MARKETING STRATEGIES AND PERFORMANCE OF LARGE HOTELS IN NAIROBI COUNTY

BY

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DECLARATION

This research project is my original work and has not been presented for examination or award in any other University.

Signature………………………….   Date…………………………….…

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D61/64144/2013

This research project has been submitted for presentation with my approval as the University Supervisor.

Supervisor's Signature………………………….Date…………………………………

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DEDICATION

This goes to my loving, caring and supportive mother who has always believed in my abilities. I will forever be grateful for her prayers and good wishes. God Bless you Mother.

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LIST OF ABBREVIATIONS & ACRONYMS

ANOVA   : Analysis of the Variance

GDP   : Gross Domestic Product

SME   : Small and Medium Enterprises

ABSTRACT

The purpose of this study was to establish the relationship between marketing strategies and performance of large hotels in Nairobi. Specifically, the aim was to determine the effect of market penetration strategy, evaluate the influence of diversification strategy, establish the influence of market development strategy and determine the effect of product development on performance of large hotels in Kenya. The population comprised of all the large hotels in Nairobi registered and licensed by the Tourism Regulatory Authority. Only five and four star hotels based in Nairobi were studied. This made a total of 30 hotels. Descriptive, correlation and regression analysis were used and results presented in tables and figures. The findings obtained revealed that the most adopted penetration strategy was penetration pricing on services, the most adopted marketing strategy was making hotel brand visible to the niche market, most adopted product development strategy was existence of promotion strategies while diversification adopted to the largest extent was maintaining of strong customer relationship. On the relationship that existed between the study variables, product development strategies, market development strategies and penetration strategies had a positive relationship implying that the marketing strategies application positively influenced performance of hotels. Multiple regression analysis obtained a positive coefficient of correlation implying that product development strategies, diversification strategies, market development strategies and penetration strategies had a positive effect on organization perfomance. The study concluded that marketing strategies positively affects performance of large hotels in Nairobi. Product development strategies, diversification strategies, market development strategies and penetration strategies were concluded to be strategies adopted by the hotels and improved hotel performance. The study also established that the marketing strategies have a significant positive relation with the performance of the large hotels.The study recommends that the implementation process of these marketting strategies should be given top priority during the strategy formulation process to enhance performance of hotels.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All organizations, hotels included require marketing strategies to thrive and remain competitive in their industries. Considering the dynamic nature of the hospitality industry, various hotels ought to change their marketing strategies quite often to cope with the changing needs in the market and also remain ahead of competition (Kotler 2000). To attain a sustainable competitive edge, an organization needs to identify its main strength and position itself in such a manner that is above competition in that segment (Johnson & Scholes, 2002). So as to create a distinct competitive advantage over rivals, a firm must select right combination of target markets and marketing mix. Hotels continually seek new ways to acquire, retain and increase business, because the cost of losing customers is rising. Service is an important factor in retaining clients. The role of service is more important than ever, and is expected to become even more critical with time (Choi & Chu, 2001). Hotels that have the ability to attract, satisfy and thus retain customers are more likely to survive than hotels that do not do so. Successful customer retention allows the hotel to build relationships with its customers

It is very difficult for a business organization to survive and remain competitive in a dynamic market without injecting various marketing strategies to its operations. In this study, Ansoff growth matrix Model and marketing mix strategies shall illustrate the effect of marketing to performance of hotel business organizations. Performance of hotels in Kenya has been seen to deteriorate in the past few years as evidenced by a number having to even close down (Najib, *et al*, 2016). This raises much concern because tourism contributes largely to Kenyan economy and if the hotels hosting these tourists do not perform well as expected, the tourism contribution to GDP ultimately gets affected. Particularly, the recent experienced insecurities in Kenya have geared the performance of the hotels to the worst. Though measures to improve the security in the hotels have been put in place e.g. hotels like Intercontinental and Kempiski have sniffer dogs at security check points, the tourist levels still remain low. This is attributed greatly to uncertain situations that had been created by the insecurities, leading to travel advisories being put across last year 2015 that led to travel cancellation of most of the tourists from other countries. Hence managers have been necessitated to come up with new strategies to ensure thriving of their hotels.

1.1.1 Marketing Strategies

Marketing strategy is a reaction that takes place between the external environment forces and internal forces making the organization to determine its position in the target market, (Hult, & Olson, 2011). Marketing strategies in a business acts as key to the business growth and to the customers satisfaction in terms of achievement made by the organization. The environmental forces which affect the business in attaining its needs require to be detected in advance and handled well to enable the business to meet its vision and mission. Strategies of organizations enable evaluation of the long and short term goals thus making it possible to achieve the objectives in specified period. A Business or firm should have a unique strategy for effective competitiveness, growth and profitability of the business.

Marketing department should be updated with recent information; thus should be active (Cohen, 2011). The organization or firm should be in a position to establish a marketing framework for easier accessibility of frequently updated websites, announcements, sales presentations, and all other promotional materials. The frequent updates enable the organization in quick and easy development in different departments which makes it expand more to the international business, Marketing framework is very essential to the business sector as it gives the continuous flow of the business information daily, monthly, and yearly. Marketing strategy is a method of directing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements (Hose, 2011). These strategies identify the firm's marketing goals, and explain how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources.

1.1.2 Organizational Performance

Performance is the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Organizational performance is the final achievement of an organization which is measured either in financial and non-financial indicators, and contains a number of parameters, such as the existence of certain targets are achieved, has a period of time in achieving the targets and the realization of efficiency and effectiveness (Gibson *et al.,* 2010). Company performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other organizations in the same industry.

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According to Richard *et al*. (2009) organizational performance encompasses three specific areas of firm outcomes which are financial performance (profits, return on assets, return on investment, etc.), product market performance (sales, market share, etc.), and shareholder return (total shareholder return, economic value added, etc.).

Performance is tracked and measured from various angles such as financial performance (shareholder return), customer experience, social responsibility (corporate citizenship, community outreach), employee stewardship, Performance improvement, Organizational engineering etc. Performance is a complex concept that has been explored in numerous studies. For example, Ford and Schellenberg, (1982), in the early research of business performance, there was considerable disagreement about how it should be conceptualized. Understanding the internal and external factors and how they affect a firm's operations is central to effective performance management. A firm's internal environment has been described in terms of structure, strategy, culture, resources, and the roles and responsibilities of individuals, as well as processes and systems (Brignall & Ballantine, 1996).The external environment in which an organization operates on the other hand is often referred to its market or industry. For many firms, it is the external environment that causes the greatest challenges as it is always unpredictable and uncontrollable and, even for the most successful managers, can impact negatively on business performance. To measure business performance, it is important to understand that the results are the outcomes of the drivers and how they are managed. In the early studies of performance, results were mostly defined and measured by the firm's financial outcomes (Harris & Mongiello, 2001).

The limitations in using only financial measures of performance are that they are lagged indicators which are the result of management action and organizational performance and not the cause of it (Brignall & Ballantine, 1996). Over time the importance of nonfinancial measures emerged as it was acknowledged and the traditional performance measures could not provide information for the development of strategy. The non-traditional approach to performance measurement, which combines both non-financial and financial measurement activities, provides a number of benefits including the ability to identify simple measures for a specific situation, the assistance provided to strategy development and the opportunities for greater involvement of staff for continuous improvement. The performance of any business organization is affected by the strategies that the organization has chosen. Using financial measures alone ignores the fact

that what enables a company achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength (Thompson *et al.,* 2007). Qualitative measures include innovativeness and market standing (Saunders and Wong, 2005).

Non-Financial measures can be considered under outcomes which have affective (satisfaction, commitment, turnover, role conflict and group social integration), cognitive (innovation, range of perspective, number and quality of ideas) symbolic (behavior of lower level employees) and communication (communication with group members) consequences. However, over time an improved understanding has been developed and performance conceptualized in the literature in two fundamental ways, by the drivers of performance and results that are the performance outcomes (Neely *et al*., 2000). Researchers have classified the drivers of performance according to internal and external factors and the impact they have on managerial decision-making (Pelham, 1999). These last two definitions are to be used in this study due to their conclusiveness in measuring performance.

1.1.3 Hotel Industry in Kenya

The importance of the hotel industry in Kenya cannot go unnoticed, not only does it contribute greatly to the GDP, it also creates numerous job opportunities. The Restaurant and Hotel Act Cap 494 is in charge of licensing of Kenyan hotels and restaurants and also regulates the way hotels are operated in the country. The Act defines a hotel as a premise other than those specified in the third schedule on which accommodation is supplied or available for supply with or without food services in exchange for money (http://kenyalaw.org/ repealed statutes/hotels and restaurant Acts) . The hotels are classified as per the Hotel and restaurant act using star ratings. No standardized way for rating hotels, but the most common system uses stars, ranging from one to five star hotels. Star ratings are a way of classifying hotels based on standard upheld and amenities it contains.

Large hotels are the ones that offer only the highest level of accommodations and services. They mainly fall on the 5 star hotels category. These hotels offer a high degree of personal service. The hotel lobbies are sumptuous, the rooms complete with stylish furnishing. They feature up to three restaurants all with exquisite menus. Room service is usually available 24 hours a day. Fitness Centers and valet and/or garage parking are typically available. A concierge is also

available to assist clients (Forbes travel guide, 2014). As per the Kenyan Gazette Notice No. 3976 (Vol. CV- No. 62) there are currently sixteen five star hotels in the country and eight of them are situated in Nairobi. The hotels have a bed capacity ranging from forty six beds to seven hundred beds.

By the early 2000s, it was estimated that hotel services already accounted for 72% of the gross domestic product (GDP) of developed economies, and 52% of the GDP of developing economies (Hill 2007). The hospitality industry was expected to grow by 6.2% and the tourism industry by 4.1% in 2007 (Economist Intelligence Unit 2005). The hospitality industry has grown phenomenally since 2001 and has been driven by both leisure and business demand (Kloppers 2005). However, though many sectors of the economy recorded positive growths of varying degrees in the 1st quarter of 2015, the hotels and restaurant sector growth still remained contradicted. This was majorly attributed to low hotel occupancy rates arising from insecurity concerns by international visitors. These concerns have seen a decline of about 30% in tourist arrivals in Q1 2015 compared to Q1 2014 thus raising the need for evaluation of the performance of this sector.

1.2 Research Problem

Businesses do not exist in vacuum and it is no doubt that they are being constantly subjected to forces of change in the environment that constitutes economic, competitive, technological, social cultural and political environment. All organizations regardless of their size are environment dependent hence as the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating changes and internalizing the ability to adapt to their new environment for survival and growth (Gathiri 2012). However, organizations should struggle for continuous growth while keeping the aim of increasing or simply maintaining their sales and profit levels to ensure their survival (Claver *et al* 2006).

Service Sector forms substantial contribution to Kenyan GDP; about 53.3% as per 2013 Global finance report. Hospitality sector where hotels fall forms a significant portion of this contribution. In the past couple of years we have affirmed a significant drop in performance of this sector. There are a number of reasons behind this mainly; Weak marketing strategies adopted by different hotel chains and high level of insecurity in the country majorly caused by terror attacks. Hotels in Kenya operate in a dynamic business environment characterized by

intense Competition for resources and market share hence have become more challenging to manage and sustain their growth rate. Kamau (2008) stated that the Kenya tourism sector which hotels in Kenya depend on has been facing numerous challenges which have posed a threat to their survival and growth. These challenges include competition for resources, skilled labour and market share, socio-cultural changes, technological changes, economic challenges, changes in Customers' expectation and preferences and insecurity due to terrorism an issue that has become major in recent years. The dynamism of this environment calls for appropriate growth strategies that will enhance good performance.

Related studies have been done on marketing strategies and the performance of organizations. To begin with, internationally, various researchers have conducted on the role of strategy in competing successfully with other hotels such as Enz (2011). McCarthy (2000) in a study on strategies of hotels in USA argued on the achievement and growth of organization using Ansoff's growth strategy. Irish Hotel Industry established that year in year out sales growth increased revenue as part of a growth strategy (Flanagan 2005). Other researchers locally, Magunga (2010) in his study on the effects of marketing strategies on performance of Insurance Industries in Kenya. He further argues that the major contributors to the sector performance are the marketing strategies adopted by insurance companies. Similarly, Ayele (2012) and Richard (2013) also conducted studies on strategies adopted to gain competitive advantage. They established differentiation and market development strategies to be used more.

In the past couple of years we have seen a drastic drop in tourists' presence in Kenya especially at the coast where hotel business forms a significant driver of economy. This has resulted to poor performance because these hotels mainly rely on both local and international tourists as their main clientele. Though various studies have been conducted in the sector, the available theory is not sufficient enough in explaining the impact the marketing strategies have on the performance of the organizations. This study will aim to shed more light into this and aim to answer the research question; what is the relationship between marketing strategies and performance of the large hotels in Kenya?

1.3 Research Objective

The objective of the study will be to establish the relationship between marketing strategies and performance of large hotels in Nairobi. Specific objectives to be examined are as follows;

i. To determine the effect of market penetration strategy on performance of Large hotels in Nairobi County

ii. To determine the influence of diversification strategy on performance of large hotels in Nairobi County

iii. To determine the influence of market development strategy on performance of large hotels in Nairobi County

iv. To determine the effect of product development on performance of large hotels in Nairobi County

1.4 Value of the Study

The study shall enable the researchers and academicians have a well-versed knowledge on the, strategies to adopt to counter the changes in the external business environment and how turbulent the environment can get. This therefore shall contribute to the existing body of knowledge in the area of growth strategies and form basis for further research on growth strategies and performance of hotels in Kenya. Besides that, the findings can be a point of reference in the future.

The study will be of value to the policy makers in both hospitality industry and government while planning and formulating policies that will encourage investment in the hotel industry which will significantly contribute to the Kenyan economy. It will enable the hotel keepers and caterers to formulate policies that will govern the hospitality industry as per changes in the external business environment they operate in.

Practitioners in the industry shall have a better understanding of the external business environment that hotels operate in thus enabling them to come up with better competitive strategies that will make them have an influence in the industry and consequently improve on their performance. It will further help them understand the rules and regulations to implement for the industry to be relevant and contribute to growth of the economy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter explores theoretical background of the study as illustrated and discussed by various scholars. The chapter highlights theories guiding the study, determinants of financial performance, empirical studies thereby illustrating the research gap after which it presents the summary of empirical literature and conceptual framework.

2.2 Theoretical Foundation

It is very difficult for a business organization to survive and remain competitive in a dynamic market without injecting various marketing strategies to its operations. In this study, Ansoff growth matrix Model and marketing mix strategies shall illustrate the impact of marketing to performance of hotel business organizations. In hospitality industry, destination marketing is becoming commonly used and the focus is being diverted from target market to product itself.

2.2.1 Ansoff Growth Model

PRODUCT

	Present	**New**
Present **MARKET**	MARKET PENETRATION	PRODUCT DEVELOPMENT
New	MARKET DEVELOPMENT	PRODUCT/MARKET DIVERSIFICATION
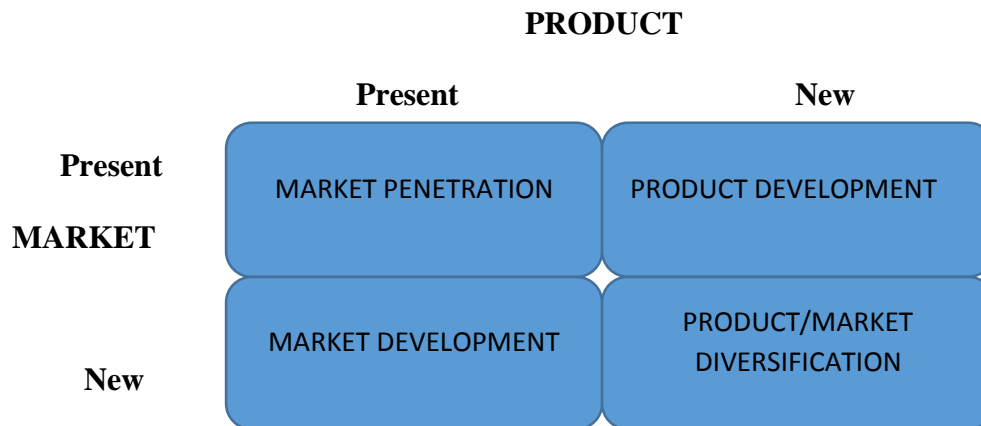
Source: *Kottler (2000), Marketing Management, Millennium Edition. New Jersey, prentice hall.*

Fig. 2:1 Ansoff Growth Strategy Matrix

This matrix provides a simple way of generating four basic alternative directions for strategic development. This model explicitly considers growth options and an organization basically has a choice between penetrating still further within its existing market, develop new product for existing markets or take its existing products into new markets or full diversification by taking

new products to new markets. The model provides strategic guidelines that can assist firms identify their future strategic growth direction and is used when firms are planning for growth. Ansoff presented a matrix that focused on the firm's present and potential products and market (consumers). In this model, potential areas where competencies and generic strategies can be adopted are provided in four broad alternatives; market penetration, market development, product development and diversification as shown in figure 2.1

Market penetration is where an organization decided to take an increasing share of its existing markets with its existing product range while product development is where organization delivers modified or new products to existing markets. On the other hand market development is where existing products are offered in new markets while diversification is a strategy that takes an organization away from both its existing markets and its existing products. A firm can use market penetration to develop the market with current products. Market penetration in existing markets aims at encouraging current customers to use more of the current product, to use it more often, or to use it in new ways. According to Walker *et al* (1999) penetration can be achieved through the following two possible strategic objectives: To increase the customers' awareness by means of heavy advertising, extensive sales force efforts, extensive introductory sales promotions, quick expanding of offerings and free trial offers. To increase the customers' ability to buy by means of penetration pricing, extended credit terms, heavy use of trade promotions and the offering of engineering, installation and training services.

Through product development, organizations' can grow by developing new product line extensions or by means of new product offerings. New products can also be called innovations. An innovation or innovative product is a product perceived as new by a potential consumer (Lamb *et al*, 2000). Existing products can be changed by means of product modification or current packaging may be changed. Potential consumers will regard such product as new and different from the existing product. Market development is a growth strategy where a new market is entered by an existing product dealing with the ways in which consumers become aware of, test and eventually accept or reject a new product item. The primary objective of market development is to secure future volume and profit growth (Walker *et al*, 1999).

This objective has become even more important in recent years due to the rapid advancement in technology and more intense competition globally. A steady flow of new products and services

and the development of markets, including those in foreign countries, are essential for the continued growth of most organizations. The marketing function plays a pivotal role in the development of the market by means of speeding up innovations, and by utilizing marketing strategies during the different product life cycle phases. Chances for new market entry success by using current products are dependent upon the management of the new product development process (Jenkins, Forbes, Duranni and Banerjee, 1997). Organizations can develop markets and seek growth by diversifying their operations. Diversification is typically more risky or it involves learning new operations and dealing with unfamiliar customer groups. According to Walker *et al* (1999) diversification can happen through: Vertical or horizontal integration and related or unrelated diversification.

2.2.2 Marketing Mix Strategies

Marketing is a continually evolving discipline and as such can be one that companies find themselves left very much behind the competition if they stand still for too long. One example of this evolution has been the fundamental changes to the basic Marketing mix. Where once there were 4 P's to explain the mix, nowadays it is more commonly accepted that a more developed 7 P's adds a much needed additional layer of depth to the Marketing Mix with some theorists even going further. McCarthy (1960) explains Marketing Mix as a tool used by businesses and Marketers to help determine a product or brands offering. He reduced the marketing mix into four elements namely product, price, place and promotion. In the late 70's it was widely acknowledged by Marketers that the Marketing Mix should be updated. This led to the creation of the Extended Marketing Mix by Booms & Bitner (1981) which added 3 new elements to the 4 P's Principle. This now allowed the extended Marketing Mix to include products that are services and not just physical things. They include, People, Processes and Physical evidence.

2.2.2.1 Product Strategy

Wilson *et al* (2008) explains that product strategies reflect the mission of the business unit and the business it is in. It entails placing a brand in that part of the market where it will have a favourable reception compared with competing brands. Its objectives include: to position the product in the market so that it stands apart from competing brands; to position the product so that it tells customers what you stand for, what you are, and how you would like customers to evaluate you. It also depicts that product strategy specify market needs that may be served by

different product offerings. Clark and Fujimoto (1990) put across different product perspectives. Product repositioning strategy reviews the current positioning of the product and its marketing mix while seeking a new position for it that seems more appropriate. It aims at increasing life of the product as well as correcting original positioning mistake. At the end, there should be an increase in sales growth and profitability among existing customers. Among new users there is enlargement of the overall market, thus putting the product on a growth route, while increasing profitability. Development of new product uses increases sales, market share as well as profitability. Hotels offer services. Every hotel has their own unique service that stands out from its competitors. Some are known of their entertainers, special cuisines, spas and many others. These are the unique services that attract customers depending on what their needs are.

2.2.2.2 Price Strategy

Of all the aspects of the marketing mix, price is the one, which creates sales revenue -all the others are costs. The price of an item is clearly an important determinant of the value of sales made. In theory, price is really determined by the discovery of what customers perceive is the value of the item on sale. Researching consumers' opinions about pricing is important as it indicates how they value what they are looking for as well as what they want to pay. An organization's pricing policy will vary according to time and circumstances. Price Theory is concerned not with economic problems in the abstract, but with how a particular society solves its economic problems. Philip (1776) describes that it is also concerned with explaining economic activity in terms of the creation and transfer of value, which includes the trade of goods and services between different economic agents. A puzzling question addressed by price theory is for example: why is water so cheap and diamonds are so expensive even though water is critical for survival and diamonds are not.

Milton (2007) explains that in economics, the major division is between monetary theory and price theory. Monetary theory deals with the level of prices in general, with repeated and other fluctuations in total output, total employment, and the like. Price theory deals with the allocation of resources among different uses, the price of one item relative to another. Prices do three kinds of things. They transmit information, they provide an incentive to users of resources to be guided by this information, and they provide an incentive to owners of resources to follow this information. Milton Friedman's classic book provides the theoretical underpinning for and

understanding of prices. Roughly a fifth of the cost of a product goes on getting it to the customer though figures vary widely from product to product.

2.2.2.3 Place Strategy

Place is concerned with various methods of transporting and storing goods, and then making them available for the customer. Getting the right product to the right place at the right time involves the distribution system. The choice of distribution method will depend on a variety of circumstances. Kotler (2010) defines place as company activities that make the product available to target consumers. It plays a fundamental role in the marketing mix of a service. The place strategy outlines the how and where a company will place its products and services in an attempt to gain market share and consumer purchases. This component of the 4ps is sometimes referred to as the distribution strategy and may include the stores, both physical and online and any other means by which the company can reach customers. Jerome (1991) argues that place entails getting the "right" product to the target market's place. A product is not much good to a customer if it is not available when and where it is wanted. A product reaches customers through a channel of distribution. A channel of distribution is any series of firms or individuals who participate in the flow of goods and services from producer to final user or consumer.

It is advisable for an organization to devise ways of reaching its target market easily and for customers to reach them without struggle. Hotels in Nairobi have an online booking system where you can be able to reserve a hotel room or a conference room from wherever you will be. The situation of the hotels from business companies and airport is also vital. There are quite a number of hotels in the Central Business District, Upper hill and westlands where there are many businesses situated thereby making it convenient for them to secure their services. Some hotels are situated near the airport thereby convenient for tourists enabling them not to stay on traffic for long hours.

2.2.2.4 Promotion Strategy

Promotion is the business of communicating with customers. It will provide information that will assist them in making a decision to purchase a product or service. The razzmatazz, pace and creativity of some promotional activities are almost alien to normal business activities. The cost associated with promotion or advertising goods and services often represents a sizeable proportion of the overall cost of producing an item. However, successful promotion increases

sales so that advertising and other costs are spread over a larger output. Though increased promotional activity is often a sign of a response to a problem such as competitive activity, it enables an organization to develop and build up a succession of messages and can be extremely cost-effective.

Promotion strategies are concerned with the planning, implementation, and control of persuasive communication with customers. These strategies may be designed around advertising, personal selling, sales promotion, or any combination of all these. Kotler etal (2006) advices of well laid objectives and a sharp focus on target customers are necessary for an effective promotional program. An integrated communication plan consisting of various promotion methods should be designed to ensure that customers in a product/market cluster get the right message and maintain a long-term cordial relationship with an organization. Promotional perspectives must also be properly matched with product, price, and distribution perspectives. Strategies for development of promotional strategies include promotional expenditure strategy. Practitioners have developed rules of thumb for determining promotion expenditures that are strategically sound: either takes the form of a breakdown method or they employ the buildup method. Another approach regards marketing mix factor; the promotion decision should be made in the context of other aspects of the marketing mix (Porter, 1976).

The price and quality of a product relative to competition affect the nature of its promotional perspectives. Higher prices must be justified to the consumer by actual or presumed product Superiority. Thus, in the case of a product that is priced substantially higher than competing goods, advertising achieves significance in communicating and establishing the product's superior quality in the minds of customers. An empirical study on this topic has shown that consumers prefer incentives other than price. Price cuts also appear to have little lasting effect on sales volumes. Gibson (1991) talks of advertising strategies being concerned with communication transmitted through the mass media. Promotional mix strategy involves determination of a judicious mix of different types of promotion. Its objective is to adequately blend the three types of promotion to complement each other for a balanced promotional perspective. Media selection strategy entails choosing the channels (newspapers, magazines, television, radio, outdoor advertising, transit advertising, and direct mail) through which messages concerning a product/service are transmitted to the targets.

Its objective is to move customers from unawareness of a product/service, to awareness, to comprehension, to conviction, to the buying action. Advertising strategy designs the content of an advertisement with an objective of transmitting a particular product/service message to a particular target. Selling strategy entails moving customers to the purchase phase of the decision-making process through the use of face-to-face contact. Its objective entails achievement of stated sales volume and gross margin targets and the fulfillment of specific activities. Sales motivation as well as supervision strategy entails achieving superior sales force performance with an objective of ensuring optimal performance of the sales force. At the end business objectives are met adequately at minimum expense.

2.2.2.5 People Strategy

Hotel service is consumed at the same time as it is produced; both staff and other consumers can influence perceptions of service quality (Smith 2008). This is particularly true for 'high contact' services like fitness centers and hotels where 'staff members' are part of the service being consumed. This strategy involves management of human resources management policies and practices, developing a customer oriented culture throughout the firm and empowering employees to provide quality services, managing leadership, job re-design, and systems to reward and recognizing outstanding achievement (Berry, 1981). People component in service marketing mix also includes management of the firm's customer mix as other customers who are being served can also influence one's satisfaction with a service Lovelock (1996).

2.2.2.6 Process Strategy

Identifying process management as a separate activity is a prerequisite of service quality improvement (Lovelock 1996). Processes refer to the steps that a consumer progresses through in order to receive a service and those processes a service provider performs in order to deliver the hotel service (Smith 2008). For example: queuing for booking, submitting to security screening, finding the right room etc. Company processes should be integrative in nature and aimed at meeting the strategic goals of an organization as well as creating, enhancing and delivering customer value and ultimate satisfaction (Mutsikiwa 2012). Processes should also be conducted in an appropriate way so that they do not take away customers' perceptions of expected quality of the product or service and real time delivery.

2.2.2.7 Physical Evidence Strategy

A hotel service is not tangible and is subjective, making it harder for a marketer to sell it as a commodity, standardized in quality and physical shape (Shibury *et al*.2009). Physical evidence therefore represents visual and/or tangible clues of the service product that make a hotel service more tangible to the customer prior to purchase, during purchasing, and post purchasing it, reinforcing service quality. Physical evidence must be redesigned to be consistent with the personality that the firm wishes to project in the market place (Betts, 1994). Physical evidence includes: the design and construction of the facility, well groomed employees, clean and well maintained premises, well-manicured lawns, good food and beverage facilities, attractive hotel room and with excellent presentation. Actual surrounding and other visible cues can have a profound effect on the impression customers' form about the quality of the service they receive (Bitner, 1992).

2.3 Marketing Strategies and Organizational Performance

The relationship between marketing strategies and organization performance can be described by the four P's of marketing. Some scholars argued that a firm pursuing product adaptation strategy in a global market achieves increased sales performance (Leonidou *et al*, 2002). An empirical study conducted by Cavusgil and Zou, (1994) validated that product adaptation is not only linked to sales growth but financial performance of companies such as profitability and return on investment. Product adaptation as a global marketing strategy therefore positively affects overall business performance. It is therefore suitable strategy toward market responsiveness as it offers the development of new products that meet the needs of a changing marketplace. There is a strong positive link between pricing and firm's performance. Pricing strategy may vary market to market because of many reasons associated with the PESTEL model such as political, economic, social, technological, environmental and legal forces. However, the argument is valid to the extent that pricing strategy success is measured in terms of proportion of sales and profit level, and customer satisfaction.

Sales, financial and customer performance is achieved through promotional mix by gaining experience in the opportunities and problems arising in specific markets, boosting communication, personalizing relationships, and cultivating a team spirit with customers, and providing timely response and immediate support to the various needs (Kaynak and Kothari, 1984). The six related promotional mix is advertising; sales promotion, personal selling, trade

fairs, personal visits, and promotion adaptation were found to be positively linked to firm performance (Styles and Ambler, 1994). With sound advertising procedures, the firm can communicate information, constantly remind, and persuade customers to buy the products and, therefore, generate more sales. The study results by Cateora and Graham, (1999) verified that advertising positively influence sales performance and other organization performance greater than other promotional mix variables.

Distribution strategy carries a critical role in dealing with delivery time that influences the performance of the firm. The effectiveness and efficiency in the delivery time of the products constitutes a key to total firm performance in the market as it affects the firm's operations in terms of competitiveness and success (Piercy *et al*., 1997). The results of the study by Keegan, (1995) exhibited a positive correlation between distribution channel and sales performance. In addition, significant findings on delivery time which is a result of distribution structures put in place by a firm were also observed to be related to sales volume, proportion of sales, and certain composite performance measures. Many studies are in support of distribution adaptation toward achieving and improving firm performance.

Various studies have been conducted trying to establish the relationship that exists between marketing strategies and performance of organizations. To begin with, the study by Zott & Amit (2007) examined the fit between a firm's product market strategy and its business model. The study manually collected dataset and found that novelty-centered business models—coupled with product market strategies that emphasize differentiation, cost leadership, or early market entry— can enhance firm performance. Data suggested that business model and product market strategy are complements, not substitutes. The study was however limited in addressing how business models evolve and in particular how they co-evolve with the product market strategy of the firm. Arasa, and Gathinji, (2014) conducted a study to determine link between competitive strategies and organizational performance among firms in the mobile telecommunications industry in Kenya. The study identified the competitive strategies adopted by firms in the industry in Kenya, assessed the different levels of implementation of competitive strategies within the firms and examined the relationship between these strategies and firm performance. The research revealed that competition is high in the industry and product differentiation and low cost leadership are the most commonly used strategies. Other strategies include strategic alliance strategies and specific market focus strategies. The study concludes that the strategies adopted improve the

overall firm performance. The key performance indicators influenced by these strategies include sales and market share, customer retention, profitability and product innovation.

Ge and Ding, (2005) conducted a study on manufacturing firms in China and evidence found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation has the strongest association with competitive strategy and market performance. The results of structural equation analyses indicated that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market. Njeri *et al*, (2015) investigated the marketing strategies and competitiveness of four and five star hotels in Kenya. A comprehensive view of the marketing strategies of the hotels was provided by mapping out the place, product, pricing, people and promotion strategies. Clear links were also established between these strategies and the hotels' competitiveness. Dzisi and Ofosu (2015) investigated the effect of marketing strategies on the performance of SMEs in Ghana in terms of their profitability, brand awareness and market share. The overall results of this study suggest that strategic marketing are drivers of organizational positioning in a dynamic environment, and that it helps to enhance the development of new product/service for existing markets. Results of the study also reveal that the SMEs in Ghana mostly use traditional form of marketing to reach potential customers and also to entrench their brands.

2.4 Conceptual Framework

Independent Variable   *Dependent Variable*

Product Penetration

- Sales promotions
- Internet marketing
- Sales efforts
- Penetration pricing
- Direct marketing
- Publicity

Hotel Performance
- Brand equity
- Market share
- Customer satisfaction
- Profitability

Product Development

- Product line
- Broad market appeal
- Product quality testing

Market Development

- Visibility of the brand
- Employee capacity
- Organization structure
- Market segment identification

Diversification

- Niche customization
- Services specialization
- Customer base
- Customized services

Figure 2.2 Conceptual Framework
Source; Researcher 2016

2.5 Summary of Literature and Research Gap

Organizations ought to be attentive with what is going on in the external business environment to be able to curb the challenges the business environment poses. Every business operates in a particular environment that includes general environment and competitive environment. In this case, the general business environmental factors for organization includes, political, economic, social, technological, environment, legal. The competitive business environmental factors include customers, creditors, suppliers, competitors, and substitutes. The hospitality industry is a major source of tourism revenue in Kenya. It however faces various challenges like, insecurity, technological advancement, political and economic instability. Previous studies conducted in other industries and hospitality industry were response strategies adopted by the organizations to changes in environment as a whole. However, the interdependent relationship between marketing strategies and performance of large hotels has not been brought out clearly. This study seeks to understand the interdependent relationship that exists between organizations and their external business environment and marketing strategies adopted for growth and success.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provided the methodology that was used in the study. The chapter covered the research design, sampling design, target populations, data collection instrument and data analysis technique.

3.2 Research Design

A research design entails the process or procedure adopted by a researcher in conducting the study so as to provide answers to various research questions (Creswell, 2003). This proposed study adopted the descriptive research design. The descriptive research design aims at establish the current phenomenon of a particular situation while ensuring minimal interference. The design also enables close association between the variables and where possible derive valid conclusions, hence the most appropriate for the study.

3.3 Study Population

The population of this study comprised all the large hotels in Nairobi registered and licensed by the Tourism Regulatory Authority under the Tourism Act no. 28 of 2011. As such, the study focused on the five and four star hotels based in Nairobi. This made a total of 30 hotels as per appendix 3. This population was chosen because most of them are either in the growth or mature stage of the hotel product life-cycle and therefore had structured marketing activities. The respondents were the top managers of the hotels as they were directly involved in the formulation and implementation of market strategies, hence most conversant with the study.

Due to the population being small and manageable, the whole target population was used as the sample for the study. This is in line with Mugenda and Mugenda's (2003) argument that if the population is small, the whole population is to be undertaken so as to allow obtaining of valid and reasonable information. Thus a census approach was undertaken so as to cover all the 30 large hotels based in Nairobi.

3.4 Data Collection

The study used both primary and secondary data. The primary data was through the use of questionnaires which were chosen due to them being time saving and convenient for obtaining a wide range of information. The questionnaires consisted of both close ended and open ended questions which were useful in obtaining detailed information from the respondents. In order to cover the research objectives, the questionnaires were subdivided each question referring to a specific research objective. Likert scale was used to rate the attitudes of the respondents on the nature of marketing management strategies in their organizations. In order to improve the response rate and quality of data gathered, the researcher dropped the questionnaires to the respondents and picked them later after completion. Secondary data was obtained from the monthly management reports of the hotels which was analyzed for the period between 2012 and 2016.

3.5 Data Analysis

Data analysis refers to the process of obtaining meaningful information from the collected data (Kombo & Tramp, 2006). Before processing the responses, the completed questionnaires were checked for completeness and comprehensibility to ensure consistency. The data was then edited, classified and coded. The research tools used yielded both qualitative and quantitative hence the study used both the qualitative analysis and the quantitative analysis techniques. The qualitative data was analyzed using content analysis because the focus was on interpretation of the results rather than quantification. Quantitative data was analyzed through the use of descriptive statistics which include frequencies, percentages, standard deviation and arithmetic mean. Descriptive statistics provides simple summary about the sample and about the observations that have been made (Wambua, 2014). The analyzed data was then presented in form of tables.

To determine the relationship that existed between marketing strategies and the performance of hotels, the following regression model was used;

Y=β₀+ β₁ X₁+ β₂X₂+ β₃X₃+ β₄X₄ +ε

Where:

Y = Performance of hotels (financial and non-financial)

β_0 = Regression constant (y-intercept)

X_1 = Product development strategies

X_2 = Diversification strategies

X_3 = Market development strategies

X_4 = Penetration strategies

ε = Error term

The model significance was tested using the analysis of the variance (ANOVA), t-tests, z-tests and F-tests. The F-statistic (Mean Square of Regression divided by the Mean Square of Residual) and the Significance (p-value) enabled conclusion of significance of the model. The confidence interval was analyzed at 95% Confidence level. The coefficient of determination showed the extent to which the model explains the changes in independent variable.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter focuses on the data analysis, interpretation and presentation of the findings. The main purpose of the study was to examine the relationship between marketing strategies and performance of large hotels in Nairobi County. The data was gathered entirely from the questionnaire as the research instrument. The researcher has made use of descriptive and correlation and regression analysis to present the result in tables and figures.

4.2 Background information

This section presents the background information sought from the respondents which included educational background, years the respondents were in service, number of years the hotel had been operating and size determined by the number of rooms.

4.2.1 Educational Background

The section sought to establish the academic qualifications of the respondents. The findings obtained are as shown by Table 4.1. As presented by Table 4.1, 58% had bachelor's degrees, 35% had masters degrees while 4% each had PHD's and Diplomas respectively. This shows that majority of the respondents had attained above Bachelor's Degrees, hence qualified and well informed about the study concept and hence information given was reliable.

Table 4.1 Education background

Highest level of education level	Frequency	Percentage
PHD	1	4%
Masters	9	35%
Bachelors' Degree	15	57%
Diploma	1	4%
Secondary Level	0	0%
Any Other	0	0%
Total	**26**	**100%**

Source; Research Data (2016)

4.2.2 Years in Service

This section sought to determine the years the respondents had served in their respective hotels as a measure of their experience. The findings obtained are as presented by Table 4.2. As shown, 46% had worked for duration of 3-8 Years, 23% had worked for duration of 9-13 years, 15% had worked for duration of above 2 years, and 12% had worked for duration of 14-18 years while 4% had worked for duration of over 19 years. This thus implies that the respondents had worked in the organizations for a considerable length of time and were thus fully conversant with the hotels operations.

Table 4.2 Years in Service

Years served in this organization	Frequency	Percentage
Below 2 years	4	15%
3-8 Years	12	46%
9-13 years	6	23%
14-18 years	3	12%
Over 19 years	1	4%
Total	26	100%

Source; Research Data (2016)

4.2.3. Age of the Hotels

This section sought to establish the duration the hotels had been in operation as a measure of their age and hence experience to enable providing of reliable information. The results obtained are as presented by Table 4.3. The findings revealed that 35% of the hotels had been operation for duration of 6-10 years, 27% had been operation for a period of less than 5 years, 23% had been operational for a period of 11-15 years, while 16% for a period of greater than 16 years. This shows that the hotels had been operational for a considerable length of time hence fully aware of current marketing strategies and how these strategies affected performance of these hotels.

Table 4.3 Age of the Hotels

Years in Operation	Frequency	Percentage
Under 5 years	7	27%
6-10 years	9	35%
11-15 years	6	23%
Over 16 years	4	15%
Total	**26**	**100%**

Source; Research Data (2016)

4.2.4 Size of the hotels

This section sought to identify the number of rooms in the hotels as a measure of their size. The findings are as presented by Table 4.4. As shown, 54% of the hotels had 50-149 rooms, 23% had below 49 rooms, and 15% had 150-249 rooms, while 4% each had 250-349 rooms and above 350 rooms respectively. This shows that majority of the hotels, (67%) had above 50 rooms, thus an indication of their large size. Hence they are capable to undertake a diversity of strategies aimed at gaining competitive advantage.

Table 4.4 Size of the Hotels

Rooms Available	Frequency	Percentage
Below 49 rooms	6	23%
50-149 rooms	14	54%
150-249 rooms	4	15%
250-349 rooms	1	4%
Above 350 rooms	1	4%
Total	**26**	**100%**

Source; Research Data (2016)

4.3 Marketing Strategies Adopted by the Hotels

The marketing strategies studied included market development strategies, penetration strategies, product development strategies and diversification strategies. The findings are discussed here in terms of frequencies, percentages and measures of central tendency including means and standard deviation.

4.3.1 Market Development Strategies

This section sought at establishing the market development strategies adopted by the hotels, the findings are as presented by Table 4.5. Where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent, SD Standard deviation

Table 4.5: Market Development Strategies

Market Development Strategies	1 %	2 %	3 %	4 %	5 %	Mean	SD
Making hotel brand visible to our niche market	0	0	35	35	31	4.0	0.8
Having employees develop the mind sets and capabilities behind the niche customer-centric agenda	0	15	12	46	27	3.9	1.0
Establishing a Hotel structure in place that enables niche customer centricity in business decisions	8	23	12	27	31	3.5	1.4
Establishing new market segments based on psychological/prestige	8	4	4	58	27	3.9	1.1
Practicing market segmentation based on benefit sought by the customers	8	23	19	27	23	3.4	1.3
Practicing market segmentation based on social class of the customers	15	12	19	35	19	3.3	1.4
Practicing market segmentation based on income level of the customers	0	15	31	23	31	3.7	1.1

Source; Research Data (2016)

On making hotel brand visible to hotel's niche market a mean of 4 was established implying that making brand visible had been adopted to a large extent. Establishing new market segments based on psychological/prestige a mean of 3.9 implying adoption of the strategy to a large extent. Having employees develop the mind sets and capabilities behind the niche customer-centric agenda, a mean of 3.9 was obtained indicating that this strategy had been adopted to a large extent. To a large extent, the studied hotels were practicing market segmentation based on income level of the customers with a mean of 3.7. To a large extent, establishing a company structure in place that enables niche customer centricity in business decisions at a mean of 3.5. To a moderate extent, the hotels were practicing market segmentation based on benefits sought by the customers a mean of 3.4 and practicing market segmentation based on social class of the customers with a mean of 3.3. Hence the most adopted market development strategy was making hotel brand visible to the niche market with a mean of 4.0, and the least being practicing market segmentation based on social class of the customers with a mean of 3.3.

4.3.2 Penetration Strategies

This section sought at determining the penetration strategies adopted by the hotels, the findings obtained are as presented by Table 4.6. Where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent, SD Standard deviation.

Table 4.6 Penetration Strategies

Penetration strategies	1	2	3	4	5	Mean	SD
	%	%	%	%	%		
Extensive introductory sales promotions	0	35	15	27	23	3.4	1.2
Internet marketing practices	0	38	19	15	27	3.3	1.3
Extensive sales force efforts	12	23	8	31	27	3.4	1.4
Quick expanding of offerings and free trial offers	8	19	8	38	27	3.6	1.3
Penetration pricing on services	0	0	27	35	38	4.1	0.8
Extended credit terms on services given	8	15	8	38	31	3.7	1.3
Heavy use of trade promotions	12	8	15	35	31	3.7	1.3
Direct marketing on services and products	19	15	8	35	23	3.3	1.5
PR & Publicity strategy use	12	15	15	27	31	3.5	1.4
Mail/Telemarketing strategy use	15	15	8	27	35	3.5	1.5

Source; Research Data (2016)

The findings indicated that to a large extent, the hotels had adopted penetration pricing on services with a mean of 4.1, extended credit terms on services with a mean of 3.7, used heavy use of trade promotions with a mean of 3.7, there was quick expanding of offerings and free trial offers with a mean of 3.6, PR & publicity strategy was used with a mean of 3.5, mail/telemarketing strategy used with a mean of 3.5. Extensive sales force efforts had a mean of 3.4. To a moderate extent, there was extensive introductory sales promotions with a mean of 3.4, there was internet marketing practices with a mean of 3.3 and there was direct marketing on services and products (mean of 3.3).This thus implies that the most adopted penetration strategy was penetration pricing on services with a mean of 4.1, while the least adopted was direct marketing on services and products and internet marketing practices each with a mean of 3.3.

4.3.3 Product Development Strategies

This section sought at establishing the product development strategies that have been put in place by the hotels. The results obtained are as shown by Table 4.7. Where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent, SD Standard deviation

Table 4.7: Product Development Strategies

Product Development Strategies	1	2	3	4	5	Mean	SD
	%	%	%	%	%		
Hotel offers a broad product line	4	23	8	50	15	3.5	1.1
The hotel develops products that have broad market appeal	15	12	15	46	12	3.3	1.3
The hotel is efficient in meeting customer wants	12	15	15	50	23	3.7	1.2
The hotel develops and test products to confirm their adaptability and suitability to the intended customers.	23	12	12	27	27	3.2	1.6
Existence of promotion strategies	4	4	23	65	4	3.6	0.8
The hotel advertises its products through various media	12	15	38	27	8	3.0	1.1

Product Development Strategies	1	2	3	4	5	Mean	SD
	%	%	%	%	%		
The firm focus on consumer needs and integrating all activities of the organization to satisfy those needs	8	8	38	42	4	3.3	1.0
The company promotional strategy elicit attention, interest, desire and action	19	0	38	35	8	3.1	1.2
Introducing new products design/style	4	27	35	27	8	3.1	1.0
Proper positioning of the hotels	12	8	31	46	4	3.2	1.1

Source; Research Data (2016)

The findings indicated that to a large extent, the hotels offered a broad product line with a mean of 3.5, the hotel was efficient in meeting customer wants (mean of 3.7) and there was existence of promotion strategies (mean of 3.6). To a moderate extent, the hotels developed products that had broad market appeal (mean of 3.3), developed and tested products to confirm their adaptability and suitability to the intended customers (mean of 3.2), advertised their products through various media (mean of 3.0), focused on consumer needs and integrating all activities of the organization to satisfy those needs (mean of 3.3) and that the company promotional strategy elicited attention, interest, desire (mean of 3.1), introducing new products design/style (mean of 3.1) and there was proper positioning of the hotels (mean of 3.2). This thus implies that the most adopted product development strategy was existence of promotion strategies with a mean of 3.6, while the least was the hotel advertises its products through various media with a mean of 3.0.

4.3.4 Diversification Strategies

This section sought to establish the diversification strategies put in place by the hotels. The findings are as shown by Table 4.7. Where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent, SD Standard deviation.

Table 4.8 Diversification Strategies

Diversification Strategies	1	2	3	4	5	Mean	SD
	%	%	%	%	%		
Customization/niche in offering services	4	8	19	46	23	3.8	1.0
Specialization in unique services	8	12	31	50	0	3.2	1.0
Having highly qualified personnel	15	4	15	46	19	3.5	1.3
Offering incentives to the employees	15	4	35	31	15	3.3	1.3
Ensuring customer satisfactory is achieved	12	0	27	23	38	3.8	1.3
Frequently improving the existing customers services	19	0	27	15	38	3.5	1.5
Maintaining of strong customer relationship	0	0	8	62	31	4.2	0.6
Increasing diversity of the hotel's culture	4	23	8	50	15	3.5	1.1
Identifying the specific needs of the customers	15	12	15	46	12	3.3	1.3
Clients receive customized services	12	0	15	50	23	3.7	1.2

Source; Research Data (2016)

The findings indicated that maintaining of strong customer relationship had a mean of 4.2. Customization/niche in offering services had a mean of 3.8.Ensuring customer satisfaction is achieved had a mean of 3.8.Clients receive customized services had a mean of3.7. Frequently improving the existing customer's services had a mean of 3.5. Increasing diversity of the hotel's culture had a mean of 3.5. Having highly qualified personnel had a mean of 3.5. Offering incentives to the employees had a mean of 3.3. Identifying the specific needs of the customers had a mean of 3.3. Specialization in unique services had a mean of 3.2. This thus implies that the diversification adopted to the largest extent was maintaining of strong customer relationship with a mean of 4.2, while the diversification adopted to the least extent was specialization in unique services with a mean of 3.2.

4.4 Performance of the Hotel

This section sought at establishing the performance of the hotels. The results obtained are as presented in Table 4.9. Where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent, SD Standard deviation

Table 4.9: Performance of the Hotel

Performance of the Hotel	1		2		3		4		5		Mean	SD
	F	%	F	%	F	%	F	%	F	%		
Brand equity	1	4		0	8	31	7	27	10	38	4.0	1.0
Increase in market share	1	4	3	12	2	8	13	50	7	27	3.9	1.1
Increase in sales volume		0	6	23	6	23	9	35	5	19	3.5	1.1
Increased customer satisfaction	1	4	6	23	3	12	5	19	11	42	3.7	1.3
Customer loyalty	5	19	7	27	3	12	3	12	8	31	3.1	1.6
Brand charms	1	4	11	42	7	27	7	27		0	3.7	1.1
Increase in net profits	1	4	4	15	2	8	11	42	8	31	3.6	1.4
Brand visibility	3	12	5	19	6	23	5	19	7	27	3.2	1.5

Source; Research Data (2016)

On increase in sales volume, 6% stated that marketing strategies had increased sales in a very small extent, 6% stated small extent, 9% stated a moderated extent, 5% stated a large extent, and 19% stated a very large extent having a mean of 3.5 and standard deviation of 1.1. On increase in market share as a result of marketing strategies, 4% stated that effect was in a very small extent, 12% stated small extent, 8% stated a moderated extent, 50% stated a large extent, and 27% stated a very large extent having a mean of 3.9 and standard deviation of 1.1. On brand visibility, 12% stated very small extent, 19% stated a small extent, 23% stated a moderated extent, 19% stated a

large extent, and 27% stated a very large extent having a mean of 3.2 and standard deviation of 1.5.

On increase in net profits, 4% stated very small extent, 15% stated small extent, 8% stated a moderated extent, 42% stated a large extent, and 31% stated a very large extent having a mean of 3.6 and standard deviation of 1.4. On customer loyalty, 19% stated very small extent, 27% stated small extent, 12% stated a moderated extent, 12% stated a large extent, and 31% stated a very large extent having a mean of 3.1 and standard deviation of 1.6. On Brand equity, 4% stated very small extent, none stated small extent, 31% stated a moderated extent, 27% stated a large extent, and 38% stated a very large extent having a mean of 4.0 and standard deviation of 1.0.

On brand charms, 4% stated very small extent 42%, stated small extent, 27% stated a moderated and large extent, and none stated a very large extent having a mean of 3.7 and standard deviation of 1.1. On increased customer satisfaction, 4% stated very small extent, 3% stated small extent, 5% stated a moderated extent, 11% stated a large extent, and 42% stated a very large extent having a mean of 3.7 and standard deviation of 1.3. Hence brand equity impacted on the performance of the hotels to the largest extent with a mean of 4.0, while customer loyalty impacted the least on the performance of the hotels with a mean of 3.1.

4.5 Relationship between the Study Variables

Correlation analysis was used to establish the relationship that exists between the variables. As shown by Table 4.10 below, product development strategies had a Pearson correlation (r) of 0.334, and a p-value of 0.096, diversification strategies had a Pearson correlation of 0.305, and a p-value of 0.129, market development strategies had a Pearson correlation of 0.910, and a p-value of 0, and penetration strategies had a Pearson correlation of 0.796, and a p-value of 0. The positive coefficients indicated a positive relationship between product development strategies, diversification strategies, penetration strategies and hotel performance.

This thus implied that product development strategies, diversification strategies and penetration strategies had a positive impact on the performance of large hotels. Thus adoption of product development strategies, diversification strategies and penetration strategies will enhance hotel performance. However, only market development strategies and penetration strategies had significant effect at the 95% confidence level since their p-value was less than 0.05.Thus

implying that product development strategies and diversification strategies could not impact on the performance of the hotels on their own.

Table 4.10: Correlation Analysis

		Y	**X1**	**X2**	**X3**	**X4**
Y	Correlation	1				
	P-value					
X1	Correlation	0.334	1			
	P-value	0.096				
X2	Correlation	0.305	.872**	1		
	P-value	0.129	0			
X3	Correlation	.910**	-0.302	-0.281	1	
	P-value	0	0.134	0.164		
X4	Correlation	.796**	-0.138	-0.157	.816**	1
	P-value	0	0.501	0.445	0	
	N	26	26	26	26	26

**. *Correlation is significant at the 0.01 level (2-tailed).*

Y= Performance of hotels, X1= Product development strategies, X2 = Diversification strategies, X3 = Market development strategies, X4 = Penetration strategies

Source; Research Data (2016)

4.6 Effect of Marketing Strategies on Hotel Performance

Multiple regression analysis was used to establish the relationship that existed between marketing strategies and performance of large hotels in Nairobi. Multiple linear regression model was used as it allowed simultaneous investigation of the effect of two or more independent variables on a dependent variable. The results of the fitted model are presented in Table 4.11.

Table 4.11: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.918a	0.844	0.814	0.35124

a. *Predictors: (Constant), Product development strategies, Diversification strategies, Market development strategies, Penetration strategies*

Source; Research Data (2016)

The study obtained a coefficient value of 0.918. This indicated a high degree of correlation between marketing strategies and hotel performance. The R square value is the variation in the dependent variable being explained by the independent variable. The R square value was 0.844 implying that about 84.4% of the variation seen in the performance of large hotels in Nairobi is explained by the variables in the study mainly; product development strategies, diversification strategies, market development strategies and penetration strategies. This further meant that only 15.6% of the variation seen in performance of large hotels in Nairobi is explained by other variables which are not in the model.

Table 4.12: Model Analysis of Variance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.977	4	3.494	28.323	.000a
Residual	2.591	21	0.123		
Total	16.568	25			

a. *Predictors: (Constant), Product development strategies, Diversification strategies, Market development strategies, Penetration strategies*

b. *Dependent Variable: hotel performance,*

Source; Research Data (2016)

From Table 4.12, results indicated that overall, the model obtained was significant. This is because the p-value obtained of 0.000 was less than both 0.01 and 0.05. Thus implying that at 5% level of significance, marketing strategies useful in predicting the performance of large hotels in Nairobi. Coefficients obtained by the study are shown in Table 4.13. As shown in the

model, product development strategies had a coefficient of 0.126, diversification strategies had a coefficient of 0.025, market development strategies 0.787, and penetration strategies 0.175. The positive coefficients obtained indicated that all the variables had a positive effect on the performance of the hotels. Thus increasing the marketing strategies would result in improved financial performance of the hotels. However, the only model that was established to be significant was the market development strategies, as its p-value was less than 0.05. The predictive model thus adopted by the study was $Y = 0.405 + 0.126 X_1 + 0.025 X_2 + 0.787 X_3 + 0.175 X_4$ Where: Y= Performance of hotels (financial and non-financial)**,** X_1= Product development strategies, X_2 = Diversification strategies**,** X_3 = Market development strategies, X_4 = Penetration strategies.

Table 4.13 Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.405	0.578		0.702	0.49
Product development strategies	0.126	0.207	0.109	0.609	0.549
Diversification strategies	0.025	0.176	0.025	0.143	0.887
Market development strategies	0.787	0.17	0.731	4.618	0.000
Penetration strategies	0.175	0.142	0.188	1.233	0.231

a. Dependent Variable: Performance of hotels

Source; Research Data (2016)

4.7 Discussion of Findings

The study was meant to explore the various marketing strategies put in place by the hotels in enhancing their performance. The findings obtained revealed that on penetration strategy, most adopted strategy was penetration pricing on services, while the least adopted was direct marketing on services and products and internet marketing practices. On market development strategy, the most adopted marketing strategy was making hotel brand visible to the niche market while the least being practicing market segmentation based on social class of the customers. On

product development strategies, the most adopted was existence of promotion strategies, while the least was the hotel advertises its products through various media. On diversification strategies, the most adopted strategy was maintaining of strong customer relationship, while diversification strategy adopted to the least extent was specialization in unique services.

The study also aimed at establishing the relationship that existed between the study variables. Product development strategies had a Pearson correlation of 0.334, and a p-value of 0.096, diversification strategies has a Pearson correlation of 0.305, and a p-value of 0.129, market development strategies had a Pearson correlation of 0.910, and a p-value of 0, and penetration strategies as a Pearson correlation of 0.796, and a p-value of 0. This thus implied that all the marketing strategies have a positive impact on the performance of large hotels. These findings concur with those of Wamalwa (2014) who studied the influence of Marketing Strategies on Attraction of International Customers in the Hotel Industry in Nairobi.

On the relationship between marketing strategies and performance of the hotels, the R square value obtained was 0.844 which implied that about 84.4% of the variation seen in the performance of large hotels in Kenya is explained by the variables in the study mainly; product development strategies, diversification strategies, market development strategies and penetration strategies. This further meant that only 15.6% of the variation seen in performance of large hotels in Kenya is explained by other variables which are not in the model. This indicates that the varying performance of firms could be due to the type of marketing strategies adopted in the respective organizations. R obtained was 0.918 implying that adoption of marketing strategies would improve hotel performance.

The model coefficients indicated that product development strategies had 0.126, diversification strategies have 0.025, market development strategies have 0.787, and penetration strategies had 0.175. The positive coefficients obtained indicated that all the variables had a positive effect on the performance of the hotels. Thus increased measures on these strategies would result in improved financial performance of the hotels. This is in line with Njeri, *et al* (2015) who also established the same positive model coefficients on their study variables. However, the only model that was established to be significant was the market development strategies, as its p-value was less than 0.05. The predictive model thus adopted by the study entailed; $Y=0.405+0.126 X_1+0.025 X_2+0.787X_3+0.175X_4$ Where: Y= Performance of hotels (financial and non-

financial)**,** X_1= Product development strategies, X_2 = Diversification strategies**,** X_3 = Market development strategies, X_4 = Penetration strategies.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains summary of the study, conclusion and recommendation for policy makers and areas for further research. Data analysis and summary and conclusions were made in line to the study objective which was to determine relationship between marketing strategies and performance of large hotels in in Nairobi County.

5.2 Summary of the Findings

The study sought to determine the various marketing strategies put in place by the hotels in enhancing their financial performance. The population of this study comprised all the large hotels in Nairobi. The study focused on the 30 five and four star hotels based in Nairobi. The findings obtained revealed that the most adopted penetration strategy was penetration pricing on services with a mean of 4.1, while the least adopted was direct marketing on services and products and internet marketing practices each with a mean of 3.3. The most adopted marketing strategy was making hotel brand visible to the niche market with a mean of 4.0, and the least being practicing market segmentation based on social class of the customers with a mean of 3.3. The most adopted product development strategy was existence of promotion strategies with a mean of 3.6, while the least was the hotel advertises its products through various media with a mean of 3. While the diversification adopted to the largest extent was maintaining of strong customer relationship with a mean of 4.2, the least diversification adopted was specialization in unique services with a mean of 3.2. Thus implying that though most strategies had large extents of adoptions, some still required improvements in their adoption.

On the relationship that existed between the study variables, product development strategies had a Pearson correlation of 0.334, and a p-value of 0.096, diversification strategies has a Pearson correlation of -0.305, and a p-value of 0.129, market development strategies had a Pearson correlation of 0.910, and a p-value of 0, and penetration strategies had a Pearson correlation of 0.796, and a p-value of 0. This thus implied that all the variables except the diversification strategies had a positive impact on the performance of large hotels.

On the overall effect of the dependent variable on the independent variable, R obtained was 0.918 and R square value 0.844. This implied that marketing strategies had positive relationship with organization performance. Marketing strategies explained 84.4% of the variation seen in the

performance of large hotels in Nairobi is explained by the variables in the study mainly; product development strategies, diversification strategies, market development strategies and penetration strategies. This further meant that only 15.6% of the variation seen in performance of large hotels in Nairobi is explained by other variables which are not in the model. The results further indicated that overall, the model was highly significant. This is because the p-value obtained of 0.000 is less than both 0.01 and 0.05. Thus implying that at 5% level of significance, at least one of the variables included in the model is useful in predicting the performance of large hotels in Nairobi.

The model coefficients obtained by the study indicated that product development strategies had a coefficient of 0.126, diversification strategies had a coefficient of 0.025, market development strategies 0.787, and penetration strategies 0.175. The positive coefficients obtained indicated that all the variables had a positive effect on the performance of the hotels. Thus increased measures on these strategies would result in improved financial performance of the hotels.

5.3 Conclusions

Based on the study findings, the study makes a number of conclusions. The study aimed to establish the marketing strategies put in place by the large hotel in Nairobi. The study concludes that adoption of product development strategies, diversification strategies, market development strategies and penetration strategies improve hotel performance. The study also concludes that most adopted penetration strategy is penetration pricing on services, the most adopted marketing strategy was making hotel brand visible to the niche market, product development strategy was existence of promotion strategies while the diversification adopted to the largest extent was maintaining of strong customer relationship. This is an indication that most of the strategies have large extents of adoption. This may be due to the impact the strategies have on both the effectiveness and efficiency of the operations.

The study also established that the marketing strategies have a significant positive relation with the performance of the large hotels. The study thus concludes that variation seen in the performance of large hotels in Nairobi is explained by marketing strategies which include product development strategies, diversification strategies, market development strategies and penetration strategies. Hence proper strategies alignment and formulations will result in improved performance of the large hotels. This is because strategic marketing is the driver of

organizational positioning in a dynamic environment, and that it helps to enhance the development of new product/service for existing markets.

5.4 Recommendations

From the findings, several recommendations are made. To begin with, the performance of the organization may be determined greatly by the type of marketing strategies employed. The study thus recommends that the implementation process of these marketting strategies should be given top priority during the strategy formulation process. Particularly, adequate time and resources should be allocated in ensuring that the strategies are implemented succefully.

Further, the marketting strategies adoption should be supported by an understanding of the hotel industry structure, the needs of target customer segments, positional advantages being sought, and trends in the environment. This will consequently improve on the firm's market revenue, share and profitability. Additionally, the organizations should focus more on the practices that are likely to accrue more benefits. This should therefore go a long way in not only boosting but also improving the organization performance at large.

5.4 Limitations to Study

The study was faced with various limitations. First, the marketing strategies of a particular firm are very delicate; hence the respondents were reluctant in providing such information. However, the researcher informed them that all the collected data was to be used for academic purposes. The study was also limited in that it only focused on large hotels located in Nairobi. This may not be an equal representation of all large hotels in the country and also other hotels in the service industry.

Also, this study centered only on particular variables of marketing strategies on operational performance. The study did not consider any other factors that inevitably affect the performance regardless of the marketing strategies put in place in the organizations such as the political and social factors. Similarly, there is the possibility of omission of other marketing strategies variables that may be relevant in the performance equation. Despite of this, the information provided did provide an accurate picture of the influences marketing strategies have on the performance of large hotels.

5.5 Suggestions for Further Research

Several areas remain unclear and require further research. The study only focused on the existing marketing strategies, without giving much consideration how they were implemented. The study thus suggests further research should be done on the implementation process of the marketting strategies, also investigating the various challenges that may occur in the strategy implementation. The study was only limited to large hotels in Nairobi County. So as to enable generalization of the findings, the study suggests that further study to be conducted on hotels in other parts of the country. Additionally, a study could be conducted on other organizations other than the hotels such as the manufacturing sector so as to establish whether the similar phenomena prevails in these organizations.

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APPENDICES

Appendix I: Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone:: 020-2059162 Telegrams: "Varsity", Nairobi Telex: 22095 Varsity	P.O. Box 30197 Nairobi, Kenya

DATE 22/09/2016

TO WHOM IT MAY CONCERN

The bearer of this letter ......PURITY......WAWIRA......LAWRENZIA.......

Registration No ......D61/64144/2013..................................

Is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

Appendix II: Questionnaire

This study seeks to highlight the relationship between marketing strategies and performance of large hotels in Kenya. All information received will be treated confidentially and be used for academic purposes only. Answer by writing in the spaces provided or by ticking in the appropriate box.

SECTION A: BACKGROUND INFORMATION

1. What is your highest level of education?

   a) PHD   (   )

   b) Masters   (   )

   c) Bachelors' Degree (   )

   d) Diploma   (   )

   e) Secondary Level   (   )

   f) Any Other (Specify)…………………………………………………………….

2. Kindly indicate how long you have served in this organization

   a) Below 2 years (   )

   b) 3-8 Years   (   )

   c) 9-13 years   (   )

   d) 14-18 years   (   )

   e) Over 19 years (   )

3. How long has your hotel been in operation?

   a) Under 5 years   (   )

   b) 6-10 years   (   )

   c) 11-15 years   (   )

   d) Over 16 years   (   )

4. What is the size of your hotel in terms of rooms available?

   a) Below 49 rooms   (   )

   b) 50-149 rooms   (   )

   c) 150-249 rooms   (   )

   d) 250-349 rooms   (   )

   e) Above 350 rooms (   )

SECTION B: MARKETING STRATEGIES ADOPTED BY THE HOTELS

5. Market development strategies

This section aims at establishing the market development strategies adopted by the hotels. Kindly use a scale of 1 to 5 where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent to rate the following statements.

Statement	1	2	3	4	5
Making hotel brand visible to our niche market					
Having employees develop the mind sets and capabilities behind the niche customer-centric agenda					
Establishing an organizational structure in place that enables niche customer centricity in business decisions					
Establishing new market segments based on psychological/prestige					
Practicing market segmentation based on benefit sought by the customers					
Practicing market segmentation based on social class of the customers					
Practicing market segmentation based on income level of the customers					

Are there any other market development strategies adopted by your hotel?

……

……

6. Penetration strategies

This section aims at establishing the penetration strategies adopted by the hotels. Kindly use a scale of 1 to 5 where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent to rate the following statements.

Statement	1	2	3	4	5
Extensive introductory sales promotions					
Internet marketing practices					
Extensive sales force efforts					
Quick expanding of offerings and free trial offers					
Penetration pricing on services					
Extended credit terms on services given					
Heavy use of trade promotions					
Direct marketing on services and products					
PR & Publicity strategy use					
Mail/Telemarketing strategy use					

7. Product development strategies

This section aims at establishing the product development strategies adopted by the hotels. Kindly use a scale of 1 to 5 where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent to rate the following statements.

Statement	1	2	3	4	5
Hotel offers a broad product line					
The hotel develops products that have broad market appeal					
The hotel is efficient in meeting customer wants					
The hotel develops and test products to confirm their adaptability and suitability to the intended customers.					
Existence of promotion strategies					
The hotel advertises its products through various media					
The firm focus on consumer needs and integrating all activities of the organization to satisfy those needs					
The company promotional strategy elicit attention, interest, desire and action					
Introducing new products design/style					
Proper positioning of the hotels					

8. Diversification strategies

This section aims at establishing the diversification strategies adopted by the hotels. Kindly use a scale of 1 to 5 where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent to rate the following statements.

Statement	1	2	3	4	5
Customization/niche in offering services					
Specialization in unique services					
Having highly qualified personnel					
Offering incentives to the employees					
Ensuring customer satisfactory is achieved					
Frequently improving the existing customers services					
Maintaining of strong customer relationship					
Increasing diversity of the hotel's culture					
Identifying the specific needs of the customers					
Clients receive customized services					

SECTION C: PERFORMANCE OF THE LARGE HOTELS

9. Performance of the Hotel

Please indicate the performance of your hotel relative to your competitors based on the following? Kindly use a scale of 1 to 5 where 1 is to very small extent, 2 to small extent, 3 to moderate extent, 4 to large extent and 5 to very large extent to rate the following statements.

Performance indicators	1	2	3	4	5
Brand equity					
Increase in market share Increase in sales volume					
Increased customer satisfaction					
Customer loyalty					
Brand charms					
Increase in net profits					
Brand visibility					

10. In your own opinion, how do marketing strategies influence performance of large hotels?

....

....

END

Thank you for your time

Appendix III: List of Large Hotels in Nairobi County

5-star hotels

1. Hotel Intercontinental
2. Serena Hotels; Nairobi Serena
3. Kempiski Villa Rosa
4. Nairobi Hilton
5. Sarova Group; The stanley
6. The Westlands Hotel - Sankara
7. Fairview
8. Windsor Club
9. Safari Park Hotel
10. The Boma Hotel
11. Raddison Blue
12. Fairmount the Norfolk
13. Dusit D2
14. The Tribe Hotel
15. Hemmingways Hotel

4-star hotels

1. Laico Regency
2. Hotel Royal Orchid
3. EKA Hotel
4. Best Western Nairobi
5. Panari hotel
6. Land Mark (Jacaranda)
7. Silver Springs
8. Tune Hotel
9. Golden Tulip
10. Concord Hotel
11. Pride Inn Westlands
12. Palacina Hotel
13. Southern Sun Mayfair
14. Ngong Hills Hotel
15. Olesereni Nairobi

Tourism Regulatory Authority (2016)

https://www.tripadvisor.com/Hotels-g294207-zfc5-Nairobi-Hotels.html