MARKETING STRATEGIES IN THE HOTEL INDUSTRY IN KENYA IN THE AGE OF TERRORISM: A STUDY OF FIVE STAR HOTELS IN NAIROBI "

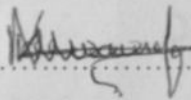## CATHERINE M. MWAURA

D/61/P/7764/99

A Proposal for an MBA Research Project Department of Business Administration, University Of Nairobi.
August 2003

DECLARATION

This project is my original work and has not been submitted for a degree in any other University.
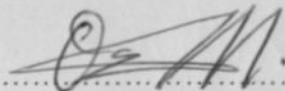
SIGNED: ....

CATHERINE M MWAURA

DATE: 21st April 2004 ....

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

SIGNED: ....

DR. MARTIN OGUTU

Business Administration

DATE: 21st April 2004 ....

i

DEDICATION

To my Parents: Patrick and Rose.

Brothers: Leonard and Christopher

Thank you for the love and support.

ACKNOWLEDGEMENTS

To write my name at the end of this project does truly reflect the effort and hard work of many. A lot of people have been instrumental in writing this project, they have encouraged, bullied, pushed shown the dedication that was needed to see me through. I know that I cannot name all of them but I will mention a few the others my sincerest thanks.

To my supervisor Dr. Ogutu, I was truly honoured to work under his direction. He gave me the benefit of his years of experience and knowledge. I am indebted and could not have asked for a better Supervisor and mentor.

To my friends Jennifer Okungu, Aleka Ewinyu and Emily Mwangi, I cannot forget the hard time and persistent way that you pushed me to succeed. At the time I did not appreciate it but looking back I see that sometimes a little push goes a long way.

To the Ewinyu Family, thank you for treating me like one of your own. I would also like to thank all my friends, colleagues and lecturers for all the ways that they have helped me.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The Hotel industry in Kenya is one of the countries biggest industries. The industry employs thousands of people and contributes to the national GDP. However recently the industry has been rocked by various terrorist incidents that has forced it to rethink its marketing strategies. The objective of this study was to determine the marketing strategies that Nairobi hotels have put in place as a result of terrorism.

From the literature it was observed that the industry worldwide was going through similar problems. The environment had changed and strategies had to change. It was seen that from a global perspective countries had put in place various methods in order to recover from the effects of terrorism, some of the strategies used were more effective then the others.

In order to satisfy the objective a descriptive research was conducted. The relevant data was collected from the sample drawn: from the five star hotels in Nairobi. The data was collected through use of an interview schedule and the data analyzed by means of summary statistics using percentages, mean scores and standard deviation.

From the study it was deduced that the different strategies were divergent and varied. Hotels were not consistent when it came to the extent to which they used the strategies although. However there was there was some general consensus on particular strategies. Interesting to note traditional marketing practices were still very popular and effective. New strategies included the use of psychological pricing, customization in regards to the process and the use of highly qualified personnel.

In conclusion it was observed that the hotels had clearly put in a number of marketing strategies in their drive to counteract the effects of terrorism.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The Hotels and Restaurants Act Cap 494 of the laws of Kenya (1986) defines a hotel as follows: a premises on which accommodation is supplied or is available for supply with or without food or services to five or more adult persons at one time in exchange for money or moneys worth.

According t the Kenya Association of Hotel keepers and Caterers (KAHC) there are some 2,650 registered hotels in the country with a total of over 55,000 beds. In addition there are approximately 1,650 registered restaurants in the country.

Tourism, which is one of the worlds largest industries employs thousands of people worldwide. More than 600 million people traveled to a foreign destination 1997. According to the World Tourism Organization tourism business is expected to expand fourfold and to generate receipts in excess of 1.5 Trillion in the next 15 years not including business travel. It is estimated that by the year 2010 the industry will employ more than 200 million people worldwide.

Mass tourism, is however a recent invention, prior to World War II travel was often for the very wealthy a very unwelcome experience in fact the modern world for travel is derived from the French world *travail*, meaning labor or work. The word *travail* is in itself derived from the Latin word for pitchfork. Since World War II and the spread of capitalism tourism has however become affordable and a pleasurable activity. Tourism has now become part of the international trade playing a major role in economies around the globe (Tarlow, 2003).

The importance of tourism can clearly not be undermined. In Kenya it is one of the major sources of foreign exchange earnings as well as a source of direct foreign investment (FDI).

As important as this sector is to Kenya's economic health it has been rocked by a number of terrorism related incidents.

I. Terrorist bombing of the US Embassy in Nairobi, August 1998.

II. Bombing of the World Trade Centre Twin Towers, September 11th 2001 (911)

III. Terrorist bombing of the Paradise Hotel in Mombassa, December 2002.

IV. Refusal of the New Zealand cricket team to play in Nairobi during the World Cup, March 2003.

V. US/UK led war in Iraq.

VI. Imposition of the travel advisories by the UK and US governments, as well as the banning of British Airways flights to Kenya, May 2003

The tourism industry is a highly sensitive industry, averse to trauma and sudden political and economic events (Sokoni 2002). After the first Gulf War, hotel occupancies in major cities plummeted, airlines were financially ruined and destinations judged as danger zones were avoided (Gold, 2001). According to the World Tourism Organization during the months of January and February 36,800 scheduled flights were cancelled. The war cost the airline industry losses of around $2 billion in the first two months of 1991.

Apart from the direct impact of the above events on tourism such as reduced tourist arrivals and reduced length of stay there are other affected areas. Indirect cost are of an immense monetary value and include reconstruction costs for damaged property. Insurance premium costs have increased and there is the cost of additional advertising and security presence to name but a few.

According to the World Tourism Organization the impact of September 11tth was most greatly felt by: countries perceived a s being close to the conflict, countries heavily depend on US travel/traffic and are dependant on long-haul air traffic.

Worst hit segments were national airlines, cruise companies, meeting and incentive organizers, up market city hotels, travel agents and large tour operators.

Nairobi hotels were thus hit on four areas. They are up market city hotels which require airlines to bring in their customers, meetings and incentive business is one of their main sources of revenue, relying heavily on bookings by travel agents.

The first major blow to tourism in Kenya as regards to terrorism was on August 1998. This was when terrorists bombed the US Embassy in Nairobi. The attack caused massive loss of life as well as the damage caused by the negative pres the attack received. Probably the biggest blow to an already suffering industry was the travel alerts issued by its key markets. This meant that nationals from the various countries were all but restricted to travel to Kenya unless it was absolutely essential.

The environment has clearly changed and terrorism has become an international epidemic, Kenya has itself already seen two major attacks in a scope of less than 5 years.

Marketing strategies have had to evolve as it is only those who adapt to change who survive. This study will aim to investigate whether marketing practices in the hotel industry have changed in the face of terrorism and the strategies that they have put in place.

1.2 STATEMENT OF THE PROBLEM

The hotel industry is one of Kenya's major foreign exchange earners employing thousands of Kenyans. It has boosted the exchequer in excess of Ksh 216 Million in both direct and indirect taxes (Sokoni, 2002). However in recent times the industry has gone through turbulent times due to the wave of terrorist related incidents that have rocked the industry. The average bed occupancy percentages between 1990 – 1998 fell from 71% to 26%. There was a slight improvement in1991 where the figure rose to 35% but since then there has hardly been significant change (Osiro, 2001). Over the last 5 years tourist numbers have dropped from 800,000 to 600,000 per annum. Over 35 hotels have closed over the last 5 years wit yet more under receivership, resulting in a loss of over 26,212 jobs (Sokoni 2002).

A number of studies have been conducted regarding tourism in general. Gakuru (1993) studied the methods used by industry players to market domestic tourism in Kenya. In his study he noted that hotels need to shift their focus to domestic markets as heavy reliance to the international market may be detrimental. Nkari (1985) studied the marketing of Kenya tourist attractions focusing on the way Kenya could increase its foreign exchange earning by focusing more on its various attractions.

Kamau (1997) went a step further and studied the strategic planning practices utilized by hotels and restaurants in Nairobi. Further research in regards to hotel marketing practices was conducted by Chepyegon (1996) where he explored the awareness of hotel marketing executives to the societal marketing concept. So far the research done regarding marketing of hotels has tended to be merged with tourism and none of the research has been focused on marketing practices in relation to terrorism.

The studies that have been conducted in relation to tourism although very important have been focused on promotion of tourism in the country. These studies were conducted in what can be termed as a relatively stable environment, an environment where terrorism was an evil associated with the Middle East and the occasional disgruntled elements in a few countries in Europe and Asia.

There are studies that are related to terrorism in the industry, Drakos and Kutan (2001) studied the regional effects of terrorism. In their study they used a consumer – choice model to study the regional effects of terrorism on competitors market share in three countries which enjoyed significant tourism activities. Stork (2001) in her study examined the impact of terrorism on tourism in general, she examined the ability of the industry to recover from terrorists attacks.

Clearly a knowledge gap exists, research on the effect of terrorism on the hotel industry needs to be studied as no study exists on this important sub sector of the economy. This research has therefore undertaken to investigate determine if and how terrorism affected the marketing practices of major hotels in Nairobi.

1.3 RESEARCH OBJECTIVES

The objective of this study are as follows:

> To determine the marketing strategies that major hotels in Nairobi have put in place as a result of terrorism.

1.4 IMPORTANCE OF THE STUDY

The results of this study will be important to players in the tourism industry namely owners of hotels, the Kenya Tourism Board (KTB), the Ministry of Tourism to name just a few.

This study will be useful, as it will highlight how the changing environment has had an effect on marketing. It will also help them to deal more effectively with the effects of terrorism. The findings developed here are expected to be of practical use to policymakers, helping them to design effective domestic or region-wide strategies to combat the effect of terrorism.

Secondly, this study is expected to stimulate further academic research in the area of terrorism and marketing in particular and other aspects of terrorism in general.

CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION: HOTEL MARKETING

Developing marketing strategies for services requires an understanding of the differences between predominantly tangible and intangible goods. Services have a number of unique characteristics that impact on the design of appropriate marketing programs. Intangibility, Inseparability, variability, perishability, non-transfer of ownership (Kotler, 1998).

Services often require different marketing strategy because of the characteristics which make them distinct from products. In order to manage these characteristics, service marketers developed the 7P framework. As well as the original four P's, Product, Place, Promotion and Place which still apply to services , the extra 3P's are people, process management and physical evidence with a final option being customer service.

People are customers of the organization as well as the service personnel. All the human individual involved in the delivery of the service to the consumer, both the employees (recruiting, training, motivation, rewards and teamwork) and customers (education and training) (Zeithaml & Bitner, 2000).

Physical evidence is the environment in which the service is delivered; where the company and customer interact (Zeithaml & Bitner, 2000). What the customer can sense physically that contributes to their perception of the service. Physical evidence comes in two kinds, essential and peripheral. Essential is that evidence you cannot do without for the service to take place and peripheral evidence refers to anything else consumers will view and evaluate as part of the service quality (Monash, 2003).

Processes include how the service is provided, how the company delivers it to its customers. For example, some hotels are self-catering while others will wait on the customer hand and foot (Palmer, 1998).Customer service is the total quality of the service as perceived by the customer (Palmer, 1998).

Services marketing, a marketing activity which is focused on providing an identifiable service, rather than the generality of marketing decisions for tangible products of which services is just one element (Palmer, 1998).

2.2 TOURISM MARKETING

Philip Kotler (1998) defines marketing as a social and managerial process by which individual and groups obtain what they want and need through creating and exchanging products and value with others. Tourism marketing borrows from this definition.

Wahab (1975) has defined tourism marketing in terms of the efforts made by national tourism organizations to optimize the satisfaction of tourists, groups and individual for sustained growth. Krippendor (1991) probably the most widely used definition defines marketing tourism a systematic and co-ordinated execution of policy by tourist organizations so as to achieve the satisfaction of needs.
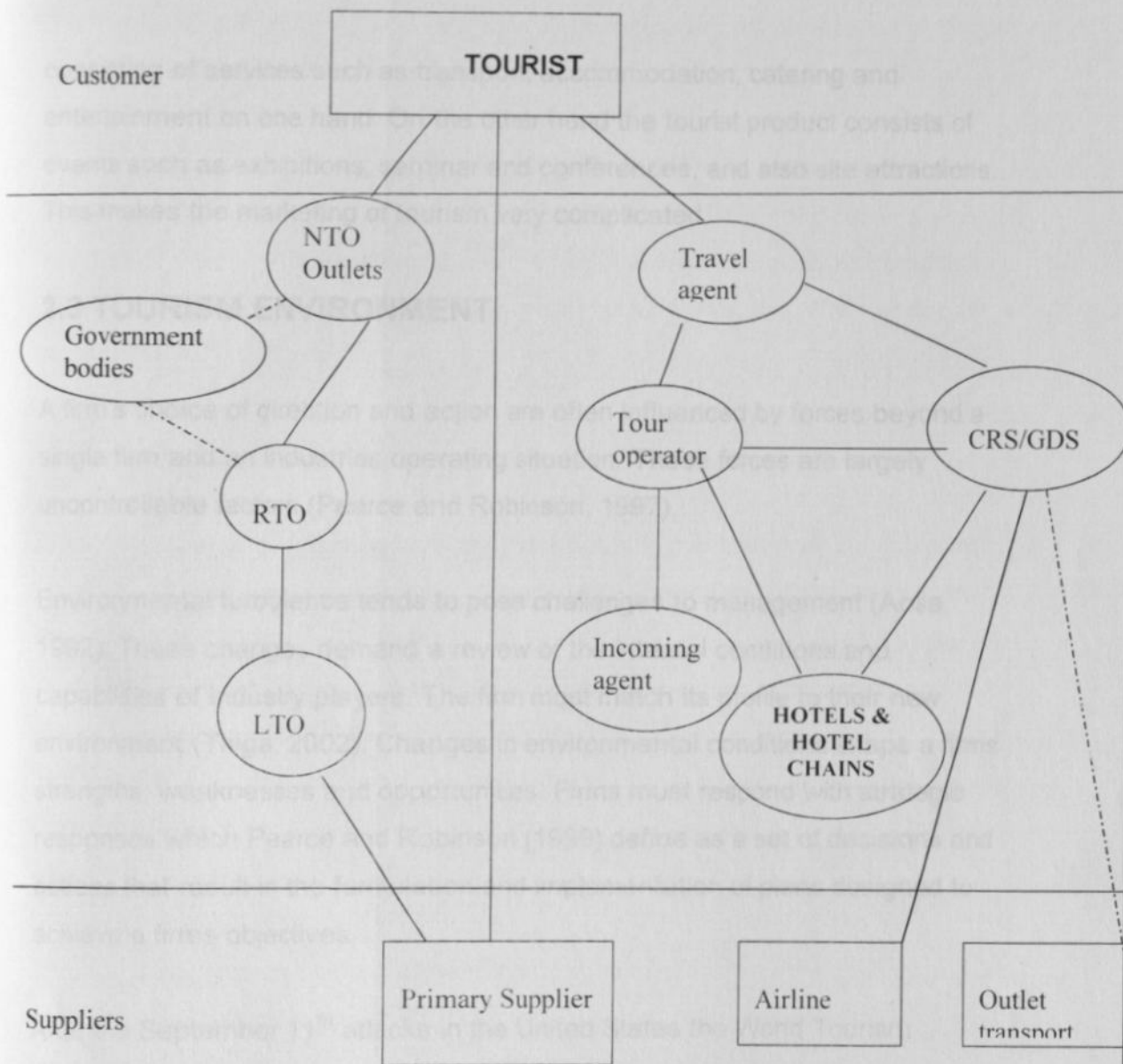
Figure 1: Structure of the Hotel Industry
Source:Bryden (1993)

Tourist products are wide in nature and vary according to the segment in focus.
For hotels the product is room nights, the number of guests who check in and the
duration of their stay. For restaurants the product is the number of coves, meal
sold (Gakuru, 1993). What is unfortunate about tourism is that it is an amalgam

of various elements some tangible and other intangible (Wahab, 1975). We have the tourist product consisting of services such as transport, accommodation, catering and entertainment on one hand. On the other hand the tourist product consists of events such as exhibitions, seminar and conferences, and also site attractions. This makes the marketing of tourism very complicated.

2.3 TOURISM ENVIRONMENT

A firm's choice of direction and action are often influenced by forces beyond a single firm and an industries operating situation. These forces are largely uncontrollable factors (Pearce and Robinson, 1997).

Environmental turbulence tends to pose challenges to management (Aosa, 1992). These changes demand a review of the internal conditions and capabilities of industry players. The firm must match its profile to their new environment (Thiga, 2002). Changes in environmental conditions shape a firms strengths, weaknesses and opportunities. Firms must respond with strategic responses which Pearce and Robinson (1999) define as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives.

After the September 11th attacks in the United States the World Tourism Organization formed a committee, The Tourism Recovery Committee to establish the impact of the terrorist attacks. The committee noted that major changes had been on 4 levels, cost, duration of stay, booking habits, motivation.

COST

Price sensitivity tends to be cyclical, in terms of plenty it disappears. Increasingly more sophisticated consumers have been given a better price comparison tool, the Internet. Research in the United States by Yesawick, Peppardine and Brown showed that 4 in 10 Americans would require a discount of 50 percent or more to motivate them to take a trip.

In January 2002 a survey carried out by the American National Business Travel Association, 74% of travel managers said that they are using new measures to reduce expenditure. 52% are reducing meetings at hotels and 51% are booking budget airlines.

DURATION & BOOKING HABITS

Businessmen are shortening trips to save money but in the holiday market the trend has shifted towards 'shorter – more often'. This change is fuelled by the money rich: time poor phenomenon identified by the Henley Forecasting Centre. The success of theme parks and shopping centers can be attributed in part to desire to cram as many experiences into as short a time as possible.
The trend is towards late bookings and as a result cash flow deteriorates sharply. Operators are finding it harder to predict their capacity needs.

MOTIVATION

There is an awareness that a more discerning public will increasingly reject destinations, which do not protect their environment. Tourist s does not want to be isolated to the usual tourist areas but would rather wish to mingle with the locals and get more involved in local culture.

2.4 TOURISM AND TERRORISM

Tourism is an ideal target for terrorist attacks especially hotels due to the nature of the industry. Tourism has a high profile, it is worth billions, and under close

scrutiny by world media. Its high profile gives it a high ransom value (Gold, 2001).Tarlow (2003) observes that tourism is a target for terrorism as it is interconnected with transportation center, it is big business, it 's highly media oriented. Tourism is often non-historical when it comes to its customer database an industry that must deal with a constant flow of people and a symbol of a nations cultural heritage.

Terrorism is unique, different from traditional criminal activities in a number of ways.

Table 1: Tourism Vs Crime

	CRIME	TERRORISM
Goal	Usually economic or social.	To gain publicity and sometimes sympathy for a cause.
Usual type of victim	Person may be known to the perpetrator or selected because he/she may yield economic gain	Killing is random and appears to be more in time with a stochastic model. Numbers may or may not be important.
Defenses used	Often reactive, reports taken.	Some pro-active devices e.g. radar detectors.
Political ideology	Usually none	Robin Hood model
Publicity	Usually local and rarely makes the international news.	Almost always is broadcast around the world.
Most common forms in tourism industry	Crimes of distraction. Robbery. Sexual Assault	Domestic terrorism. International terrorism. Bombing. Potential for bio-chemical warfare.
Statistical Accuracy	Often very low, in many cases the travel and tourism industry does everything possible to hide it.	Almost impossible to hide. Numbers are reported with great accuracy and repeated often.

12

Table 1: Continued

Recovery Strategy	• New marketing plans, assumes short- term memory of traveling public. • Probability ideals" odds are it will not happen to you" • Hide information as best as one can.	• Showing of compassion • Need to admit the situation and demonstrated. • Higher levels of observed security. • Highly trained (in tourism, terrorism and customer service) security personnel.

Source: Tarlow (2001)

MASLOWS THEORY

Abraham Maslow (1908 –1970) studied groups of people and decided that almost everyone wants to be happy and loving but have particular needs that they must meet before they can act unselfishly. Maslow said that most people want more than they have. Once people have met their basic needs, they then develop higher needs. Maslow said that when one desire is satisfied another pops up. Maslow created a five-level hierarchy of needs.

Physiological needs – Biological necessities such as food, water and oxygen. These needs are the strongest because without them a person will die.

Safety/Security – The need to feel safe during emergencies or times of disorder like rioting.

Love and Belonging – The need to escape loneliness and alienation, to give and receive love and to have a sense of belonging.

Esteem – The need to feel valuable, to have self-respect and respect for others.

Self-actualization – The level where all the need are met, where a person finds his or her 'calling'.

When people meet their physiological needs and the feel safe, they begin to develop a culture and an advanced civilization.

Stork (2002) uses the Maslow hierarchy to examine the survival of the tourism industry she speculates that safety concerns could bring the industry down. That technology in conjunction with safety risks could make the industry obsolete. Alternatively tourism has become so much part of modern life that it has become a basic need.

According to Sokoni Magazine (December, 2001) leisure travel has become almost a human right for those who can afford it. Economic globalization will ensure the need for business travel.

2.5 INDUSTRY MARKETING STRATEGIES DURING TERRORISM

The terrorist attacks in the United States destroyed more than the thousands of lives lost and the millions of dollars worth of property value. The attack also forced the travel industry to deal with a major travel paradigm shift. Travelers no longer fear tourism security but demand it (Tarlow, 2002).

A poll by Harris Interactive Poll found that nearly 94% of travelers consider hotel safety to be an important factor when booking accommodation.

In the old paradigm, security was the dark secret. Industry leaders rarely spoke about threats to tourists in public fearing that such openness would scare away visitors. For this reason terrorism and tourism security were rarely publicized, never mentioned in marketing campaigns.

According to Tarlow (2002) the new paradigm is based on the fact that tourism security is now very important to a locations marketing strategy. According to Gold (2001) within the hotel sector, strategic planning and hotel development plans are likely to be revised as investors seek tougher terms with bankers demanding larger premiums to reflect a more volatile market. Hotel companies may be more cautious when going forward with new projects.

Tourism 2020, the World Tourism Organization has come up with a strategy document aimed at seeing tourism in Africa become a major force. The document outlines the factors that will determine Africa's growth to be as follows: Co-operation – Partnerships are being forged by the private and public sectors for the promotion of tourism for example the tourist police force that can be found at the Masaai Mara game park. Regional tourism is also being encouraged, aimed at promoting a region instead of a country. Security and Safety – The countries that best deal with terrorism will limit their impact. PR activities are encouraged as an ideal way to appease the media. When Planet Hollywood in South Africa was bombed the visit by Hollywood strongmen Arnold Schwarzenegger and Bruce Willis helped to divert the attention of the media giving them something to focus on other than the tragedy. Environment – Efforts that guide tourists away from the 'beach and safari' package are encouraged.

Individual countries have taken this police document and used it to develop their own destination strategies. South Africa is one such country which developed the White Paper and amended the Tourism Act of 1996 –'Tourism in Gear Strategy'.

Another related paper, The Guide for Local Authorities on Developing Sustainable Tourism (1999), highlights the importance of urban tourism which encourages activities and attractions related to urban places. The paper encourages players to encourage urban tourism by marketing historic places, museums, and buildings with interesting architectural styles and monuments. Tourists should be encouraged to attend theatre performances, go to nightclubs, sports events, fine dining and shopping.

Case of Egypt

By mid 1997 Egypt seemed well on its way to attracting four million visitors, the highest ever for the North African destination. On November 17th 1997 major terrorist attack targeting visitors to the Temple of Hathepsut in Luxor threw the

15

countries tourism industry into turmoil. Egypt's Islamic terrorists shot and stabbed to death 58 tourists. The attack was aimed at destabilizing Egypt's tourism striking at a major tourist attraction at the start of the winter peak season. The attack also came at the start of the World travel market fair, at which Egypt was a major participant. The year before 18 Greek tourists had been gunned down in Cairo by terrorists who apparently mistook them for Israelis and nine Germans had been killed outside the Egyptian Museum in Cairo. Now Egypt is bouncing back (Anderdon, 2000).

Tourism is Egypt's second largest foreign exchange earner with Egypt being the most popular tourist destination in Africa (WTO, 2002). In 1999 tourism in Africa and Middle East outpaced the world average, increasing by 17.5 percent in over 1998. The Luxor tragedy severely affected tourist arrivals which declined by 13.8 percent over 1997. International tourist receipts declined by 45.4 percent over 1997 (WTO.1998). Hotels through out Egypt were hard hit by the Luxor tragedy, overall occupancies dropped significantly.

To keep the visitors coming Egypt did a number of things. A well thought out marketing plan was developed with a three-year time frame. Damage control was essential; first they provided security at all major tourist sites, airports and hotels. Next a major public relations campaign was launched where the name Sinai or Red Sea was used to market the destination in the place of 'Egypt'. (Economist Vol. 350,1999).

A campaign was launched to develop new destinations such as Sharm EL Sheikh. An open skies policy was also introduced which allowed international airlines to operate scheduled flights direct to resorts. Further still destinations like Alexandria, which were traditionally aimed at the domestic tourist were marked to the international tourist. Facilities were also upgraded so as to provide a cheaper alternative to Cairo for meetings and Incentive bookers. In Cairo the major hotels

agreed to freeze corporate rates, a strategy that helped to deter a major price war (Anderson, 2000).

Probably one of the most successful strategies used was that of celebrity endorsements. He government together with players in the industry invited International celebrities and politicians to visit Egypt, a campaign aimed at showing how safe Egypt was. The celebrities later gave testament of the security measures put in place as well as the marvels the country had to offer.

2.6 INDUSTRY CONCERNS

According to Gold (2001) the three immediate risks facing the hotel tourism industry are essentially war, further terrorist attacks and recession. War has an immediate knock on effect on the industry because when war is declared travel advisories are issued, a sense of nationalism is invoked and people tend to develop a desire to be close to family and friends. Leisure travel is not a necessity and business travel can be postponed.

Recession, the relationship between GDP and the economic performance of the industry has been comprehensively demonstrated by the WTO: any figure under 2% tends to slow down tourism growth.

Further attack, the nature of the industry product is highly perishable, if a room is not sold on that day then its value is lost forever. During 911 the impact on hotels was immediate from day one. Over 80% of London hotels saw an immediate drop off in business of between 20% and 30%. For New York hotels the picture was gloomier with occupancies reaching 30% -40% and 75% of events being rescheduled according to Sokoni (2001).

Tourist's arrivals have been dropping over the last 5 years, dropping from an average of 800,00 to 600,000 per annum. The situation has seen over 35 hotels

close and more than 26,212 people lose their jobs. This situation is very grave in a country where each person's disposable income supports 15 other unemployed Kenyans. According to the Kenya Tourism Board the decline in foreign earnings can be attributed to poor infrastructure, security and image, poor marketing of the destination and competitors with better marketing strategies.

Hotels, restaurants and ground operators who have a long-term commitment to the destination and are most exposed to a crisis taking place in a particular destination (Stork, 2002).

2.7 REGIONAL EFFECTS OF TERRORISM ON THE HOTEL INDUSTRY

Drakos and Kutan ((2001) studied the regional effects of terrorism on tourism and came up with some interesting conclusions. They utilized a consumer –choice model developed by Enders, Sandler and Parise (1992) to study the effect of terrorism on competitors market share. The theoretical model tested three countries, Greece, Turkey and Israel, countries that enjoy significant tourism activities but are subject to a high frequency of terrorist attacks. They discovered that Israel and Turkey are more sensitive to terrorist attacks. There was also significant contagion effects of terrorism. Higher levels of terrorist incidents in Greece are associated with increased market share in Israel while terrorism in Israel benefits Turkeys market share. The research also found that location, urban versus rural, and the intensity of terrorist incidents play an important role in the decision making process of tourists for choice f destination.

According to Enders et al (1992) terrorist incidents have an adverse effect on a given region. Tourists will substitute away from countries to others to minimize the risk of experiencing tourist incidents.

Since September 11th 2001 tourists have been avoiding nations linked in any way to terrorism and instability. In Asia where a number of terrorist activities have

taken place regional shifts are taking place. The October 2002 bombing on the Indonesian island of Bali saw tourist arrivals fall more than 60 percent. Militants have detonated bombs in southern Philippines and Thailand throughout the past two years. In the Philippines, visitor arrivals were 10 percent lower in March 2003 than in March 2002 in Thailand the effect has been greater with a drop of 40 percent. The big winners have been Bali, Vietnam and Singapore which have seen tourist arrivals go up (New Republic Vol. 228, 2003).

Seizing the opportunity several authoritarian regimes have positioned their countries as ideal holiday spots. According to Kurlantzick (2003) the reason for the growing popularity of these destinations is the demand among world travelers for safety, which can be guaranteed by a regime that brooks little dissent. As terrorism and war have fostered global anxiety, authoritarian governments are luring tourists in droves.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 POPULATION AND CENSUS

A descriptive research design was used in the study. The primary purpose of this study as earlier stated was to determine:

The population of this study was all five star hotels in Nairobi. The five star hotels have an annual supply of 706,275 room nights, they are the biggest hotels in Nairobi and unlike budget hotels are severely affected by a decline in international arrivals.

3.2 SAMPLE DESIGN

Given the diversity of hotels through out the world a rating system has been developed as a standard of measure, commonly referred to as the star system. The World Tourism Organization has developed a system of rating hotels designed to be used by hotels through out the world.

In Kenya the Hotels and Restaurants (Classification of Hotels) Regulation, (LN 39/1984) determines the classification of town hotels by considering the building from an architectural point of view, the interior or decorations, size of public rooms, rooms, restaurants, suites etc.

Hotels are classified as below:

One (I) Star – Good (better than average)
Two (II) Star – Very Good
Three (III) Star – Excellent
Four (IV) Star – Outstanding
Five(V) Star – One of the best in the country

The research studied all five star hotels in Nairobi as they are the benchmark for hotels given that they are accorded the highest rating. Chepyedon (1996) notes that deluxe hotels at outstanding destinations offer considerable comfort and opportunity to relax. They offer a full range of shopping, entertainment and luxurious services making them tourist attractions in their own right.

3.3 DATA COLLECTION METHOD

Primary data will be collected by use of personal interviewing by the researcher. The managers interviewed were the people who actually make the decisions regarding the marketing strategies to be used. The interviews sought to satisfy all the objectives of this study.

A semi-structured interview (see appendix) was used. The schedule consisted of two parts: A and B. Part A included bio data and Part B comprised of marketing strategies.

3.4 DATA ANALYSIS

The questionnaires was sorted and edited for completeness and consistency. The information will then be grouped and tabulated. Mean scores were used to analyze the data collected.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 INTRODUCTION: THE HOTEL INDUSTRY

The data gathered in the study are analyzed in this chapter using summary statistics; these statistics include percentages and proportions. The data was gathered from the five star hotels in Nairobi.

The ten hotels, which were studied, contribute a total of 768,990 room nights in Nairobi and are geographically spread out through out the city. The largest hotel had 385 rooms while the smallest had 130.

Table 2: size of hotel in terms of rooms available

| HOTEL	NO. OF ROOMS	ROOMS PER YEAR	FAIR MARKET SHARE
A	385	140,525	18%
B	194	70,810	9%
C	302	110,230	14%
D	217	79,205	10%
E	171	62,415	8%
F	190	69,350	9%
G	146	53,290	7%
H	167	60,955	8%
I	204	74,760	10%
J	130	47,450	6%
TOTAL	2,106	768,990	100%

NB: For reasons of confidentiality the names have been withheld but the demographics for each were as shown.

Four of the 10 hotels were part of international chains with the headquarters in various countries abroad. The other six hotels were local companies some being part of local chains.

However ownership of the hotels did not affect there reliance on global travel marketing affiliate companies including: Summit Hotels, Leading resorts, Five Continents and Great golf hotels of the World. These affiliations will be studied later in the paper as they contribute significantly to the marketing strategies that the hotels used as a measure to counteract the effects of terrorism.

Market Segmentation

Figure 2: Market segmentation
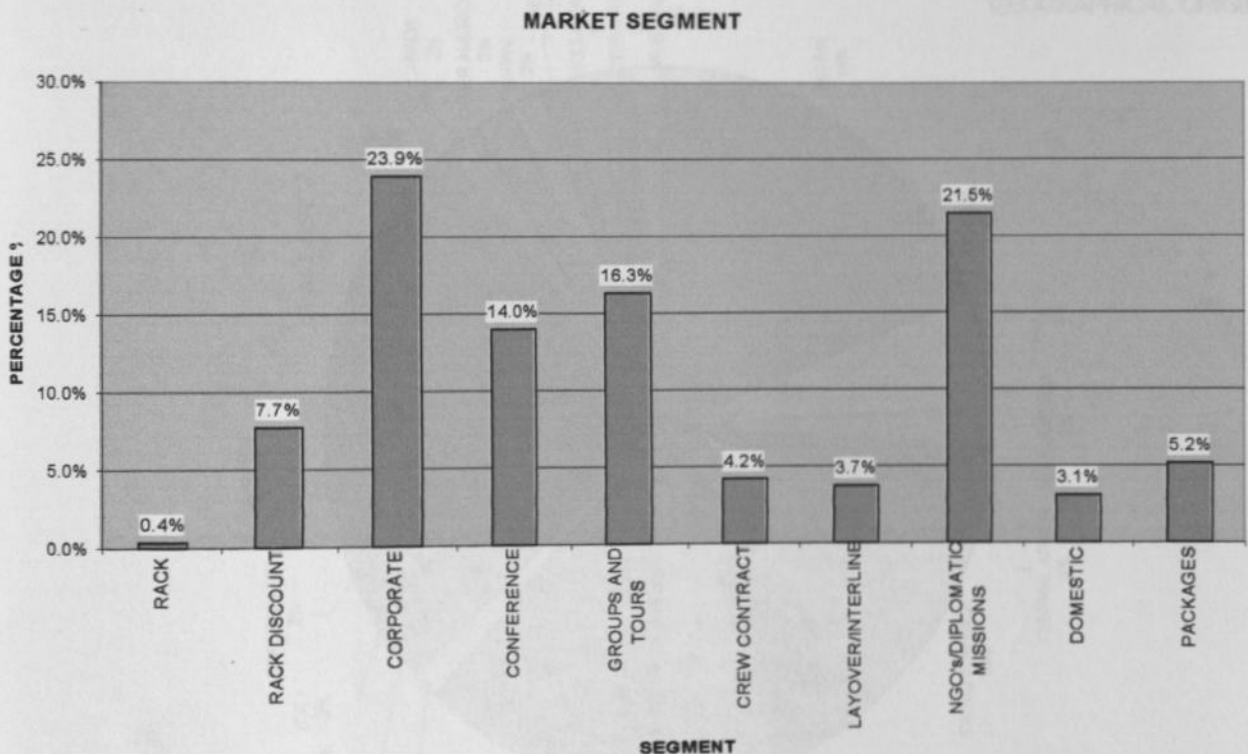
MARKET SEGMENT

The hotel industry is segmented according to 10 broad tiers although some hotels break them down even further. As shown above the biggest market segment is corporates which contributes close to a quarter of the revenue. Corporates are those bookings that are done by companies who wishing to book rooms for their employees or business partners.

Business travelers occupy a large percentage of the rooms for Nairobi as opposed to other areas in the country which are frequented by the leisure travelers. Business travelers span three segments – corporates, conference and NGO' s/Diplomatic missions capturing over sixty percent of the market. Segmentation is very important to the industry as it influences the marketing strategies that a company will choose.

Figure 3: Geographical distribution

GEOGRAPHICAL ORIGIN
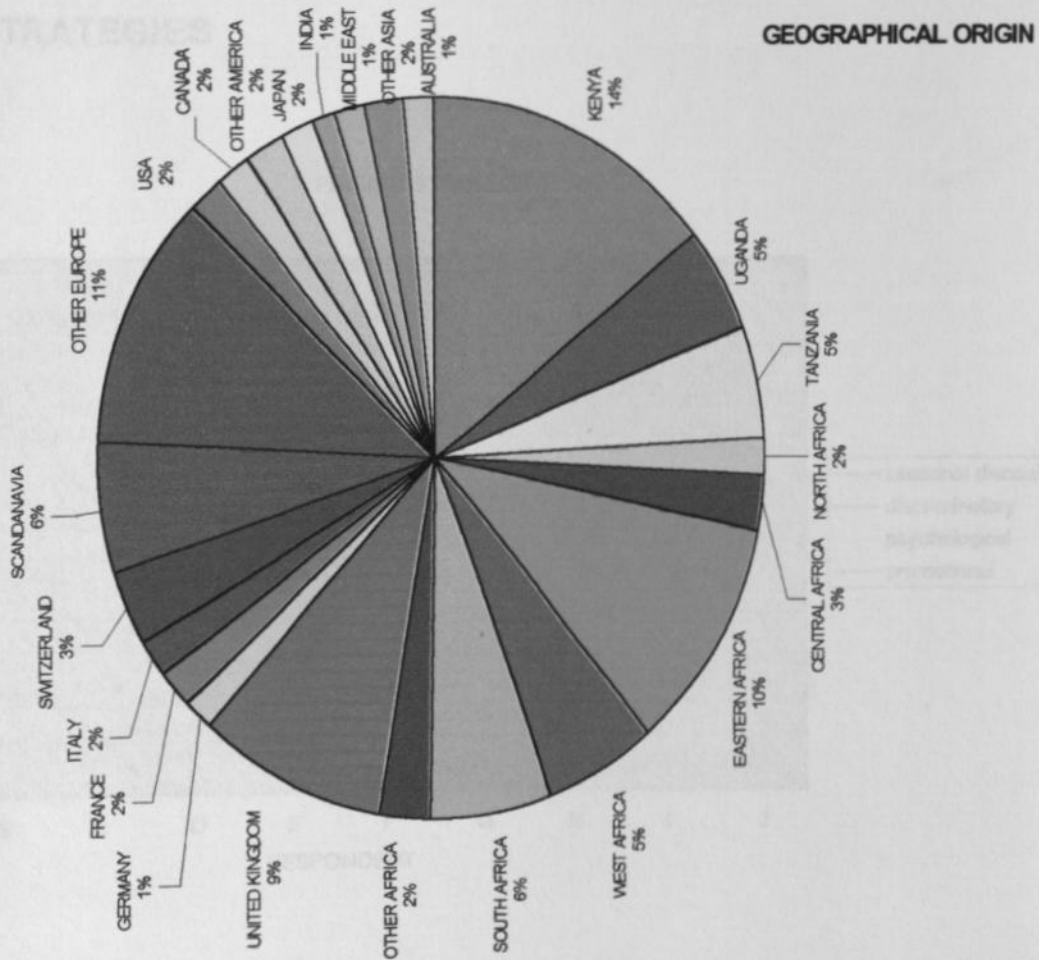
The geographic distribution was fairly skewed with African countries contributing to approximately half of the business booked while the rest of the world contributed to the other half. Key bookers came from the United Kingdom, Europe, Eastern Africa and South Africa.

Some of the hotels ownership reflected heavily on the geographic distribution, where the country of origin of the owners gave significant support. Geographic distribution is key as certain country arrivals dropped due to the travel restrictions imposed by their governments.
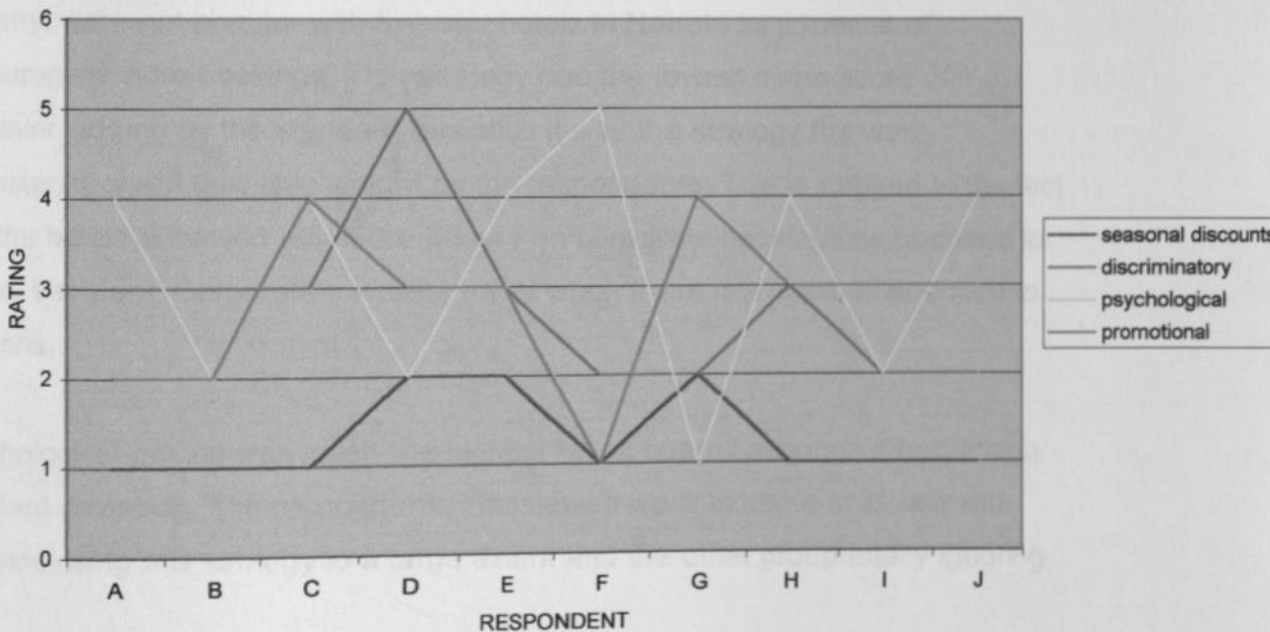
4.2 PRICING STRATEGIES

PRICING STRATEGIES

Figure 4: Pricing Strategies

Table 3: Pricing Strategies

Pricing Strategy	Respondents	Mean	Standard Deviation
Seasonal Discounts	3	1.3	0.48
Pricing per Segment	10	2.8	0.92
Psychological/Prestige	8	3.4	1.32
Promotional	9	2.8	0.92

To determine the prices to charge marketers have to address a number of issues: the pricing objective, approaches to determining prices, pricing policies and price administration

According to the research seasonal discounts, which are very popular in the hotel industry, were not popular with five star hotels in Nairobi as a means of encouraging more bookings. This strategy had the lowest mean score of 1,3. However judging by the standard deviation it was the strategy the was consistently given very little weight by the respondents. This is pegged to the fact that the hotels surveyed rely more heavily on corporate bookings as opposed to leisure travelers. Corporate travelers travel when there is a need as opposed to seasons.

Psychological pricing was given the highest rating overall although it had a high standard deviation. The respondents interviewed were extreme in its use with one side using this strategy to a large extent and the other group totally ignoring it.
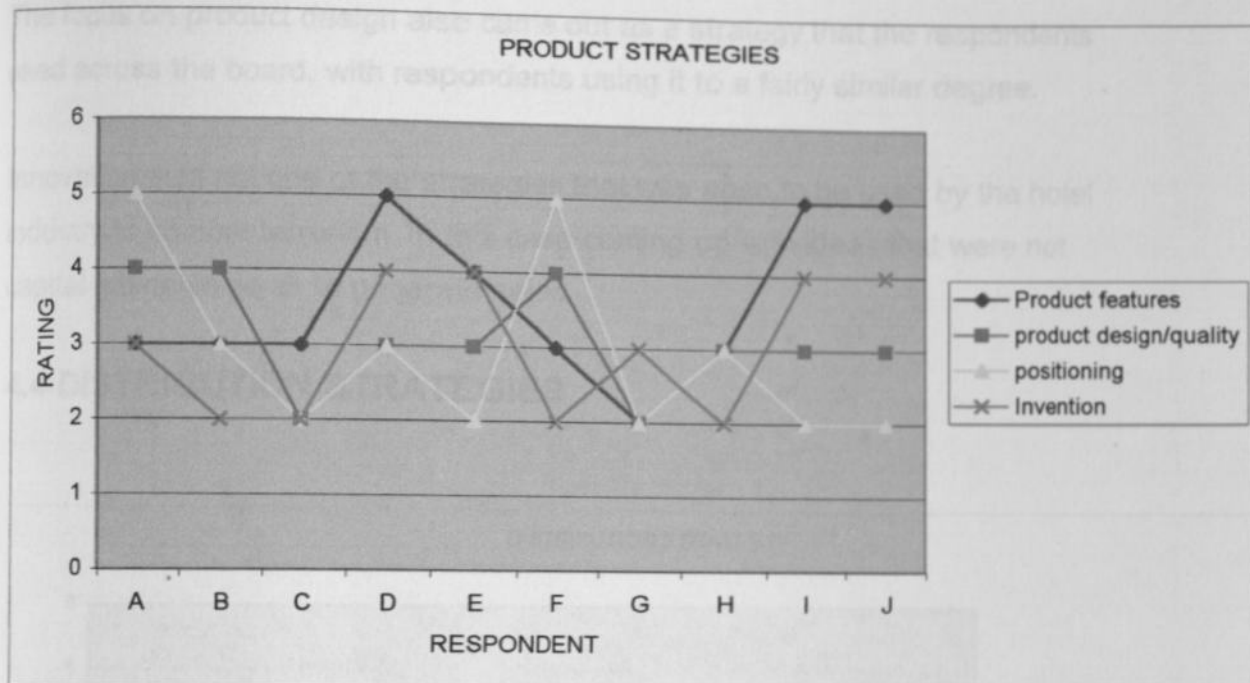
4.3 PRODUCT STRATEGIES

26

Figure 5 Product Strategies

Table 4: Product Strategies

Product strategy	Respondents	Mean	Standard Deviation
Product features	9	4.8	1.07
Product design/style	8	3.1	0.74
Positioning	5	2.9	1.20
Innovation	6	3.0	0.94

Product feature was fairly consistent in regards to strategies used by the hotels, it proved to be rated highly and consistently as a strategy. It had the highest mean score and the standard deviation was favourable when compared to the other strategies,

The focus on product design also came out as a strategy that the respondents used across the board, with respondents using it to a fairly similar degree.

Innovation was not one of the strategies that was seen to be used by the hotel industry to combat terrorism. In this case coming up with ideas that were not capital intensive so as to generate sales.
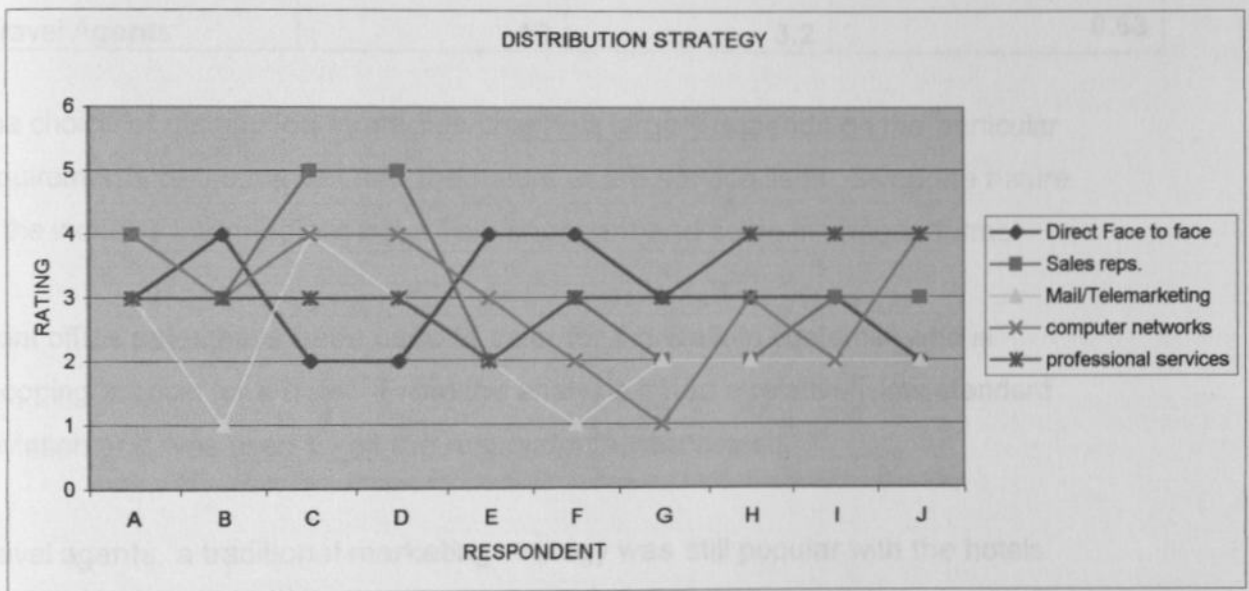
4.4 DISTRIBUTION STRATEGIES

Figure 6: Distribution Strategies

Table 5: Distribution Strategies

Distribution Strategy	Respondents	Mean	Standard Deviation
Front office sales	10	3.0	0.82
Sales Reps.	10	3.2	1.14
Mail/Telemarketing	3	2.4	0.92
Internet Marketing	9	3.0	1.05
Travel Agents	10	3.2	0.63

The choice of distribution strategies/channels largely depends on the particular requirements of the market and the nature of the service itself. Given the nature of the industry intermediaries are very important and come in various forms.

Front office sales have been used to cater for the walk-in customer who is shopping around for a hotel. From the analysis it had a relatively low standard deviation and was used by all the respondents interviewed.

Travel agents, a traditional marketing strategy was still popular with the hotels. All the respondents used this channel to a consistent extent. Its low standard deviation indicates a definite concensus across the board.
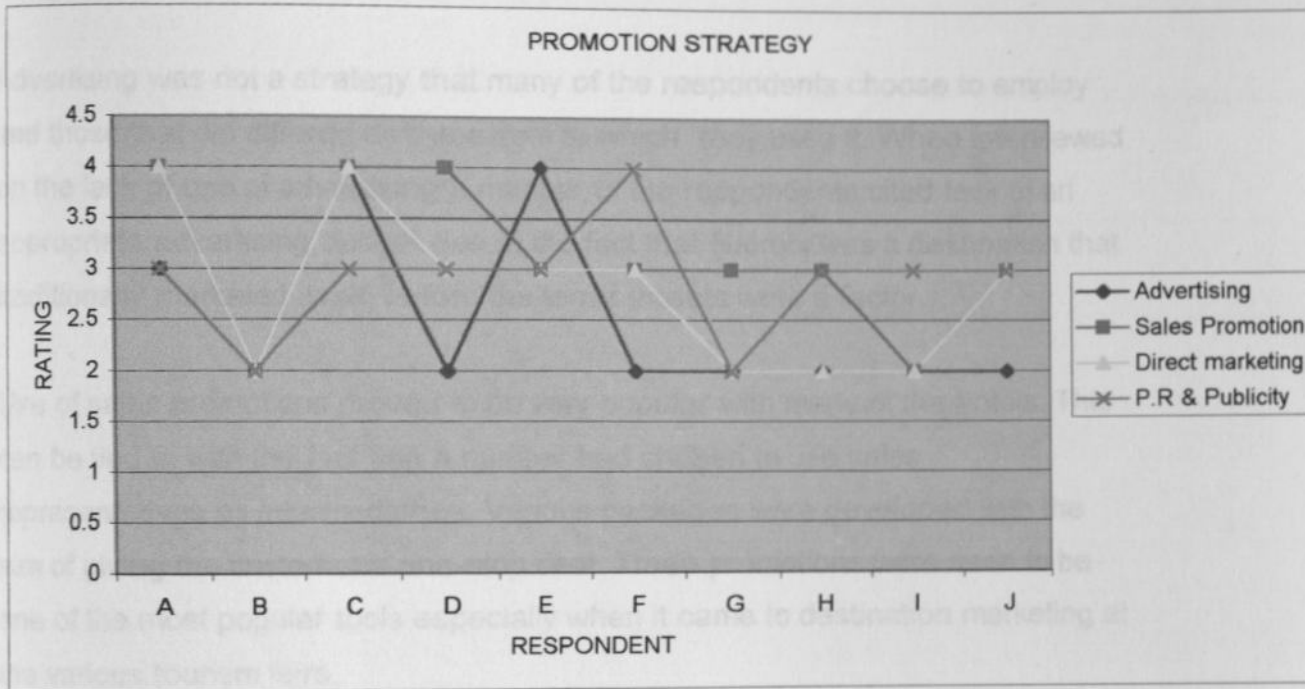
4.5 PROMOTION STRATEGIES

Figure 7: Promotional Strategies

Table 6: Promotional Strategies

Promotional strategies	Respondents	Mean	Standard Deviation
Advertising	4	3.0	0.85
Sales promotions	8	3.1	0.74
Direct marketing	6	2.8	0.32
PR & Publicity	7	2.9	0.84

Promotion is used in hotel marketing to cultivate and sustain demand. Activities under promotion include advertising, sales promotion, public relations and publicity.

Advertising was not a strategy that many of the respondents choose to employ and those that did differed on the extent to which they used it. When interviewed on the lack of use of advertising a number of the respondents cited lack of an appropriate advertising budget due to the fact that Nairobi was a destination that traditionally marketed itself, before the terror threats were a factor.

Use of sales promotions proved to be very popular with many of the hotels. This can be tied in with the fact that a number had chosen to use sales representatives as intermediaries. Various packages were developed with the aim of giving the customer a one-stop deal. Trade promotions were seen to be one of the most popular tools especially when it came to destination marketing at the various tourism fairs.
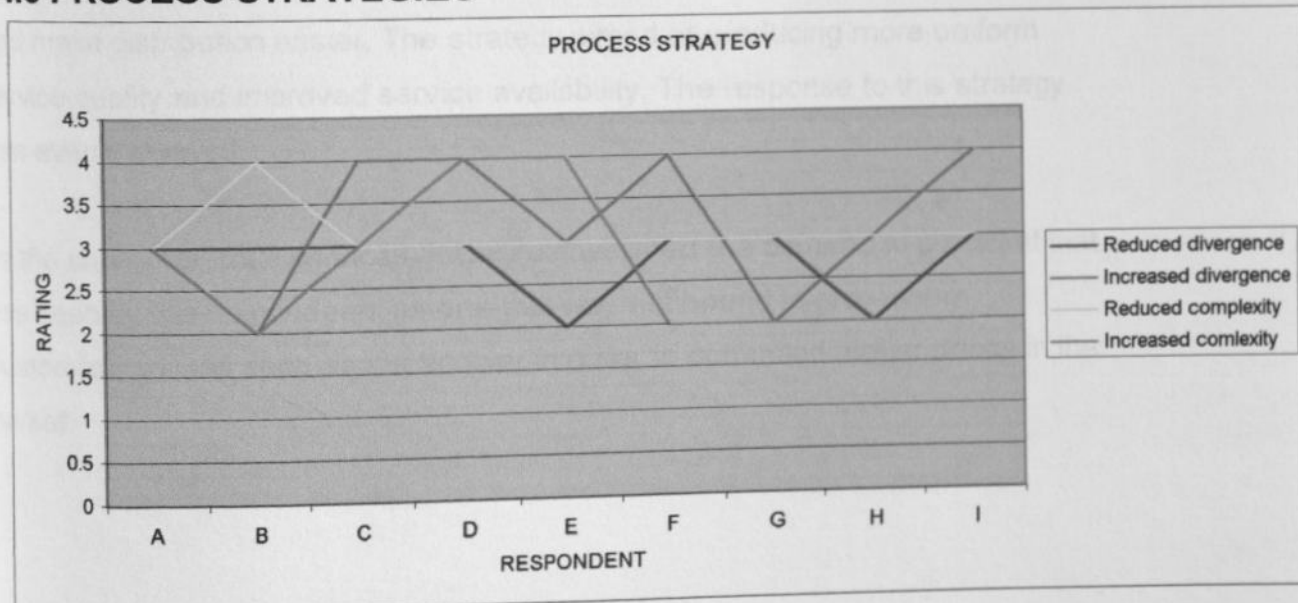
4.6 PROCESS STRATEGIES

Figure 8: Process Strategies

Table 7: Process Strategies

Process strategies	Respondents	Mean	Standard Deviation
Reduced costs	8	3.0	0.42
Customization/niche	8	3.3	0.82
Specialization -service	10	3.1	0.32
More services	4	2.6	0.84

Without sound process management, balancing service demand with supply is extremely difficult.

One of the more popular strategies was to reduce the costs, improve productivity and make distribution easier. The strategy aimed at producing more uniform service quality and improved service availability. The response to this strategy was evenly skewed.

As the supply for hotel services greatly out weighed the demand in a market that was seen by the respondents as one that was not bound to grow soon. Customization was seen as the answer in order to command higher prices in the market.

Personnel are key to the creation of the service and its delivery to the tourist in a consistent and acceptable fashion. Service represents personnel producing intangible deeds or efforts.

Respondents did not focus on the personnel sector in regards to developing marketing strategies to combat terrorism. Where the personnel factor was considered the respondents were not consistent in its use with some of the respondents valuing it highly and others giving it relatively little weight.
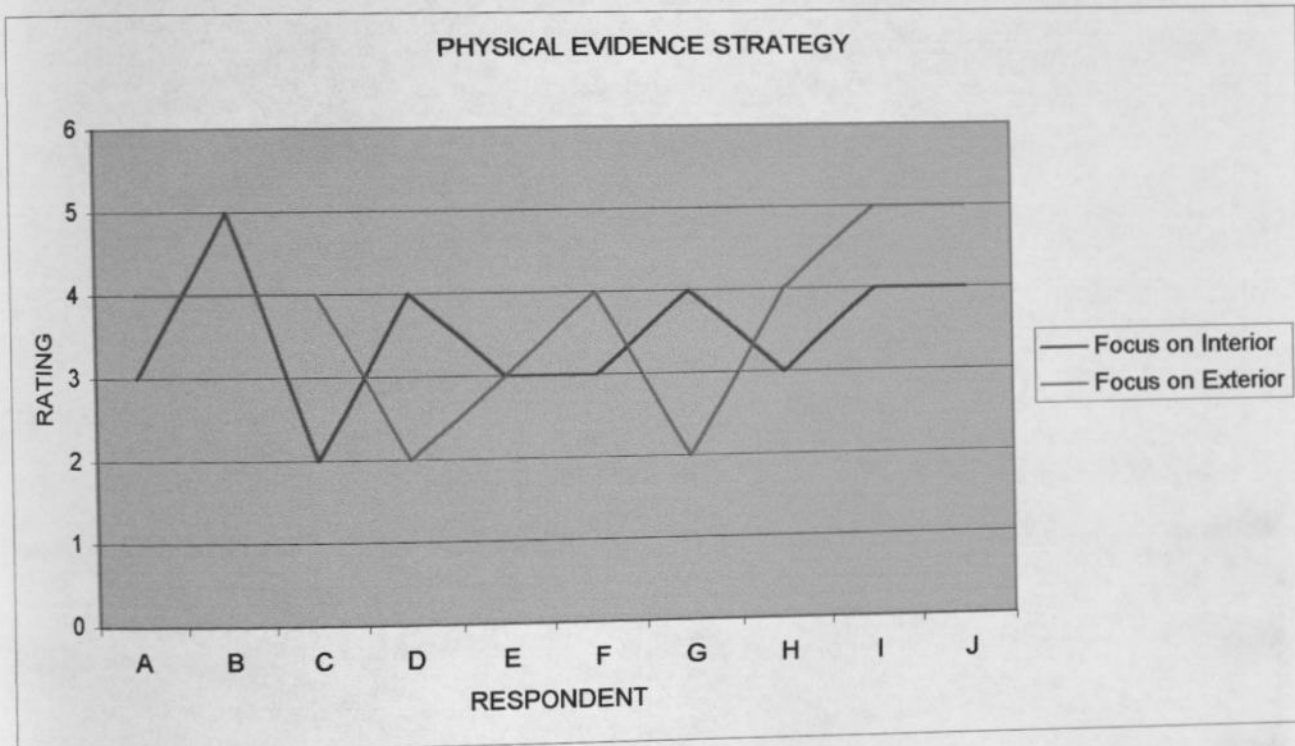
4.8 PHYSICAL EVIDENCE STRATEGIES

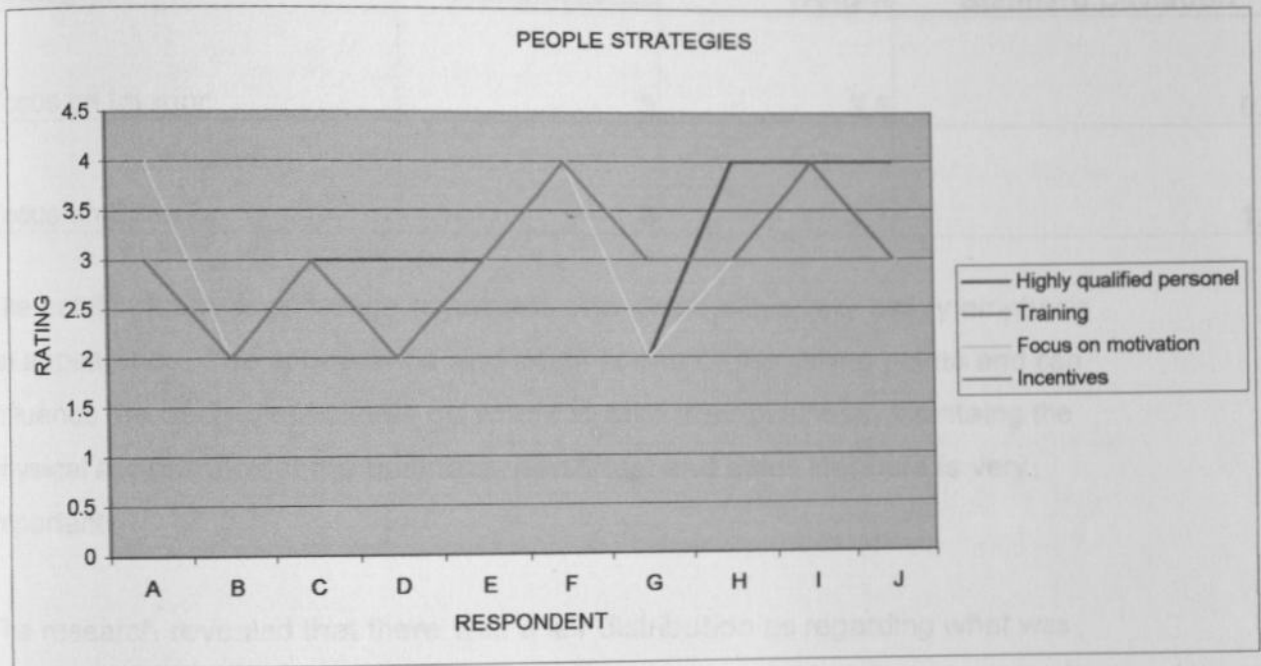Figure 10: Physical evidence Strategies

4.7 PEOPLE STRATEGIES

Figure 9: People Strategies

Table 8: People Strategies

People strategies	Respondents	Mean	Standard Deviation
Highly qualified personnel	8	3.2	0.79
Training	6	2.9	0.88
Focus on motivation	7	2.7	0.74
Incentives	8	2.9	0.57

Table 9: Physical evidence Strategies

Physical evidence strategies	Respondents	Weight	Standard Deviation
Focus on Interior	9	3.5	0.85
Focus on Exterior	8	3.7	1.06

The hotel industry is an image conscious one which plays very heavy emphasis on appearance. The appearance and décor is one of the selling points and can influence the decision of clients on where to take their business. Maintaing the physical appearance of the business, personnel and sales literature is very important.

The research revealed that there was a fair distribution as regarding what was considered important to the respondents. The exterior and interior were seen to be important aspects of the strategy with none being viewed significantly more important that the other.

CHAPTER FIVE
CONCLUSION

5.1 SUMMARY, DISCUSSIONS AND CONCLUSIONS

The purpose of the study was to determine what strategies that five star hotels in Nairobi have put in place as a response to the threat of terrorism facing the industry.

According to the research when it came to pricing strategies seasonal discounts, which are very popular in the hotel industry, were not popular with five star hotels in Nairobi as a means of encouraging more bookings. This is pegged to the fact that the hotels surveyed rely more heavily on corporate bookings as opposed to leisure travelers. Corporate travelers travel when there is a need as opposed to seasons.

Psychological pricing was mostly popular with international chain hotels who used the image of the chain name to command higher prices. International chains benefited by being able to offer a highly security conscious public the comfort of a well-known brand name. Those hotels, which did not have brand name backing, have had to utilize marketing affiliations to support their individual names.

Due to budget constraints caused by reduced profits, hotels have had to put on hold any major product improvement projects, thus the development of new products did not come up in the research. Majority of the hotels focused on hyping the existing product, especially with regards to conference and meetings bookers. The strategy that was popular was to highlight the features that were unique to each property as a means of differentiation. According to the respondents competing on features was seen to be a more sustainable strategy.

36

However from the literature reviewed world trends are seeing the use of technology such as satellite communication, teleconferencing coming up as a new means of conferencing. This new technology has meant that one can hold a meeting or conference without having to leave their desk. The focus on the conference sector has been popular so far but may need to be reviewed in the long term.

Hotels have tended to stick to the traditional strategies when it comes to their distribution channels. Travel agents and front office sales were strategies that were in place before the terror attacks and continue to be seen as the way forward.

The threat of terrorism has seen a new focus on Internet sales and marketing. Nine out of the ten respondents contacted use one or more internet methods to market their properties. The reason being that there has been a significant shift in the booking habits of travelers with many of them using the internet to shop for the best deals. Use of websites has also increased with hotels posting various offers on their websites, clients are also able to book via the website.

Advertising which one may have thought would feature prominently did not. The respondents still seemed hesitant to use this marketing strategy citing the mass and foreign nature of customers although of those who used this strategy use of FM radio stations featured prominently. Advertising was mainly used to target the domestic market especially for those properties that generated significant revenue from use of themed entertainment in their restaurants.

Very few of the hotels opted to increase the number of services offered by the firms. Many of the respondents cited the hesitation to invest capital in projects given the general weakness of the market and it's vulnerability to further terror attacks.

The results of this study were encouraging to an extent, they showed that efforts are clearly being directed towards ensuring that the industry would survive the current turmoil. Although a number of the hotels had been late to react to the crisis they had now tried to initiate strategies that would help them to recover.

The hotels put more emphasis on the domestic market, on domestic tourism which was seen as a new area of focus previously ignored, For the domestic market the food and beverage outlets were the biggest beneficiaries as the marketing strategies aimed at compensating for the gap in room sales. This could also be noted when it came to advertising where a new media for the industry, FM radio stations, was introduced.

However there still remains hesitation in the market to try new marketing strategies in order to combat the effects of terrorism. From the literature reviewed it was seen that those who were able to respond quickly and strategically recovered much sooner than those who did not.

5.2 LIMITATIONS OF THE STUDY

Resource constraints were a major limitation of this study. For instance it was not possible to extend this research to the whole country. Also not all the hotels had personnel who were charged with the sole responsibility of handling marketing for the property however to compensate the head of sales was used as a source covering the marketing spectre for their respective hotels.

5.3 RECOMMENDATIONS FOR FURTHER STUDY

Further studies should try to resolve the limitations cited here above. That is the geographical scope of the study should be extended, The study was conducted targeting hotels that have business people as their primary bookers, future studies should study the leisure tourist hotels.
Future studies should also try to study other aspects of the tourism industry.

5.4 RECOMMENDATIONS FOR POLICY AND PRACTICE

Hotels in the industry need to come together and plan the way forward for the industry as a whole. From the research it can be seen that the efforts that they are making are targeted against each other where as the problem of terrorism is one that affects the whole region. If they can pull together than they would form a grater block and marketing strategies would then be targeted at Nairobi as a destination.

Increased input is also required from the bodies that are tasked with tourism in the country. It was found that a guiding policy needs to be put in place to address security concerns and this can then be incorporated in the marketing strategies.

REFERENCES

Anderson. A (2001) "Tourism and Terrorism – The Road to Recovery in Egypt"
Hotel   Online

Aosa, E. (1992)"An empirical Investigation of Aspects of Strategy Formulation
and Implementation within Large, Private Manufacturing Companies in
Kenya". Unpublished PHD Dissertation, University of Nairobi.

Bryden. J (1993) Tourism and Development, a case study of the Commonwealth
Carribean, Cambridge University Press: London.

Chepyegon.G (1996) "An Assessment of Awareness Attitudes of Kenya's Hotel
Industry's Marketing Executives Towards the Societal Marketing Concept".
Unpublished MBA Project University of Nairobi.

Drako. K and Kutan A (2001) "Regional Effects of Terrorism on Tourism:
Evidencefrom Three Mediterranean Countries" Unpublished MBA project,
Rheinsche – Friedrich – Wilhelms University,.

Gakuru, P.W (1993) "The Marketing of Domestic Tourism" Unpublished MBA
Project, University of Nairobi.

Lloyd. E and Donald .E (1989) Tourism in Contemporary Society: Prentice Hall.

Nkari, I.M (1985)"The Marketing of Kenya's Tourist Attractions." Unpublished
MBA Project, University of Nairobi.

Osiro . D (2001) Kenya Association of Hotelkeepers and Caterers (KAHC)
unpublished paper.

Pearce. J and Robinson. R (1999) Strategic Management Strategy Formulation
and Implementation, A.I.T.B.S: India.

Smith (1993) "Marketing in Turbulent Times" Journal of Marketing Research,
November.

Stork, U (2003) "The Tourism Industry in the Third Millenium is A resilient
Industry, Shown at the Impact of the Terror Attack of 9-11-2001".
Unpublished PHD Dissertation, La Salle University.

Thiga S.W (1992) "Strategic Responses of Airlines Operating in Kenya in the
face of Changing Environmental Conditions". Unpublished MBA Project
University of Nairobi.

Wahab, S.(1975) *Tourism Management,* Tourism International Press, London.

Yearbook of Tourism Statistics, World Tourism Organization: Madrid, 2002.

Compendium of Tourism Statistics, World Tourism Organization: Madrid, 2002.

Tourism 2020 Vision, World Tourism Organization, Vol 1 Madrid, 2002.

Guide for Local Authorities on Developing Sustainable Tourism: Supplementary volume on sub-saharan Africa, World Tourism Organization: Madrid, 1999

41

APPENDICES

LETTER TO RESPONDENTS

Catherine Mwaura
C/O MBA Office
University of Nairobi
P.O.BOX 30197

Dear Respondent,

I am a post-graduate student studying for a Master of Business Administration degree at the Faculty of Commerce, University of Nairobi. I am conducting research in the area of Hotel Marketing. The topic is: Marketing Strategies in the Hotel Industry in Kenya in the Age of Terrorism: A Case Study of Five Star Hotels in Nairobi.

The purpose of this letter is to request to allow me a moment of your time to conduct an interview with you. The information you give will be treated in strict confidence and at no time will your name or that of your organization be refered to directly. The information will be used for academic purposes only.

Thank you very much.

Regards,

Mwaura C.M

INTERVIEW GUIDE

PART A

1. When was the hotel built _____

2. Who owns the hotel _____

3. What is the size of your organization in terms of: rooms

   _____

4. What is the annual revenue generated by your hotel in terms of:

   a) Sales per annum _____

   b) Rooms sold per annum _____

5. Is your firm a subsidiary or part of another firm either locally or abroad?

   (   ) Yes   (   ) No

6. If the answer to question 5. is yes, how many properties are in the subsidary and where are the headquarters located?

   No. of properties _____ Headquarters location

   _____

7. Does the hotel have any affiliations (   ) Yes (   ) No

8. If the answer to no. 8 is yes, please state which ones

_____

9. What is the revenue contribution, in terms of percentage, of the following markets.

International Market _____   Domestic Market _____

10.   Rank the following segments in order of importance/ volume begin with the largest, rank them in the space provided against each option:

    a) Corporates _____

    b) Diplomatic missions/NGO's _____

    c) Groups & Tours _____

    d) Airlines _____

    e) Packages _____

    f) Domestic _____

11.   How many people are in your marketing team?

_____

12.   If the hotel is part of a chain what role does the head office play in marketing decisions

_____

_____

_____

_____

PART B: MARKETING STRATEGIES

Rate the extent to which your hotel uses each of the following marketing strategies to respond to the challenges posed by tourism. Use a five point scale where: 1= not at all used and 5= to a very great extent.

1. Pricing Strategies:: For example

Geographical Pricing ....

Price Discounts ....

Promotional Pricing ....

Product - Mix Pricing ....

Others: specify

_____ ....

....

_____ ....

....

1. Product Strategies, for example

Product Invention ....

Straight Extension ....

Product Adaption ....

Others: specify

_____ ....

3. Distribution Strategies, for example

    Exclusive Distribution   ....

    Selective Distribution   ....

    Intensive Distribution   ....

    Others: specify

    _____   ....

4. Promotional Strategies, for example

    Advertising   ....

    Sales Promotion   ....

    Direct Marketing   ....

    Others: specify

    _____   ....

5. Process strategies, for example

    Reduced Divergence   ....

    Increased Divergence   ....

    Others: specify

    _____   ....

6. People strategies, for example

    Highly qualified personnel   ....

    Regular & Intensive training   ....

    Incentive schemes   ....

    Others: specify

    _____   ....

7. Physical evidence strategies, for example

Focus on Exterior   ....

Focus on Interior   ....   Others: specify