# THE INFLUENCE OF STRATEGIC MARKETING ON PERFORMANCE OF TRAVEL AGENCIES IN NAIROBI COUNTY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR AWARD OF MASTER'S DEGREE OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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# DECLARATION

**STUDENT'S DECLARATION**

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

Signed ………………………………… Date …………………….

ERIC RUHIU MUTHEE

D61/77017/2014

**SUPERVISOR'S DECLARATION**

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

Signed ……………………………… Date…………………………

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# DEDICATION

I dedicate this work to my entire family all my lecturers and my classmates for their support, encouragement and patience during the entire period of my study and their continued prayers towards successful completion of my course.

# ACKNOWLEDGEMENTS

**TABLE OF CONTENT**

# ABBREVIATIONS AND ACRONYM

**ANOVA:** Analysis of Variance

**KATA:** Kenya Association of Travel Agents

**MBV:** Market Based View

**R&D:** Research and Development

**ROI:** Return on Investments

# ABSTRACT

The study aimed at establishing the influence of strategic marketing on performance of travel agencies in Nairobi County. The study was guided by the following theories; Market-Based View (MBV) theory and Game theory. The study employed a descriptive cross sectional research design. The study focused on 1,300 travel agencies in Nairobi. The study classified the staffs into strata; upper level management, middle level management and lower level management. The sample design of this study was based on Krejcie & Morgan, hypotheses. Using the Krejcie and Morgan 1970 table (appendix II) a sample size of 297 was selected from a population of 1300 travel agencies. The study used primary data and secondary data. The researcher used semi-structured questionnaire to collect primary data. The researcher administered the questionnaire individually to the travel agencies in Nairobi. Secondary data was collected from marketing reports for individual travel agencies found on the KATA website and library. Annual marketing reports were used in the study due to ease of availability and the fact that they are reliable. Regression analysis was used to find the relationship between strategic marketing and performance. The various elements under the dependent variable, namely; market penetration strategy, product development strategy, market development strategy and diversification strategy, was reduced to a single value through computing a composite value by use of weighted average method. Based on the findings of this study, the study concluded that market penetration strategy has a great positive influence on performance of travel agencies in Nairobi County. On the product development strategy, the study concluded that performance of travel agencies in Nairobi County are positively influenced to a great extent by product development strategy. The study further concluded that research and development influence performance of travel agencies in Nairobi County, brand extension influences performance of the agency, assessing customer needs influence performance of the agency. The study further concluded that market development strategy has a great positive relationship to the performance of travel agencies in Nairobi County. The study further conclude that new geographical markets influence performance of the agencies, different pricing policies to create a new market segment influence performance of the agency and that market research has an impact on the performance of the agency. Further, the study concludes that the application of diversification to travel agencies in Nairobi County has a positive relationship to the performance. The study recommends that the management of travel agencies in Nairobi County should implement the use of integrated marketing communication because it solves most problems and helps the agencies to improve their services to their customers.

# LIST OF TABLES

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Strategy marketing has been the focus of organizations and a tool for attaining overall firm performance (Selnes, 2013). If a business would capitalize on its unique strengths and maximize efforts on delivering quality products or services to the customers, there is no doubt; the customers would experience special customer satisfaction. In return the customers would remain loyal and thereby the firm performance would grow due to increased sales. In such a situation, a company would have differentiated itself from the other competitors in the market and enjoyed marketing the right products and services to the right customers with the confidence that the profit margins will expand. Performance of a company is dependent on strategy marketing because companies with poor marketing strategies do not reach out to their clients effectively to promote their products or services (Morgan, Katsikeas & Vorhies, 2012). Marketing strategies and performance and thus related because when marketing strategies are properly horned, it will be easy to boost performance in terms of internal growth, return on Investments (RoI) and growth in the profits made.

The study was anchored on Market based view (MBV) and Game theory. Market based view (MBV) of strategy designs the company policies and strategy based on the trends and the nature of the industry's environment Faulkner (2007). It helps in selecting the market combination for the product, in which the company utilizes its strategy. The strategy helps in designing the structure and strategy of the company based on the market analysis of the industry. It is also based on the Game theory which defines the creation of

a language and formal structure of analysis for making logical decisions in competitive environments (Myerson, 2013).

Travel agencies in Nairobi have grown at a rapid rate over the past years due to the developments taking place in the city and the number of people who are demanding for booking services for those who are traveling and tour packages for tourists. Unlike the old and rusty city back in the years when the railway line reached Nairobi, today, the city has grown to be the safari capital of Africa. The entire Nairobi town has a boundless energy, and is a thriving place where all of human life can be found Kirigia (2013). Travel agency business is thus on the rise because the demands of the customers keep increasing with the needs to visit different places for business functions or adventure. Companies have also appreciated the need to allow their employees to bond, a need which requires travel agents, and thus creating a better workforce. As such, the demand for travel agencies business is highly competitive and lucrative as well. The fast growth of the number of travel agencies makes it important for every business to realize the need for strategic marketing. While some agencies focus on companies, other focus on individuals, families or even faith based organizations. In this case, it is crucial to know where to find their target customers, the message to communicate to them and the specific time they should launch their marketing activities. This, therefore, motivates the need for the present study which sought to investigate the influence of strategic marketing on performance of travel agencies in Nairobi, Kenya

### 1.1.1 Strategic Marketing

According to Hollensen (2015), strategic marketing is the way a firm effectively differentiates itself from its competitors by capitalising on its strengths (both current and

potential) to provide consistently better value to customers than its competitors. The ultimate goal of strategic marketing is to maximise a firm's positive differentiation over competitors in the eyes of its target market. It does this by answering three key questions; where, how and when should the business compete. In understanding this, it's no surprise that a strategic marketing will often lay a framework for fundamental change in the way a firm works and how it engages its markets. According to McDonald (2013), in the process of understanding the three fundamental questions, the company has a responsibility to undertake the five steps involved in strategic marketing which include identifying a mission; analyzing the situation; setting objectives; developing a marketing strategy; and planning for evaluation. Organizations use the concept of strategic marketing to come up with a plan to enhance the process of reaching out and satisfying clients while boosting profitability and productivity.

The first step in strategic marketing is to articulate the reason why the enterprise exists and how it can benefit target consumers over the long term (Barney, 2014). In particular, this mission statement is intended to anticipate the future and describe an ongoing role for the organization's product, service or expertise. Organizations use strategic marketing for the purposes of identifying the needs of the customers and creating a marketing plan in order to boost customer satisfaction, enhance organization performance and boost profit. A company will come up with a written strategic marketing idea which guides the kind of marketing activities to be used and how they will be implemented. By outlining the process by which it will engage clients and utilize new customers and boost sales, a company would can grow and enhance market domination. Strategic marketing also helps a company emerge more creative and become better in market penetration (Brown,

2013). Firms may utilize communication channels like newsletters, e-mails and podcasts in their new strategic marketing activities. The central objective of any company will be customer satisfaction so they may dominate the market and become leaders in their industry and thus providing substantial business satisfaction (Hsu & Wang, 2012).

## 1.1.2 Firm Performance

Organizational performance is a concept used to define how healthy a company is in terms of finances, products and shareholder return (Begic & Duman, 2013). It involves the output or results of a company as measured against its intended objectives. Organizational performance also includes the recurring economic activities meant to achieve organizational goals, monitor progress, and make different kinds of adjustments to achieve the set goals in a more effectively and efficiently. Rubera and Kirca (2012), states that the score card of an organization involves how able an organization is in fulfilling its objectives through better management of the company, strong leadership and a persistent commitment to achieving set goals. Organizational performance is important in the process of monitoring the progress of an organization. It includes the process of measuring the actual performance outcomes against its intended objectives. This process utilizes the top-down approach to setting performance criteria and not a bottom-up approach which is often used in different companies.

Slack (2015), stated that, performance targets for an organization sets the corporate direction to achieve the target. Performance improvement activities which are used to support delivery of the company's strategy are overlooked and the performance is hindered. Companies are therefore striving to adopt perform both financially and non-financially. Common examples non-financial measures are customer or employee

satisfaction, quality, market share, and the number of new products. Non-financial performance measures are sometimes considered to be leading indicators of future financial performance, while current financial performance measures such as earnings or return on assets are commonly considered to be trailing measures of performance. Measuring non-financial performance will be based on checking the kind service customers are get against the set objectives in the company. Financial performance is measured through increase or decrease in profit or losses.

To better understand what they can or should change to improve their ability to perform, organisations can engage a proper understanding of what they can do best and identify the specific customers they should serve. It is crucial to understand that organisations need to obtain useful data on their performance, identify important factors that aid or impede their achievement of results, and situate themselves with respect to competitors (Parmenter, 2015). When the performance score card has been properly analysed, the company is always indebted to trace the root cause of its poor performance.

### 1.1.3 Travel Agencies in Nairobi

Travel agencies in Nairobi refer to businesses that help people plan holidays and make travel arrangements through securing tickets, arranging for reservations, and giving information (Mak, 2015). A travel agency can operate as private retailer company or a public service provider that offers travel and tourism services to customers on behalf of suppliers. The different services include airline tickets, car hire, cruise lines, hotels, railways, insurance for travellers, and a package tour. The main function of a travel agency is to act like an agent, which is selling travel products or even services on behalf of a specific supplier. Unlike other retail service providers, the agents will not keep any

kind of stock in hand. If they have pre-booked hotel rooms or cabins on cruise ships for a group of people who are travelling for an event like as a wedding or honeymoon, they will have stock in hand. A holiday package is not bought from a supplier unless a client makes a special request. The holiday package or ticket is therefore supplied to the agent on behalf of the supplier at a discount. The profit or commission made by the agent is therefore the difference between the actual price which the client will pay for and the discounted price at which the agent buys it. In Nairobi, the need for people to travel for business or leisure is increasing with the booming tourism industry and the desire for the locals to tour their country in a campaign dabbed 'Tembea Kenya'. Therefore, travel agencies are mushrooming and the established ones growing at a fast rate.

In Nairobi, travel agencies have clients ranging from small and medium sized firms to local and international corporate entities, as well as non-governmental organizations, United Nations departments and international sports management bodies. With the growing demand for travel agents services, the agents have resolved to use the online platform to enhance booking and expand their market reach (Kenneth, Rebecca & Eunice, 2012). The Internet connection has become a critical part of almost all travel agencies and is therefore used not just as a research tool but as a business-to-business booking tool. The business of travel agencies in Nairobi is regulated by the Kenya Association of Travel Agents (KATA). This is a membership based organization that represents the interests of Travel Industry in Kenya and other interested parties (KATA, 2015). KATA works to enhance and improve the Travel Industry business climate in Kenya by promoting the services of Travel Agents to the general public, protecting the

rights of Travel Agents businesses, and assisting businesses to optimize their businesses and improve profitability.

### 1.1.4 Strategic Marketing and firm Performance

The relationship between Marketing strategies and a firm performance is a key issue to the survival of the organization. Marketing strategies has been associated with the field of strategic management from its earliest foundations. According Huang (2012) strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses, then strategists can devise a plan of action that may include first, positioning the company so that its capabilities provide the best defence against the competitive force, influence the balance of the forces through strategic moves, thereby improving the company's position, and, anticipate shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.

### 1.2 Research Problem

Strategic marketing discourages business owners from making ad hoc and impulsive business marketing decisions but rather to have a well-defined strategy on how the business will improve its effectiveness in the market by improving performance (McCamley & Gilmore, 2015). The process involves gathering of marketing information in a well-crafted manner and then the data is analyzed to help project marketing goals in the long-term. The process of implementing content marketing strategy such as social

7

media tactics, without initially making a strategic marketing idea is like constructing a building with no blueprint.

According to Liebl (2015), travel agencies businesses have been on rise and the market is getting flooded every year making the competition stiffer. The desire for every business to attract clients has prompted travel agency owners to dive into research to identify the major activity they can carry out to boost their performance. In regard to business performance, the idea is to know when to do, how to do it and the specific location to focus on. This highlights the need for strategic marketing in the travel agency business with a desire to foster growth, increase customer satisfaction, boost customer loyalty and enhance the financial performance (Begic & Duman, 2013). The need to make shareholders happy with the business performance is a crucial question ringing in the mind of many travel agents. In this case, differentiation is close to the hearts of the business owners who desire identify competitive advantage in the market and thus enjoy delivering the right products and services to the target customers with the assurance that the profit margins will expand. When travel agencies fail to identify their strength to take advantage of, its marketing may end up having no effect, because of one sole reason; it has missed the concept of strategic marketing.

Moriaso (2013), studied on influence of strategic positioning on organizational Performance among sugar companies in Kenya. The study revealed that the companies use positioning strategies to fine tune the strategy, provides the framework upon which to build and coordinate the elements of the marketing mix, knowing where to confront competition from and where to avoid, increase sales, provides the company with a unique image in the market place.

On the other hand, Kirigia (2013), studied on effect of strategic marketing practices on performance of telecommunication companies in Nairobi County. The study found that strategic marketing practices have an effect on performance of telecommunication firms on Nairobi County. All the firm's mission statements' are based on strategic marketing practices thus its vital for their continuous adoption in order to have a sustained performance. The study has established that strategic marketing practices as adopted by the telecommunication firms determine their performance.

Mawanda (2011), studied on strategic marketing and competitive advantage of firms in the telecommunication industry in Kenya. The study found out that the industries have each played a part in creating brand loyalty to the customers and perception through strategic marketing and to achieve competitive advantage based on stability, trust and a combination of variety in services that has made the companies that perform well have more percentage in market share than those with less experience in the market industry. Therefore, this study seeks to examine the influence of strategic marketing on performance of travel agencies in Nairobi. Many studies have been conducted on strategic marketing, however none has been done on travel agencies in Nairobi which focus on competitive advantage that can be adopted as a critical determinant of performance. Therefore, it is on the basis of this gap that this research sought to fill by answering the question: what is the influence of strategic marketing on performance of travel agencies in Nairobi County?

## 1.3 Research objective

The objective of this study was to establish the influence of strategic marketing on performance of travel agencies in Nairobi County

## 1.4 Value of the Study

The policy makers are expected to gain more information on the various issues which affect travel agents need addressed in terms of legal framework to boost a healthy working environment. They will also be informed on the research gaps, which they can allocate funds for further research to make the business of travel agencies to upgrade their service delivery standards to ensure they match with international standards. A competitive environment is also required and thus laws should be crafted to monitor, regulate and guide the business. Players in the travel agencies will therefore gain understanding on the strategic marketing issues they need to address in order to position the sector more competitively.

The findings of this study will help travel agencies managers by giving them more insight into the strategic marketing and how it can influence performance. The recommendations derived from the findings are hoped to give them a guideline of how they can effectively ensure that strategic marketing guides them in allocation of resources while still identifying new opportunities in a competitive environment. The staff members stand to benefit from this study. They will gain more insight on how they can identify market opportunities which involves analysis of opportunities and checking what customer's needs require as the market evolves.

Academicians will have an in-depth understanding on how they can carry out more research in the area because they will gain special insight into the study on the topic. It will also form a basis for further research on strategic marketing and its influence on performance. The students and academics will use this study as a basis for discussions on the need to carry out further research and the factors affecting performance in the travel agencies sector. Academicians and researchers who have a special interest in the business world will use the findings as a great resource base when studying or carrying out research.

The findings from the study will particularly be useful in the application of theory in the influence of marketing strategies on the performance of travel agencies. This will expand knowledge on the application of Market-based view (MBV) and game theory on the influence of marketing strategies on the performance of travel agencies.

## CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter presents a review of the related literature on the influence of strategic marketing on performance of travel agencies in Nairobi as presented by various researchers, scholars, analysts and authors. The chapter also provides the theories underpinning the study.

## 2.2 Theoretical Foundation

This section examines the various theories that will be used to inform the study on the influence of strategic marketing on performance of travel agencies in Nairobi. The study was guided by the following theories; Market-Based View (MBV) theory and Game theory.

### 2.2.1 Market-Based View (MBV) Theory

Market-Based View (MBV) is an outside approach to competitive strategy; which as stated by Faulkner (2007), it copes with competition through market positioning. Firms identify the opportunities and threats in their external environment through the use of tools such as the Product Life Cycle, Porter's 5 Forces Model of industry analysis, Strategic groups, Scenario planning and models namely Porter's Generic Strategies, Customer Matrix and Mintzberg's 5P's Model. Upon mapping out the various opportunities and threats from outside and having a good understanding of the behavior and current external situations, the firm then proceeds to make necessary adjustments internally so that it fits to its external environment (Faulkner, 2007).

The theory considers different markets and the accurate analyses of industries as being sufficient, by itself, in order to address all the major questions of economic interest. This pertains to firms and company behavior, and it therefore gives a special treat to the firm as a black box. In the process it recognizes the potential existence of a market failure, but instead focuses on the structural market failure. In this case, such structural market failures are to be considered to be a reason for the government intervention to correct. It therefore puts markets center stage in the explanation of the nature, the growth, and the strategies of firms.

This study finds this theory relevant since the theory tries to unpack various issues on competitive advantages which revolve around the issue of strategic marketing. Issues such as the ability to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity which are examined in the theory.

### 2.2.2 Game Theory

Game theory was invented by John von Neumann and Oskar Morgenstern in 1944. It involves the study of the ways in which interacting choices of economic agents produce outcomes with respect to the preferences (or utilities) of those agents, where the outcomes in question might have been intended by none of the agents and thereby create an impact on the performance of company. The theory involves a process of modeling the strategic interaction of two or more players who have to follow a set rules and outcomes. Game theory is mostly used as a tool within the study of economic changes. The economic application of game theory can be a valuable tool to aide in the fundamental

analysis of industries, sectors and any strategic interaction between two or more firms (Myerson, 2013).

According to Rapoport (2012), the theory represents concepts with an aim of decision making in situations of competition and conflict. The theory employs games of strategy, such as the chess game, but not of chance, such as rolling of a dice. A strategic game in this case represents a situation where participants in the game are faced with choices of action, by which they can gain or lose, depending on the actions of others in terms of what they do or does not do. The final outcome of the game is determined jointly by the strategies chosen by the different participants. Through the use of simple methods of game theory, a company can easily solve a confusing array of outcomes in a real-world situation. Using the theory as a tool to achieve accurate financial analysis can be helpful in sorting out potentially risky in real-world situations, including mergers and product releases which are essential to performance of a business.

The theory is relevant to the study because it models the strategic interaction of two or more players in a situation containing a set rules and outcomes which endorses the needed change. It also views businesses as game where different players are involved and they are required to make certain specific and impactful decisions. It represents a set of concepts aimed at decision making in situations of competition and conflict (Han, 2012). It also tries to explain that the final outcome of a game process of making decisions, therefore determining the different strategies chosen by participants. When using the simple methods of game theory, it is therefore easy to solve a confusing array of outcomes in a real-world situation.

## 2.3 Marketing Strategies

Strategic marketing involves the way a firm effectively differentiates itself from its competitors by capitalizing on its strengths (both current and potential) to provide consistently better value to customers than its competitors. To achieve a set of organizational goals and objectives, companies conceptualize, design, and implement various strategies. Some of the marketing strategies;

According to Wind and Schmid (2013), marketing penetration, sometimes referred to as a market share, is a measure of the percentage of sales volume an existing product or business achieves in relation to the competition. It involves an activity or fact of increasing the market share of an existing product, or promoting a new product, through strategies such as advertising, lower pricing and volume discounts. A marketing penetration strategy involves the process of focusing on selling the existing products or services into the existing markets in order to gain a higher market share. It is one of the first strategies different organizations consider because it carries the minimum risk. This strategy comprises of selling products or services to different customers and to the new clients who are in the same marketplace.

Another strategy is product development strategy which is the process of coming up with new products or modifying the existing ones to make them appear new, and thus offering the products or services to the current or new markets (Begic & Duman, 2013). Product development is one of the four alternative marketing strategies. This growth strategy requires changes in business operations, including a research and development (R&D) function that is needed to introduce new products to the organization existing customer base. Product development strategy involves the process of developing new products or

even modifying the existing products to make them look new, and offering the same products or services to current or new markets. There is nothing simple about the process because different changes must be made. It requires keen attention to the different competitors and even customer needs currently and in the future, the ability to finance prototypes and even the manufacturing processes, and a concise creative marketing and communications strategy. This strategy is used when the existing market is highly saturated with competitors, and the revenues and profits remain stagnant or even fall. In such a case there is little or no opportunity for growth to be experienced.

According to Dehao and Liu (2015), the market development strategy is a declaration of intent that provides the strategic direction for a startup's go-to-market programs (that is, sales strategy, marketing communications, and product strategy). Market development involves two-step processes starting with market research. The also needs to engage in the segmentation analysis in order to determine he kind of market segments it can pursue. A market segment is simply a section market available presently. When the company has determined the kind of market segments is will pursue, the second step involves coming up with a promotional strategy to penetrate the newly identified market. This is because market development is a strategy whereby an enterprise attempts to locate new buyers who will become potential customers their existing products and services. In other words, the goal of market development aimed at expanding into the untapped markets. The potential or new customers may already be served by other competitors in the market or may not be currently marketed to by anyone for different or similar products.

Diversification strategies involve widening an organization's scope across different products and market sectors. It is associated with higher risks as it requires an

organization to take on new experience and knowledge outside its existing markets and products. The organization may come across issues that it has never faced before. It may need additional investment or skills. In the diversification strategy, a business develops new products or services or expands into a new market (Ardizzon, Cavazzini & Pavesi, 2015). Mostly, businesses will diversify to manage the different risks they are facing by minimizing the potential harm to a business during economic crisis. The idea is to expand into an activity that will not negatively react to similar economic downturns as the existing business activity. If a business enterprise is taking a hit in the market, it is crucial to ensure the other business enterprises will offset the losses and still maintain the business as viable. A company can still use diversification process as a growth strategy.

A diversification strategy opens up new possibilities. The organization can diversify product offering or its target markets, but it must expand the business horizons. To continue to grow, the organization has to examine how it can increase sales volume and revenue while keeping costs and risk to a minimum. The marketing diversification strategy that requires the least amount of resources and effort is increasing market penetration. The organization's existing products appeal to a target within the total accessible market, but they may be attractive to members of the accessible market outside of those the target group. Broadening and diversifying the marketing strategy to include a wider audience for the promotion may diversify the customer base

## 2.4 Strategic Marketing and Firm Performance

Strategic marketing as a concept of identifying the reason why a company exists and how it can benefit target consumers over the long term cannot be divorced from organizational

performance (Ward & Peppard, 2016). When the company is already aware of why it exists and has a clear marketing mix strategy on what to do when, how and where, there is absolutely no doubt such a strategy will have a direct impact into how the company will perform. Once the three fundamental strategic marketing questions have been well answered, the company will be ready to achieve the set targets, and perhaps, exceed its expectations. Strategic marketing is a template upon which a company can draw its goals and objectives and be sure of achieving them. If the market is approached blindly without a clear plan on what should be done when, how and where, there is frustration, disappointment and loss in the offing. In fact, when businesses fail, the question is always about what went wrong in the drawing board. When the strategic marketing activities are properly consolidated, there is an assurance maximum results will be the end product (Wang, Chen & Chen, 2012).

Marketing strategies can be qualified as a key measure of Firm Performance. Firm marketing strategies is considered such an important measure of company success that some authors consider a distinction between Marketing strategies and firm success obsolete. According to (Del Chiappa, 2013) Marketing strategies is a necessity to meet the demands of an increasingly complex and dynamic environment. Knowledge and evidence-informed decision making are instrumental in Marketing strategies; and entails getting focused on important goals, and involving others in achieving them.

According to Huang (2012), in the present era, strategic marketing has emerged to be highly competitive. In this competitive the market, a strategy is quite crucial to offer the required products or services which are better than those of a rival company. Strategic marketing should be implemented is an exact and well-planned methodology.

18

Furthermore, in case a firm is not too stable then it should prudently promote the offerings that prove profitable for the business. This is because strategic marketing focuses on delivering greater value to customers and the firm at a lower cost quantifying the return on investment from marketing expenditure on activities such as advertising, promotion and distribution is one of the most complex issue facing decision makers (Del Chiappa, 2013). As such, strategic marketing is central to organizational success in today's fast moving economy and a critical determinant of performance.

## 2.5 Summary of Empirical studies and Research Gap

The studies that have tried to associate the influence of strategic marketing on performance have given conflicting results. Dolnicar and Laesser (2007) did a study on Travel agency marketing strategy: insights from Switzerland the study established that Results indicate that the use of travel agencies is indeed associated with specific services related to package holidays, transport services, beach or city holidays, as well as destinations travelers are not familiar with. Further Yang et al.,(2012) did a study on Adaptation of Strategic Collaboration Between Travel Agencies. The findings provided interesting insights for travel agencies interested in partner choice. Customer competence emerged as an important asset in travel agent collaboration, which can be used to increase the productivities of knowledge works through the management of product and service innovation; different strategies are discussed in terms of different segments of customers within the collaboration.

Kariithi (2015) also did a study on the influence of marketing strategies on growth of small and medium business in air travel agencies in Nairobi County in Kenya. The

marketing strategy was noted to be an essential tool in growth, for the company to be competitive the products and services have to be different than the rest of the competitors. The price as well has to be fair for all. This increase the destination points hence the company profile. While cost saving measures, including creating partnerships and strategic alliances, is implemented to strengthen the financial resource base. The study results conclude that there is a significant effect of marketing strategies on the sales growth of an enterprise, likewise a significant relationship between the usages of direct distribution channels on the profitability of an enterprise.

Kirigia (2013), studied effect of strategic marketing practices on performance of telecommunication companies in Nairobi County. The results indicated that the study revealed that the companies use positioning strategies to fine tuning the strategy. Moriaso (2013) studied on influence of strategic positioning on organizational Performance among sugar companies in Kenya. Mawanda (2011), investigated the effects of strategic positioning on organizational performance in Kenya. This studies show that none of them discussed influence of strategic marketing on performance of travel agencies in Nairobi, hence the research gap.

# CHAPTER THREE:  RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that was used in this study.  It focuses on the research design, target population data collection sample design and data analysis and data presentation methods that was used in this study.

## 3.2 Research Design

The study employed a descriptive research design.  Descriptive design is used to allow researchers to gather, summarize, present and interpret information for the purpose of clarification According to Orodho (2002), it is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions.

A descriptive design enabled the researcher to describe the characteristics of the variables of interest. This study was about the influence of strategic marketing on performance of travel agencies in Nairobi. Surveys are useful in describing the characteristics of a large population. It is justified that descriptive cross sectional survey is most suited and justifiably adopted in this study as it examines relationship between exposure and outcome prevalence in a defined population at a single point in time (Ngechu, 2004).

## 3.3 Population of the study

According to Mugenda and Mugenda (2003), a population can be defined as an entire set of relevant units of being studied. According to The Kenya Association of Travel Agents (KATA) there are 1,300 travel agencies in Nairobi. The study focused on 1,300 travel agencies in Nairobi. Further, the target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the results of the study.

## 3.4 Sample Design

This study used stratified sampling method. According to (Ngechu, 2004), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. The sample design of this study was based on (Krejcie & Morgan, 1970) hypotheses. Using the Krejcie and Morgan 1970 table (appendix II) a sample size of 297 was selected from a population of 1300 travel agencies.

## 3.5 Data Collection

The study used primary data and secondary data. The researcher used semi- structured questionnaire to collect primary data. The researcher administered the questionnaire individually to the travel agencies in Nairobi. The research assistants clarified on any questions that may be unclear to the respondent.. Secondary data was collected from marketing reports for individual travel agencies found on the KATA website and library.

Annual marketing reports were used in the study due to ease of availability and the fact that they are reliable. The structured questions were in form of a five point Likert scale, whereby respondents were required to indicate their views on a scale of 1 to 5.

## 3.6 Data Analysis

The research used both quantitative and qualitative statistics. The data was cleaned and checked for completeness and readiness for analysis. The data from the field was coded according to the themes researched on the research. The qualitative data was analyzed using descriptive statistics.

Regression analysis was used to find the relationship between strategic marketing and performance. The various elements under the dependent variable, namely; market penetration strategy, product development strategy, market development strategy and diversification strategy, was reduced to a single value through computing a composite value by use of weighted average method.

The regression equation was in the following form;

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where $Y$ = Performance

$X_I$ = Market penetration strategy

$X_2$ = Product development strategy

$X_3$ = Market development strategy

$X_4 =$ Diversification strategy

$B_1 - \beta_4$ are the regression co-efficient or change introduced in Y by each independent variable

$\epsilon$ is the random error term accounting for all other variables that influence performance but not captured in the model.

The study used one-way ANOVA to test the level of significant of the independent variables on the dependent variable at 95% level of significance, the one-way ANOVA will be used to test whether there exists any significant difference between the study variable.

# CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

## 4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

### 4.1.1 Response Rate

The study targeted a sample size of 297 respondents from which 240 filled in and returned the questionnaires making a response rate of 80.8%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

## 4.2 Demographic Information

This sub-section investigates on respondent's background information; mainly it includes gender distribution, education level and period worked with the agency.

### 4.2.1 Gender distribution

The study sought to establish the gender category of the respondents. This was done in view of ensuring fair engagement of respondents in terms of their gender. Results are show in table 4.1

**Table 4. 1 : Gender distribution**

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Male | 176 | 73.3 |
| Female | 60 | 26.7 |
| **Total** | **240** | **100** |

**Source: Researcher**

The study sought to establish the gender distribution of the respondents, from the research findings the study revealed that majority of the respondents as shown by 73.3% were males whereas 26.7% of the respondents were females. This this implies that respondents were fairly distributed in terms of their gender.

### 4.2.2 Level of Education

The study sought to establish the highest level of education. The results are presented in Table 4.2 below.

**Table 4. 2 : Level of Education**

| Level of Education | Frequency | Percentage |
|--------------------|-----------|------------|
| College Diploma | 121 | 50.4 |
| Undergraduate | 88 | 36.7 |
| Master | 31 | 12.9 |
| **Total** | **240** | **100** |

**Source: Researcher**

On respondents' level of education attained, the study revealed that majority of the respondents as shown by 50.4% had attained, college diploma or whereas 36.7% of the respondents had attained undergraduate degrees and 12.9% of the respondents had

attained master's degree. This implies that respondents were well educated and therefore they were in position to respond to the research questions with ease.

### 4.2.3 Period of Service

The study sought to establish the period which the respondents had served for in the agency. Table 4.3 below shows the results.

**Table 4.3 : Period of Service**

| Period of Service | Frequency | Percentage |
|---|---|---|
| Below 3 years | 19 | 7.9 |
| 3 to 6 years | 31 | 12.9 |
| 6 to 9 years | 71 | 29.6 |
| 9 years and above | 119 | 49.6 |
| **Total** | **240** | **100** |

**Source: Researcher**

From the research findings, the study revealed that most of the respondents as shown by 49.6% had served the agency for more than 9 years whereas 29.6% of the respondents had served the agency for a period of 6 to 9 years, 12.9% had served the agency for 3 to 6 years and only 7.9% of the respondents had served the agency for a period of less than 3 years. This implies that majority of the respondents had served the agency for a considerable period of time and thus they were in a position to give credible information rating to this research

### 4.3 Marketing Strategies

The study sought to establish how various marketing strategies influence performance of travel agencies which are; market penetration strategy, product development strategy, market development strategy and diversification strategy

### 4.3.1 Market Penetration Strategy

The researcher sought to establish the influence of Market Penetration Strategy on performance of travel agencies in Nairobi County. The respondents were asked to rate the statement in table 4.4 using a scale of 1-5, where 5= strongly agree; 4=Agree; 3=Neutral; 2= Disagree; 1=strongly Disagree. The average mean and standard deviations are shown in Table 4.4 below.

**Table 4. 4 : Market Penetration Strategy**

| Market Penetration Strategy | N | Mean | Std deviation |
|---|---|---|---|
| Rapidly changing technologies has increased performance of the agency | 240 | 4.51 | 0.23 |
| Price penetration affects the brand and positioning of the agency | 240 | 4.35 | 0.19 |
| Dropping the price of the product thereby possible increasing the attractiveness of the services | 240 | 4.34 | 0.20 |
| Existing services increases the market share of the agency | 240 | 4.28 | 0.21 |
| Increase usage by existing customers has increased performance of the agency | 240 | 4.26 | 0.24 |
| Selling the existing products or services into the existing markets has increased performance of the agency | 240 | 4.22 | 0.27 |
| **Average score** | **240** | **4.33** | **0.22** |

**Source: Researcher**

From the research findings majority of the respondents agreed that; rapidly changing technologies has increased performance of the agency (M=4.51, SD =0.23), they also agreed that price penetration affects the brand and positioning of the agency (M=4.35, SD =0.19), they further agreed that dropping the price of the product thereby possible increasing the attractiveness of the services (M=4.34, SD =0.20), they also agreed that existing services increases the market share of the agency (M=4.28, SD =0.21), increase usage by existing customers has increased performance of the agency (M=4.26, SD =0.24), and that selling the existing products or services into the existing markets has increased performance of the agency (M=4.22, SD =0.22). The findings concur with

Wind and Schmid (2013), marketing penetration strategy involves the process of focusing on selling the existing products or services into the existing markets in order to gain a higher market share. It is one of the first strategies different organizations consider because it carries the minimum risk.

### 4.3.2 Product Development Strategy

The research sought to establish the level at which respondents agreed with the statements on table 4.5 below relating to product development strategy.

**Table 4.5 : Product Development Strategy**

| Product Development Strategy | N | Mean | Std deviation |
|---|---|---|---|
| Research and development influence performance of your agency | 240 | 4.50 | 0.26 |
| Brand extension influences performance of your agency | 240 | 4.44 | 0.25 |
| Assessing customer needs influence performance of your agency | 240 | 4.42 | 0.19 |
| The new product reinvents or refreshes the existing services which influence performance of your agency | 240 | 4.31 | 0.18 |
| New products are closely associated with current products in your firm | 240 | 4.27 | 0.29 |
| Your new services match current customers' purchasing habits | 240 | 4.13 | 0.22 |
| **Average score** | **240** | **4.35** | **0.23** |

**Source: Researcher**

From the research findings majority of the respondents agreed that; research and development influence performance of the agency (M=4.50, SD=0.26), they also agreed that brand extension influences performance of the agency (M=4.44, SD=0.25), the further agreed that assessing customer needs influence performance of the agency (M=4.42, SD =0.19). The findings confirm Begic and Duman (2013), argument that product development strategy involves the process of developing new products or even modifying the existing products to make them look new, and offering the same products

or services to current or new markets. There is nothing simple about the process because different changes must be made.

The study further revealed that the new product reinvents or refreshes the existing services which influence performance of the agency (M=4.31, SD =0.18), they also agreed that new products are closely associated with current products in the firm (M=4.27, SD =0.29), and that the new services match current customers' purchasing habits (M=4.13, SD =0.22). The findings are in line with Dehao and Liu (2015), this growth strategy requires changes in business operations, including a research and development (R&D) function that is needed to introduce new products to the organization existing customer base. Product development strategy involves the process of developing new products or even modifying the existing products to make them look new, and offering the same products or services to current or new markets. There is nothing simple about the process because different changes must be made.

### 4.3.3 Market Development Strategy

The researcher sought to establish the influence of Market Development Strategy on performance of travel agencies in Nairobi County. The respondents were asked to rate the statement in table 4.6 using a scale of 1-5, where 5= strongly agree; 4=Agree; 3=Neutral; 2= Disagree; 1=strongly Disagree. The average mean and standard deviations are shown in Table 4.6 below.

**Table 4.6 : Market Development Strategy**

| Market Development Strategy | N | Mean | Std deviation |
|---|---|---|---|
| Selling the existing products into new markets influence performance of your agency | 240 | 4.34 | 0.15 |
| New marketing methods influence performance of your agency | 240 | 4.47 | 0.25 |
| Different pricing policies to create a new market segment influence performance of your agency | 240 | 4.20 | 0.23 |
| New geographical markets influence performance of your agency | 240 | 4.31 | 0.21 |
| Market research has an impact on the performance of your agency | 240 | 4.07 | 0.29 |
| Segmentation of the market has an impact on performance of your agency | 240 | 4.53 | 0.30 |
| **Average score** | **240** | **4.32** | **0.24** |

**Source: Researcher**

The research sought to establish the level at which respondents agreed on the above statements relating to market development strategy, from the research findings majority of the respondents agreed that; segmentation of the market has an impact on performance of the agency (M=4.53, SD =0.30), new marketing methods influence performance of the agency (M=4.47, SD =0.25), they also agreed that selling the existing products into new markets influence performance of the agency (M=4.34, SD =0.15). The findings concur with Dehao and Liu (2015), the market development strategy is a declaration of intent that provides the strategic direction for a startup's go-to-market programs (that is, sales strategy, marketing communications, and product strategy). Market development involves two-step processes starting with market research. The also needs to engage in the segmentation analysis in order to determine he kind of market segments it can pursue. A market segment is simply a section market available presently.

The study further revealed new geographical markets influence performance of the agency (M=4.31, SD =0.21), different pricing policies to create a new market segment influence performance of the agency (M=4.20, SD =0.23), they further agreed that market research has an impact on the performance of the agency (M=4.07, SD =0.29). The findings conform to the arguments of Begic and Duman (2013), when the company has determined the kind of market segments is will pursue, the second step involves coming up with a promotional strategy to penetrate the newly identified market. This is because market development is a strategy whereby an enterprise attempts to locate new buyers who will become potential customers their existing products and services. The goal of market development aimed at expanding into the untapped markets. The potential or new customers may already be served by other competitors in the market or may not be currently marketed to by anyone for different or similar products.

### 4.3.4 Diversification Strategy

The research sought to establish the level at which respondents agreed on the below statements relating to diversification strategy. The average mean and standard deviations are shown in Table 4.7 below.

**Table 4.7 : Diversification Strategy**

| Diversification Strategy | N | Mean | Std deviation |
|---|---|---|---|
| Your agency performance is influenced by backward diversification | 240 | 4.52 | 0.29 |
| Diversification strategy opens up new possibilities for the agency | 240 | 4.43 | 0.26 |
| Business diversification influences the agency performance | 240 | 4.34 | 0.30 |
| Your agency performance is influenced by honest assessment of risk | 240 | 4.23 | 0.19 |
| Access to capital willingness to invest influence performance of your agency | 240 | 4.18 | 0.22 |

| | | | |
|---|---|---|---|
| Forward diversification influence performance of your agency | 240 | 4.05 | 0.21 |
| **Average score** | **240** | **4.29** | **0.25** |

Source: Researcher

From the research findings majority of the respondents agreed that; the agency performance is influenced by backward diversification (M=4.52, SD =0.29), they also agreed that diversification strategy opens up new possibilities for the agency (M=4.43, SD =0.26), they further agreed that business diversification influences the agency performance (M=4.34, SD =0.30). The findings concur with Ardizzon, Cavazzini and Pavesi (2015), a business develops new products or services or expands into a new market Mostly, and a business will diversify to manage the different risks they are facing by minimizing the potential harm to a business during economic crisis. The idea is to expand into an activity that will not negatively react to similar economic downturns as the existing business activity.

The study further revealed that the agency performance is influenced by honest assessment of risk (M=4.23, SD =0.19), and that forward diversification influence performance of the agency (M=4.05, SD =0.21). The findings are in line with Han (2012), the organization can diversify product offering or its target markets, but it must expand the business horizons. To continue to grow, the organization has to examine how it can increase sales volume and revenue while keeping costs and risk to a minimum. The marketing diversification strategy that requires the least amount of resources and effort is increasing market penetration.

**4.4 Performance**

Table 4.8 below shows the level at which respondents agreed on the statements relating

to performance**.**

**Table 4.8 : Performance**

| Performance | N | Mean | Std deviation |
|---|---|---|---|
| Innovativeness in the agency is a priority | 240 | 4.52 | 0.25 |
| The services meet the needs of the customers | 240 | 4.20 | 0.20 |
| The agency has new products and services in the market | 240 | 4.47 | 0.19 |
| The agency has experienced internal growth | 240 | 4.38 | 0.18 |
| Employees are happy and contented at their work | 240 | 4.17 | 0.26 |
| **Average score** | **240** | **4.35** | **0.22** |

**Source: Researcher**

The research sought to establish the level at which respondents agreed on the above

statements relating to performance**,** from the research findings majority of the

respondents agreed that; innovativeness in the agency is a priority (M=4.52, SD =0.25),

they also agreed that the agency has new products and services in the market (M=4.47,

D=0.19), the agency has experienced internal growth (M=4.38, SD =0.18), they further

agreed that the services meet the needs of the customers (M=4.20, SD =0.20), and that

employees are happy and contented at their work (M=4.17, SD =0.26). The findings

support Slack (2015), that organizational performance is important in the process of

monitoring the progress of an organization. It includes the process of measuring the

actual performance outcomes against its intended objectives. This process utilizes the

top-down approach to setting performance criteria and not a bottom-up approach which is

often used in different companies.

## 4.5 Regression Analysis

A multiple regression model was applied to identify the influence of strategic marketing on performance of travel agencies in Nairobi County. The study adopted the following regression equation to establish the relationship between variables $Y= \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where Y= Performance, $\beta 0$=the constant of regression, $\beta 1$, $\beta 2$, $\beta 3$ and $\beta 4$ = are the regression coefficients/weights of the following respective independent variables; x1= Market penetration strategy, x2= Product development strategy, x3= Market development strategy, x4= Diversification strategy, and e= error term. All the four independent variables were measured using the responses on each of the variables obtained from the respondents. The results are discussed below.

**Table 4.9 Regression Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-----|----------|-------------------|---------------------------|
| 1 | 0.898[a] | 0.806 | 0.763 | 0.03 |

a. Predictors: (constant), Market penetration strategy, Product development strategy, Market development strategy, Diversification strategy

**Source: Researcher**

The four independent variables that were studied explain 80.6% of the strategic marketing influencing Performance as represented by R Squared (Coefficient of determinant). This therefore means that other factors not studied in this research contribute 19.4% in influencing Performance. The results of this study concur with Silva (2006), who found that marketing strategy is the fundamental goal of increasing sales and achieving a sustainable competitive advantage Marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company.

**Table 4.10 ANOVA of Strategic Marketing Influence on Performance**

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 329.640 | 4 | 82.410 | 30.44 | .001[a] |
| Residual | 636.145 | 235 | 2.707 | | |
| Total | 965.785 | 239 | | | |

a. Dependent variable: Performance
b. Predictors: (constant), Market penetration strategy, Product development strategy, Market development strategy, Diversification strategy
**Source: Researcher**

The study used ANOVA to establish the significance of the regression model from which an f-significance value of p less than 0.05 was established (p=0.001 <0.05). The model is statistically significant in predicting how market penetration strategy, product development strategy, market development strategy and diversification strategy affect performance. This shows that the regression model has a less than 0.05 likelihood (probability) of giving a wrong prediction. This therefore means that the regression model has a confidence level of above 95% hence high reliability of the results. This implies that the regression model is statistically significant.

**Table 4.11 Regression Coefficients**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | .149 | 0.035 | .174 | 4.26 | .001 |
| Market penetration strategy $(X_1)$ | .554 | .016 | .423 | 34.625 | .002 |
| Product development strategy $(X_2)$ | .513 | .133 | .262 | 3.857 | .003 |
| Market development strategy $(X_3)$ | .498 | .021 | .218 | 23.714 | .004 |
| Diversification strategy $(X_4)$ | .477 | .029 | .123 | 16.448 | .003 |

a. Dependent variable: Performance
**Source: Researcher**

The established regression equation was

36

**Y= 0.149 + 0.554X$_1$ + 0.513X$_2$ + 0.498X$_3$ + 0.477X$_4$ + ε**

The regression equation above has established that holding all strategic marketing (market penetration strategy, product development strategy, market development strategy and diversification strategy) constant, other factors influencing performance will be 0.149 (p = 0.001< 0.05).  The findings also show that taking all other independent variables at zero, a unit increase in Market penetration strategy will lead to a 0. .554 (p = 0.002< 0.05) increase in the Performance. The findings also show that taking all other independent variables at zero, a unit increase in Product development strategy will lead to a 0.513 (p = 0.003< 0.05) increase in the Performance. On the other hand, the findings also show that taking all other independent variables at zero, a unit increase in market development strategy will lead to a 0.513 (p = 0.003< 0.05) increase in the performance and that taking all other independent variables at zero, a unit increase in diversification strategy will lead to a 0.477 (p = 0.004< 0.05) increase in the performance.

## 4.6 Discussion of the Findings

Prediction by regression model indicated that taking all other independent variables at zero, a unit increase in market penetration strategy will lead to an increase in the Performance. The findings are in line with Ballowe (2009), market penetration strategy concentrate on growth because a firm thoroughly develops and exploits their knowledge and expertise in a specific market with known products. One of the goals is to increase present customers' rate of use. This can be achieved through increasing the size of the purchase, maximising the rate of product obsolescence, finding new users for the product, advertising other uses and offering incentives for increased use. The study also established that the firms rapidly changing technologies has increased performance of the

agency. Price penetration affects the brand and positioning of the agency, dropping the price of the products in the travel agency increases the attractiveness of the services.

The study also revealed that taking all other independent variables at zero, a unit increase in product development strategy will lead to an increase in the performance of travel agencies. The findings confirm Barney (2014), results that product development is due to changes in consumer preferences, increasing competition and advances in technology which increases firm's performance. These can be products that have never been introduced in the market, product innovations on new products or existing products that have been modified and improved. Successful product development strategies are as a result of leveraging three internal elements, technical advantage and experience, marketing savvy and better understanding of the customer. The study further established that research and development influence performance of the agency, they also agreed that brand extension influences performance of the agency, assessing customer needs influence performance of the agency. The findings confirm Begic and Duman (2013), argument that product development strategy involves the process of developing new products or even modifying the existing products to make them look new, and offering the same products or services to current or new markets. There is nothing simple about the process because different changes must be made.

The study further established that taking all other independent variables at zero, a unit increase in market development strategy will lead to an increase in the performance. The findings confirm Begic and Duman (2013), argument that market development strategy for a current product is achieved through new users in new geographic segments, new demographic segments, new institutional segments or new psychographic segments

which increases the performance of the product. The study further found that segmentation of the market has an impact on performance of the agency, new marketing methods influence performance of the agency, selling the existing products into new markets influence performance of the agency. The findings concur with Dehao and Liu (2015), the market development strategy is a declaration of intent that provides the strategic direction for a startup's go-to-market programs

The study further revealed that new geographical markets influence performance of the agency, different pricing policies to create a new market segment influence performance of the agency and market research has an impact on the performance of the agency. The findings confirm Ardizzon, Cavazzini and Pavesi (2015), that in market development strategy an enterprise attempts to locate new buyers who will become potential customers their existing products and services hence increasing performance of the product. The goal of market development aimed at expanding into the untapped markets. The potential or new customers may already be served by other competitors in the market or may not be currently marketed to by anyone for different or similar products.

The prediction by regression model further indicated that taking all other independent variables at zero, a unit increase in diversification strategy will lead to an increase in the performance. The findings are in line with Wang, Chen and Chen (2012), that a business develops new products or services or expands into a new market. Mostly, businesses diversify to manage the different risks they are facing by minimizing the potential harm to a business during economic crisis. The idea is to expand into an activity that will not negatively react to similar economic downturns as the existing business activity. The study further revealed that the agency performance is influenced by backward

diversification, diversification strategy opens up new possibilities for the agency, and business diversification influences the agency performance. The findings concur with Ardizzon, Cavazzini and Pavesi (2015), a business develops new products or services or expands into a new market Mostly, and businesses will diversify to manage the different risks they are facing by minimizing the potential harm to a business during economic crisis. The study further established that the agency performance is influenced by honest assessment of risk, and that forward diversification influence performance of the agency. The findings are in line with Han (2012), the organization can diversify product offering or its target markets, but it must expand the business horizons. To continue to grow, the organization has to examine how it can increase sales volume and revenue while keeping costs and risk to a minimum.

# CHAPTER FIVE: SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents the summary of the data findings on the analysis of influence of strategic marketing on performance of travel agencies in Nairobi County, conclusions and recommendations are drawn there to. The chapter is structured into summary of findings, conclusions, recommendations, study limitations and areas of further studies.

## 5.2 Summary of Findings

The findings are based on the specific research objective of the study which is highlighted in chapter one. On the strategic marketing currently used by travel agencies in Nairobi County, the study established that market penetration strategy influence the performance of travel agencies in Nairobi County positively. Prediction by regression model indicated that a unit increase in market penetration strategy will lead to a 0. 554 increase in the performance. The findings are in line with Ballowe (2009), market penetration strategy concentrate on growth because a firm thoroughly develops and exploits their knowledge and expertise in a specific market with known products.

On the product development strategy, the study established that the strategy has a positive relationship with performance of travel agencies in Nairobi County. The study revealed that a unit increase in product development strategy will lead to an increase in the performance of travel agencies. Prediction by regression model indicated that a unit increase in product development strategy will lead to a 0.513 increase in the performance. The findings confirm Barney (2014), results that product development is due to changes

in consumer preferences, increasing competition and advances in technology which increases firm's performance. The study further established that research and development influence performance of travel agencies in Nairobi County, brand extension influences performance of the agency, assessing customer needs influence performance of the agency.

The study further established that market development strategy have a positive relationship to the performance of travel agencies in Nairobi County. Prediction by regression model indicated that a unit increase in market development strategy will lead to a 0.498 increase in the performance. The findings concur with Dehao and Liu (2015), the market development strategy is a declaration of intent that provides the strategic direction for a startup's go-to-market programs to increase firm performance. The study further revealed new geographical markets influence performance of the agency, different pricing policies to create a new market segment influence performance of the agency and that market research has an impact on the performance of the agency. The findings conform to the arguments of Begic and Duman (2013), when the company has determined the kind of market segments is will pursue, the second step involves coming up with a promotional strategy to penetrate the newly identified market.

On the diversification strategy of travel agencies in Nairobi County the study revealed a positive relationship between diversification strategy and the performance. From the regression model a unit increase in diversification strategy will lead to a 0.477 increase in the performance. The findings concur with Ardizzon, Cavazzini and Pavesi (2015), a business develops new products or services or expands into a new market Mostly, and businesses will diversify to manage the different risks they are facing by minimizing the

42

potential harm to a business during economic crisis. The study further revealed that the agency performance is influenced by honest assessment of risk and that forward diversification influence performance of the agency.

## 5.3 Conclusion

This study has provided a comprehensive review of the strategic marketing and performance of travel agencies in Nairobi County. Based on the findings of this study, the study concluded that market penetration strategy has a great positive influence on performance of travel agencies in Nairobi County. On the product development strategy, the study concluded that performance of travel agencies in Nairobi County are positively influenced to a great extent by product development strategy. The study further concluded that research and development influence performance of travel agencies in Nairobi County, brand extension influences performance of the agency, assessing customer needs influence performance of the agency.

The study further concluded that market development strategy has a great positive relationship to the performance of travel agencies in Nairobi County. The study further conclude that new geographical markets influence performance of the agencies, different pricing policies to create a new market segment influence performance of the agency and that market research has an impact on the performance of the agency. Further, the study concludes that the application of diversification to travel agencies in Nairobi County has a positive relationship to the performance. The study further conclude that the agency performance is influenced by honest assessment of risk, the agency performance is influenced by backward diversification, also, diversification strategy opens up new

possibilities for the agencies and that forward diversification influence performance of the agency.

## 5.4 Implications of Research Findings

The study recommends that the management of travel agencies in Nairobi County should implement the use of integrated marketing communication because it solves most problems and helps the agencies to improve their services to their customers.

The Kenya Association of Travel Agents (KATA) should intensify their effort on marketing the agencies products either through consumer contact (one on one sale) and advertising for improved sales hence a better bottom line. They could also make use of product display, proper packaging, and branding.

The marketing departments of travel agencies in Nairobi County should engage in more advertising by making use of the internet, print, radio, television etc.to ensure that they reach the clients wherever they are. Effective sales promotion, enhance a firms marketing strategy.

## 5.5 Limitations of the Study

The study findings were applicable to travel agencies in Nairobi County only. The findings can therefore not be generalized to all organizations. Most of the respondents were very busy and therefore were not in a position to provide all the necessary information.

The study encountered unwillingness by respondents to reveal information which was considered as confidential. To counter this limitation, the researcher assured the

respondents of proprietary measures that the findings would be accorded and used. The researcher also assured the respondents that the information they offered would be held confidentially and would be used for academic purposes only.

## 5.6 Suggestions for Further Studies

The study focused only on travel agencies in Nairobi County. Therefore the study proposes that similar study to be carried out on the other counties in Kenya and East Africa in large. Future studies should be done specifically on challenges faced by travel agencies in Kenya where recommendations will be provided to address performance challenges in that sector.

Further study should be carried out to establish the relationship between strategic marketing and performance of travel Agencies in Kenya.

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# APPENDIX: QUESTIONNAIRE

This questionnaire is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire. *Answer all* **questions as indicated by either filling in the blank or ticking the option that applies.**

**Section: A: Demographic Information**

1.  Kindly indicate your Gender

    Male   (       )        female        (       )

2.  Please indicate the highest level of education attained? (Tick as applicable)

    College Diploma                [   ]

    Undergraduate                  [   ]

    Master                         [   ]

    Others (specify)

    …………………………………………………………………………...

3.  Indicate your period of service in this agency

    Below 3 years        (       )        3 to 6 years             (       )

    6 to 9 years          (       )        9 years and above     (       )

**Section: B. Marketing Strategies**

Using a scale of 1-5 rate the following statements relating to market penetration strategy as; 1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree.

| Market Penetration Strategy | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Existing services increases the market share of the agency | | | | | |
| Selling the existing products or services into the existing markets has increased performance of the agency | | | | | |
| Dropping the price of the product thereby possible increasing the attractiveness of the services | | | | | |
| Rapidly changing technologies has increased performance of the agency | | | | | |
| Increase usage by existing customers has increased performance of the agency | | | | | |
| Price penetration affects the brand and positioning of the agency | | | | | |

Using a scale of 1-5 rate the following statements relating to product development strategy as; 1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree.

| Product Development Strategy | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Brand extension influences performance of your agency | | | | | |
| Research and development influence performance of your agency | | | | | |
| New products are closely associated with current products in your firm | | | | | |
| Assessing customer needs influence performance of your agency | | | | | |
| Your new services matches current customers' purchasing habits | | | | | |
| The new product reinvents or refreshes the existing services which influence performance of your agency | | | | | |

Using a scale of 1-5 rate the following statements relating to market development strategy as; 1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly.

| Market Development Strategy | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Selling the existing products into new markets influence performance of your agency | | | | | |
| New marketing methods influence performance of your agency | | | | | |
| Different pricing policies to create a new market segment | | | | | |

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| influence performance of your agency | | | | | |
| New geographical markets influence performance of your agency | | | | | |
| Market research has an impact on the performance of your agency | | | | | |
| Segmentation of the market has an impact on performance of your agency | | | | | |

Using a scale of 1-5 rate the following statements relating to diversification strategy as;

1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly.

| Diversification Strategy | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Forward diversification influence performance of your agency | | | | | |
| Your agency performance is influenced by honest assessment of risk | | | | | |
| Your agency performance is influenced by backward diversification | | | | | |
| Business diversification influences the agency performance | | | | | |
| Access to capital willingness to invest influence performance of your agency | | | | | |
| Diversification strategy opens up new possibilities for the agency | | | | | |

Using a scale of 1-5 rate the following statements relating to performance as; 1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly.

| Performance | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Innovativeness in the agency is a priority | | | | | |
| The services meet the needs of the customers | | | | | |
| The agency has new products and services in the market | | | | | |
| The agency has experienced internal growth | | | | | |
| Employees are happy and contented at their work | | | | | |

**Table 5.12 Krecjie and Morgan Table**

TABLE 1
*Table for Determining Sample Size from a Given Population*

| N | S | N | S | N | S |
|---|---|---|---|---|---|
| 10 | 10 | 220 | 140 | 1200 | 291 |
| 15 | 14 | 230 | 144 | 1300 | 297 |
| 20 | 19 | 240 | 148 | 1400 | 302 |
| 25 | 24 | 250 | 152 | 1500 | 306 |
| 30 | 28 | 260 | 155 | 1600 | 310 |
| 35 | 32 | 270 | 159 | 1700 | 313 |
| 40 | 36 | 280 | 162 | 1800 | 317 |
| 45 | 40 | 290 | 165 | 1900 | 320 |
| 50 | 44 | 300 | 169 | 2000 | 322 |
| 55 | 48 | 320 | 175 | 2200 | 327 |
| 60 | 52 | 340 | 181 | 2400 | 331 |
| 65 | 56 | 360 | 186 | 2600 | 335 |
| 70 | 59 | 380 | 191 | 2800 | 338 |
| 75 | 63 | 400 | 196 | 3000 | 341 |
| 80 | 66 | 420 | 201 | 3500 | 346 |
| 85 | 70 | 440 | 205 | 4000 | 351 |
| 90 | 73 | 460 | 210 | 4500 | 354 |
| 95 | 76 | 480 | 214 | 5000 | 357 |
| 100 | 80 | 500 | 217 | 6000 | 361 |
| 110 | 86 | 550 | 226 | 7000 | 364 |
| 120 | 92 | 600 | 234 | 8000 | 367 |
| 130 | 97 | 650 | 242 | 9000 | 368 |
| 140 | 103 | 700 | 248 | 10000 | 370 |
| 150 | 108 | 750 | 254 | 15000 | 375 |
| 160 | 113 | 800 | 260 | 20000 | 377 |
| 170 | 118 | 850 | 265 | 30000 | 379 |
| 180 | 123 | 900 | 269 | 40000 | 380 |
| 190 | 127 | 950 | 274 | 50000 | 381 |
| 200 | 132 | 1000 | 278 | 75000 | 382 |
| 210 | 136 | 1100 | 285 | 1000000 | 384 |

Note.—*N* is population size.
*S* is sample size.

**Source: Krecjie & Morgan (1970)**