challenges.

4.4.1 Responses to Technological Challenges

There were 5 responses used to analyze the strategic responses that MCTA firms applied to technological challenges. These were staff training on e-commerce, customer support for e-commerce, improving website accessibility, increasing website user traffic and improving website interface.

Table 4.10 Responses to Technological Challenges of E-Commerce

Strategic Responses	Number of Responses	Percentage Response (%)
Staff training on e-commerce	22	68.75
Customer support for e-commerce	1	3.12
Improving website accessibility	26	81.25
Increasing website user traffic	2	6.25
Improving website interface.	3	9.38

Note
Number of Responses
These are the Total of values 4 and 5 in Part C, Question 1(i), 1(iii), 1(ix), 1(x) and 1 (xi) of the Questionnaire (see Appendix II). The values imply important and most important strategic responses that companies apply to e-commerce technological challenges.

The above table shows that the highest response was improving website accessibility with 81.25%. It was followed by staff training on e-commerce with 68.75%. This shows that companies thought that technological challenges of e-commerce which were mainly inadequate technological skills and limited user traffic could be reduced by staff training of e-commerce and improving website accessibility

It is interesting to note that customer support for e-commerce was rated the lowest with 3.12% response. This shows that most companies did not use customer support for e-commerce as a response to technological e-commerce challenges. The table also shows low response for increasing website user traffic and improving website interface with 6.25% and 9.38% respectively. This means that these 2 responses were applied by very few companies to counter challenges of e-commerce.

4.4.2 Responses to Infrastructural Challenges

There were 3 responses used to analyze the strategic responses that MCTA firms applied to infrastructural challenges. These included budget allocation for e-commerce, outsourcing e-commerce services and using a reliable or stable ISP.

Table 4.11 Responses to Infrastructural Challenges of E-Commerce

Strategic Responses	Number of Responses	Percentage Response (%)
Budget allocation for e-commerce	18	56.25
Outsourcing e-commerce services	1	3.12
Using a reliable or stable ISP	23	71.87

Note
Number of Responses
These are the Total of values 4 and 5 in Part C, Question 1(ii), 1(iv) and 1 (v) of the Questionnaire (see Appendix II). The values imply important and most important strategic responses that companies apply to e-commerce infrastructural challenges.

Table 4.11 shows that the highest response applied by companies was using a reliable or stable ISP. The response had 71.87%. It was followed by budget allocation for e-commerce with 56.25%. This shows that companies felt that using a reliable or stable ISP is an important strategy to infrastructural challenges of e-commerce that are mainly concerned with internet connectivity. This may explain why companies no longer feel that low internet connectivity is a major challenge. Most companies also respond to e-commerce infrastructural challenges by allocating appropriate budget for e-commerce. This goes hand in hand with the most e-commerce infrastructural challenge which was found to be high accessibility cost.

Outsourcing e-commerce services had a response of 3.12%. This shows that most companies did not outsource e-commerce services. This could be due to a number of reasons one of which may be availability of information technology departments or IT personnel in the sampled firms.

4.4.3 Responses to Regulatory Challenges

There were 2 responses used to analyze the strategic responses that MCTA firms applied to regulatory challenges. These were stopping the use of e-commerce and applying secured website technologies.

Table 4.12 Responses to Regulatory Challenges of E-Commerce

Strategic Responses	Number of Responses	Percentage Response (%)
Stopping the use of e-commerce	0	0
Applying secured website technologies	26	81.25

Note

Number of Responses

These are the Total of values 4 and 5 in Part C, Question 1(vi) and 1 (viii) of the Questionnaire (see Appendix II). The values imply important and most important strategic responses that companies apply to e-commerce regulatory challenges.

The above table shows that applying secured website technologies has 81.25% response. This means that most companies apply secured website technologies as response to insecurity challenges in relation to payments and information abuse. The table shows that stopping the use of e-commerce has a response of zero. This means companies do not stop using e-commerce as a strategy.

It is clear from the above analysis that companies had to use different strategic responses to challenges that were brought by e-commerce. These responses were applied to technological, infrastructural and regulatory challenges to ensure survival and success of the MCTA firms. The main responses were improving website accessibility, staff training on e-commerce, using a reliable or stable ISP, budget allocation for e-commerce and applying secured website technologies.

This sub section established the second objective of the researcher which was to find out the strategic responses by the Kenyan tourism industry to challenges brought about by e-commerce.

CHAPTER FIVE: CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings of the study in relation to the objectives of the research. The first study objective was to establish the challenges brought about by e-commerce in the Kenyan tourism industry. The second objective was to establish the strategic responses to these e-commerce challenges. The researcher identified Mombasa and Coast Tourist Association (MCTA) as thc case study, hence, concentrating on the Kenyan Coastal region tourism industry.

5.1 Conclusion

The study has revealed that most of the companies are of the limited liability form with a capital base of over Ksh. 20 Million. This is due to the fact that most organizations in the tourism industry are capital intensive, especially so in the coastal region because of leisure tourism that requires high standards to be set up and maintained.

The study done by Korir (2005) found that many companies in the tourism industry have embraced e-commerce as a tool for business and went further to find out the perceived benefits of e-commerce to the tourism industry in Nairobi. In the coastal region tourism industry, this study found out that many firms used e-commerce to mainly advertise and gather information but have not used the technology fully to buy and sell online. The researcher also established that most companies have been prompted to use e-commerce by competitors and customers, hence, the importance of competitor and customer needs analysis to increase efficiency and improve revenues.

In establishing the challenges that were brought about by e-commerce in the Kenyan tourism industry, the researcher identified and used 14 variables. These 14 variables were broadly categorized into technological, infrastructural, regulatory and organizational challenges. A 5-point likert scale was used to establish the extent to which MCTA firms found each variable a challenge. Values 4 and 5 were the important values considered in the study to show if a firm found a challenge significant (see Part B of the Questionnaire: Appendix II). These were the values counted to give the proportion or percentage of each variable. Variables that scored above 50% were considered to be significant challenges in the study.

In the technological challenges, the major challenges were inadequate technological skills and limited user traffic with 81.25% and 75% respectively. In infrastructural challenges, the main challenge was high accessibility cost with 78.13%. In challenges related to regulation, the major challenges were insecurity due to information abuse, lack of government support and insecurity related to payments with 84.37%, 68.75% and 62.50% respectively. Organizational e-commerce challenges were not significant. The table below shows conclusion that can be drawn from each major challenge.

Table 5.1 Conclusion on Major E-Commerce Challenges

E-Commerce Challenges	Conclusion
Inadequate technological skills	E-commerce is still evolving in Kenya and the developing world. The IT experts, e-commerce sellers and buyers are experimenting with the technology.
Limited user traffic	Less people access the internet to seek tourist services. Although the number has been increasing. Companies' websites are not highly publicized.
High accessibility cost	High cost of internet connectivity and e-commerce services
Insecurity due to information abuse	'Information brokers' who barter customer information to other companies. Companies that copy online contents from other companies' websites.
Lack of government support	Ministry of ICT and Communications Commission of Kenya (CCK) are still in the processing of drafting IT and e-commerce regulations
Insecurity related to payments	Presence of cyber criminals and hackers who defraud online consumers

The researcher went further to establish the strategic responses that companies apply to these challenges. The researcher identified and used 11 variables. A 5-point likert scale was used to establish the extent to which MCTA firms used each variable as a response. Values 4 and 5 were the important values considered in the study to show if a firm found a response significant (see Part C of the Questionnaire: Appendix II). Variables that scored above 50% were considered to be significant responses in the study.

The major response strategies applied related to technological challenges were improving website accessibility and staff training on e-commerce with 81.25% and 68.75% response respectively. The main response strategies applied related to infrastructural challenges were using a reliable or stable ISP and budget allocation for e-commerce with 71.87% and 56.25% respectively. The major response strategy applied related to regulatory challenges was applying secured website technologies with 81.25% response. Companies used these responses to counter the mentioned challenges and ensure their survival.

5.4 Recommendations for Policy and Practice

The researcher would recommend that the challenges and responses implemented by MCTA firms be used by policy makers in different ICT bodies like the concerned ministries in Kenya, that is, the Ministry of Tourism and the Ministry of ICT to formulate policies and regulations that would enhance proper utilization of e-commerce and counter the challenges addressed. The findings can also be used by CCK in drafting regulations to be used by the ICT industry.

Many respondents expressed concern over the high cost of internet access. They expected the costs to reduce after the laying of the fibre optic cable in Kenya. Again, this requires the relevant government ICT bodies to discuss with investors in the fibre optic cable so as to regulate internet costs for the benefits of consumers. Policies should also be set to punish cyber criminals and hackers so as to improve the confidence of industry players in using e-commerce. The government can also increase investment in education, infrastructure and research in IT and e-commerce.

Companies should make use of new technologies that may go hand in hand with e-commerce to realize the full potential of the technology. Such new technologies include MPesa and Zap money transfer technologies.

5.4 Limitations of the Study

The researcher received 32 questionnaires out of 50. One major limitation was time constraint within which questionnaires were distributed, followed, collected and analyzed. This meant that only questionnaires received in good time were used in the analysis. Some of the MCTA member organizations were hesitant to fill out the questionnaires because they feared the responses may get into the hands of competitors. The researcher overcame this drawback by presenting a Letter of Introduction (see Appendix I), producing the university identification card and sometimes giving brief explanation of the project academic nature and benefits.

5.5 Recommendations for Further Research

E-commerce is still an evolving technology in Kenya and the developing world. Different public and private sectors have benefited from its use and with many more players testing the technology many challenges have emerged. These challenges need to be fully addressed for proper benefits of the technology to be realized.

Some respondents were of the view that policy makers and relevant government bodies were not doing enough in addressing the problems of e-commerce, hence, it would be more valuable if a study is done on what policy makers and the government can do to reduce e-commerce challenges. There is also a need to replicate this study in other sectors of the industry, for example, the banking sector because most banks are currently trying to apply e-commerce in their operations.

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APPENDICES

Appendix I: Letter of Introduction

Hassan Rajab Sumba
P.O. Box 87667
Mombasa

11th June 2010

Ms Millicent Odhiambo
Executive Officer
Mombasa and Coast Tourist Association
P.O. Box 99596 – 80107
Mombasa

Dear Madam

RE: REQUEST TO SEND QUESTIONNAIRE TO SELECTED MCTA MEMBERS FOR PURPOSE OF MBA RESEARCH PROJECT

I would like to request your approval in sending questionnaire to selected MCTA members for the purpose of MBA research project.

I am currently doing my MBA research project at the University of Nairobi. The research seeks to find out

1. The challenges brought about by E-Commerce in the Tourism industry
2. The strategic responses to these E-commerce challenges

I specifically selected MCTA as a practical case of the Kenyan Tourism Industry. Members' views and opinion will assist to come up with useful information on strategic responses used to e-commerce challenges.

The research findings will be released to MCTA so as to improve on E-commerce use and application by members. The research is also important to tourism stakeholders who are intending to adopt e-commerce in their businesses.

Attached herein, please find the sample questionnaire.

Your objective response will be highly appreciated.

Yours sincerely

Hassan R Sumba

Appendix II: Questionnaire

STRATEGIC RESPONSES BY KENYAN TOURISM INDUSTRY TO CHALLENGES BROUGHT ABOUT BY E-COMMERCE

This questionnaire is designed to collect views on the strategic responses by the Kenyan Tourism Industry to challenges brought about by e-commerce. Your views and opinions will assist the researcher to come up with useful information on strategic responses used by MCTA member organizations to e-commerce challenges.

PART A: GENERAL CHARACTERISTICS

1. Name of your organization..
2. Year of Incorporation...
3. Form of ownership: (please tick the most appropriate)

    i) Sole proprietorship ( )

    ii) Partnership ( )

    iii) Company ( )

4. What is your organization Capital Base. (Please tick the most appropriate) capital base range

    i) Ksh. 0 – 1 Million ( )

    ii) Ksh. 1 – 20 Million ( )

    iii) Ksh. Over 20 Million ( )

5. Are your company's operations computerized? (Please tick one)

    Yes ( )

    No ( )

6. If Yes, which activities are carried out using computers?

   i) ....

   ii) ....

   iii) ....

7. What operations are carried out through the internet by your company? (Please tick the most appropriate)

   i) Information gathering ( )

   ii) Advertising ( )

   iii) Buying Online ( )

   iv) Selling Online ( )

   v) Others (Please specify) ( )

   ....

8. What prompted the company to use E-Commerce? (Please rank/tick in the order of priority: 5-Most Important, 1-Not important at all)

   i) Internet Service Providers (1) (2) (3) (4) (5)

   ii) Management (1) (2) (3) (4) (5)

   iii) Customers (1) (2) (3) (4) (5)

   iv) Competitors (1) (2) (3) (4) (5)

   v) Consultants (1) (2) (3) (4) (5)

   vi) Requirements by KRA (1) (2) (3) (4) (5)

PART B: CHALLENGES OF USING E-COMMERCE

1.What are the experienced challenges of using E-Commerce in your organization? (Please rank tick in the order of priority: 5-Most Important, 1-Not Important at all)

i)	High accessibility cost	(1) (2) (3) (4) (5)
ii)	Outdated resources/infrastructure	(1) (2) (3) (4) (5)
iii)	Inadequate technological skills	(1) (2) (3) (4) (5)
iv)	Staff resistance to E-commerce	(1) (2) (3) (4) (5)
v)	Complexity of E-commerce use	(1) (2) (3) (4) (5)
vi)	Insecurity due to Information abuse	(1) (2) (3) (4) (5)
vii)	Insecurity related to Payments	(1) (2) (3) (4) (5)
viii)	Fear of job loss	(1) (2) (3) (4) (5)
ix)	Lack of government support	(1) (2) (3) (4) (5)
x)	Lack of regulations	(1) (2) (3) (4) (5)
xi)	Low internet connections	(1) (2) (3) (4) (5)
xii)	Unreliable power connection	(1) (2) (3) (4) (5)
xiii)	Language/cultural barriers	(1) (2) (3) (4) (5)
xiv)	Limited user traffic	(1) (2) (3) (4) (5)

2. Please specify any other challenges faced in using E-commerce in your organization

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PART C: RESPONSE STRATEGIES TO E-COMMERCE CHALLENGES

1. What responses do you apply or have you applied in dealing with challenges of using E-Commerce in your organisation? (Please rank/tick in the order of priority: 5-Most Important, 1-Not Important at all)

i)	Staff training on E-commerce	(1) (2) (3) (4) (5)
ii)	Budget allocation for E-commerce	(1) (2) (3) (4) (5)
iii)	Customer support for E-commerce	(1) (2) (3) (4) (5)
iv)	Outsourcing E-commerce services	(1) (2) (3) (4) (5)
v)	Using a reliable/stable ISP	(1) (2) (3) (4) (5)
vi)	Stopping the use of E-commerce	(1) (2) (3) (4) (5)
vii)	Applying secured website technologies	(1) (2) (3) (4) (5)
viii)	Improving website accessibility	(1) (2) (3) (4) (5)
ix)	Increasing website user traffic	(1) (2) (3) (4) (5)
x)	Improving website interface	(1) (2) (3) (4) (5)

2. Kindly give any other responses that your organization can use to counter E-commerce challenges.

....

....

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....

....

THANK YOU

Appendix III: List of Sampled MCTA members

1. ROYAL COURT HOTEL
2. POLLMANS
3. AFRICAN SECRETS
4. MOMBASA AIR SAFARI
5. MANSON HOTEL
6. SOMAK TRAVELS
7. KENYA AIRWAYS
8. KENYA POSTEL DIRECTORY
9. KENYA BAY BEACH HOTEL
10. LEISURE LODGE GOLF AND CLUB
11. MBARAKI PORT WAREHOUSE
12. LARFARGE ECOSYSTEM
13. SHESHE BAHARINI
14. TEMBO DISCO
15. KULDIPS TOURING COMPANY
16. PLAZA BEACH HOTEL
17. SUN N SAND BEACH RESORT
18. SERENA BEACH HOTEL
19. LIBERTY AFRICA
20. CASTLE ROYAL HOTEL
21. WASINI ISLAND LTD

22. PORINI VILLAGE

23. MOMBASA TECHNICAL TRAINING INSTITUTE

24. BAMBURI BEACH HOTEL

25. GISHUNGO LUXURY APARTMENTS

26. INSIDE MOMBASA

27. FAIRDEAL HOLDINGS

28. SGS KENYA LTD

29. ROMOLLAS

30. KENYA PORTS AUTHORITY

31. NYALI BEACH HOTEL

32. IMPERIAL BANK

33. FARWAYS SAFARI CENTRE

34. DIAMOND TRUST BANK

35. VIJAY OPTICAL

36. SIX CONTINENT TOURS AND SAFARIS

37. MNARANI

38. TAMARIND

39. WHITESANDS HOTEL

40. BIG APPLE TOURS AND SAFARIS

41. KENYA WILDLIFE TRAILS

42. GLORY CAR HIRE TOURS AND SAFARIS

43. A.C. MEHTA AND SONS

44. ABOO INSURANCE BROKERS

45. BANK OF BARODA
46. MOMBASA KEEN KLEENERS
47. ALI BARBOUR RESTAURANT
48. JINGO TOURS
49. DIANI SEA LODGE
50. LEOPARD BEACH HOTEL