THE EXTENT TO WHICH CLASSIFIED HOTELS IN MOMBASA HAVE ADOPTED ELECTRONIC MARKETING

BY

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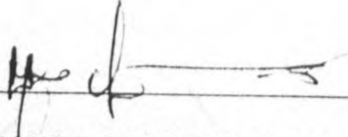
October, 2007

DECLARATION

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

Signed: _____ Date: 31/10/07

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This research project has been submitted for examination with my approval as the university supervisor

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DEDICATION

This project is dedicated to my parents; Joyce and John Mwangi, who taught me the value of education and instilled in me the spirit of hard work.

ACKNOWLEDGEMENT

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ABSTRACT

Hotel industry is an important part of the tourism sector which makes a significant contribution to the country's economic development in terms of foreign exchange earnings, government revenues and generation of employment and business opportunities. This industry experiences challenges in terms of high competition and fluctuating demand. To counter these challenges, the hotels have adopted different strategies, one of them being the use of internet as a marketing tool. This study was aimed at establishing the extent to which classified hotels in Mombasa have adopted electronic marketing. The sampling frame was drawn from classified hotels as listed in the Kenya Gazette Notice of July 2004.

The objectives of the study were to determine the extent to which classified hotels in Mombasa have adopted E-marketing, to establish the benefits these classified hotels derive as a result of adopting E-marketing and finally, to establish the challenges these hotels experience in the adoption of E-marketing. The study was carried out using a descriptive study. The population of interest in the study consisted of all the 16 classified hotels in Mombasa. Primary data was collected using semi-structured questionnaires. The questionnaires were dropped and picked later. The respondents were Marketing Managers or their equivalent. The response rate was 100%. Descriptive statistics was used to analyze the data. Frequency distribution tables, mean score, percentages and standard deviation were used to achieve the objectives of the study.

The study found that most of the hotels are using internet in marketing activities such as marketing information system, target marketing and marketing mix. The hotels use internet as a marketing information system to a large extent; as target marketing to a moderate extent and in marketing mix activities to a large extent. The study also established that these hotels have benefited from the use of internet in terms of cost savings, interactivity, connectivity and accessibility. Apart from the benefits, internet poses some challenges to the users. These challenges can be termed as technology related, organizational, moral and governmental factors.

It was recommended that the hotels should improve their service delivery, facilities and amenities so that they can be upgraded to Star Five. Second, hotels which have not embraced technology should do so. Third, the hotels which do not have marketing department should create one and finally, the hotels which are wholly locally owned should partner with foreign investors so as to realize growth and efficiency.

Only 16 classified hotels in Mombasa were studied. This may not representative of the 123 classified hotels in Kenya. It is also acknowledged that this approach does not fully account for the perspectives of other major players in service encounter, for instance, customers. A similar study, therefore, should be conducted on all the 123 classified hotels in Kenya. There is also a need to conduct a study to establish whether there is any correlation between the extent of internet adoption and different hotel classification.

CHAPTER ONE
INTRODUCTION

1.1   Background

Michael and others (2003) noted that the structural transformation of the world economy since 1980 has profoundly affected competition, and hence the strategic actions of firms. These changes have their roots in the post war period (such as the Bretton Woods Agreements, General Agreements on Tariffs and Trade (GATT), and World Trade Organisation (WTO)). According to Michael and his co-authors, the growing degree of globalisation is a significant phenomenon. The exchanges between countries are increasing faster than production and consequently, national firms are losing market share within their traditional national territory to foreign competitors. Therefore companies are increasingly forced to survive by increasing their market shares in foreign countries. Competition is getting tougher and tougher as global exchanges increases. Firms are being forced to expand their activities on a worldwide basis – or at least on a larger front than just their original country.

As the market place changes as a result of globalization, customer needs and expectations are also changing. Customers are in need of higher quality and greater customization (Lovelock et al, 1996). Kotler (2003) notes that as a result of the markets becoming more competitive, companies must start paying keen attention to their competitors; this is in addition to understanding their customers. Higgot (1999) contends that globalisation has changed the "rule of the game" in the struggle for competitive advantage among firms, destinations and places within as well as between, countries and regions. Ansoff (1998) has rightly noted that a firm that does not improve its performance over time sooner or later, it will loose its competitive advantage and eventually drops out of the market.

With heightened competition and serious challenges to the survival and profitability of firms (Mbau, 2000), the information superhighway is what many business leaders see as a solution to challenges posed by globalisation (Chaffey et al, 2000). The digital revolution has placed a new set of capabilities in the hands of consumers and business (Kotler, 2003). Among many benefits that accrue from usage of internet are: internet provides the firm with a great opportunity to reach vast number of its target market quickly, easily, and at very little cost (Sweeney, 2000).

1.1.1 The Concept of E-Marketing

According to Kotler et al (2006), electronic marketing (e-marketing) is the company's efforts to communicate about, promote, and sell products and other services over the internet. Further, Awad (2003) defines e-marketing as all electronic-based activities that facilitate production of goods activities that facilitate production of goods and services to satisfy customer demand. It can be deduced from the two definitions that e-marketing is synonymous to the using of internet as a marketing tool.

Internet is the global "network of networks" of interlinked computers operating on a standard protocol which allows data to be transferred between them (Zhenhua, 2000; Moody, 1996). As an information exchange system, the most important aspect of the internet is its connectivity, the ability to allow everyone to access the network (Young et al, 1999). The potential of using the internet for marketing activities is derived from its general use as an information exchange system in the digital age. The information can be stored, indexed, retrieved, restructured and redistributed automatically by software and without human intervention. Mathur et al (1998), observes that internet connects companies with companies, companies with customers, and people with people without regard to time and space, and hardware or software platforms.

Internet services fall into two broad categories: Communication Services and Information Services. Communication Services such as e-mail and e-mail-based discussion lists and net news, allow the direct exchange of information between internet users. Information services include Telnet, Gopher and FTP (the File Transfer Protocol) which allow users to access data that has been made available by other users (Zhenhua, 2000). Since 1993, the internet has been transformed completely by its newest component; the World Wide Web (WWW). The WWW not only integrates other file transfer protocols like Gopher and FTP, but also allows the user to access hosts through Telnet, read newsgroups and use e-mail. Through an internet browser, a user can link to any web sites and may explore the internet resource in an unprecedented way; both leisure and commercial purpose.

Moreover, the web's capability to blend text, pictures, sounds and video clips into multimedia documents played the key role in popularising the internet beyond its

traditionally academic boundaries and became an effective communication means in business and everyday life. Indeed, the WWW has been so successful that it changed the appearance of the internet and for many it even became synonymous with internet itself (Hafner and Lyon 1996; Kehoe 1996; Maler 1997; Poon and Jevons, 1997).

Although the internet originated in the 1965, it is only in the recent years that it has become a buzz-word and according to Comer (2001), the internet has been growing exponentially and therefore doubling after every nine to twelve years. According to Chang and Hyung (2000), the use of internet and web based information systems to perform key business functions, of which marketing is one of them, is an essential strategy for survival and improving competitiveness.

1.1.2 The Hotel Industry in Kenya

A hotel can be defined as an establishment that provides lodging and usually meals and other services for travellers and other guests. According to Mittra (2001), a hotel is a building where rooms and usually meals are provided for the people in return for payment. Hotel industry is closely linked to the tourism industry and therefore changes in tourism have a direct impact on the hotel industry. Davidson (1993) identified hotel industry as one of the most important factors that has a positive correlation to tourism industry. He argued that no country and no region within a country can expect to attract a large number of tourists unless it has adequate range of places providing accommodation and catering. The steps taken by the government to aggressively market Kenya as a tourist destination have started to bear fruits (Economic Survey, 2005). The positive growth in other sectors of the economy such as building and construction and holding of high profile conferences in the country are set to result in significant growth in the hotel sector. The recent liberalisation of trade and opening up of economy will further lead to revolutionary growth in this sector.

The Kenya Hotels and Restaurants regulations of 1988 has established standard upon which classification of hotels is based. The regulation classifies vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest class then followed by four stars, three stars, two starts and finally one star which is the lowest. The classification of the hotels and restaurants (see appendices iii and iv) is carried

out in the manner prescribed by the Hotels and Restaurants Authority Published in the Legal Notice No.30 of February 16, 2001 of the Hotels and Restaurants Act.

The Hotels provide important services which include basic accommodation, meals, conference facilities and recreation. According to Economic Survey (2003) the hotel industry provides a significant direct employment-creation with about 100,000 wage earnings employment in Kenya. Other indirect employment is created in other sectors such as taxis, souvenir sales and supply of goods and services needed by hotel related business. Davidson (1993) noted that of the 1.5 million people working in the tourism industry in Britain, for example, over 1 million are employed in the hotel industry. Davidson further asserts that this applies to any country to which tourism industry exists; most of the jobs created by tourism are in hotel industry.

In addition to job creation, the other main economic impact of hotels, relate to the following: foreign exchange earnings, expenditure in the hotel industry and purchase of related goods and services generate income to the economy (Oduori, 2006).The hotel industry, contributes directly to the government revenue by taxes and hotel business, and by direct levies on guests such as catering and Levy Fund. Indirect contributions are by taxes and duties levied on goods and services supplied to the hotels. The hotel industry provides stimulation of infrastructure investment. It induces the government to make infrastructure improvements such as better water and sewage systems, road network, electricity and telephone, all of which can improve the quality of life for residents as well as facilitate development in other sectors of the economy.

Like most other sectors of the Kenya economy, the hotel industry has gone through turbulent times in the last two decades. First there has been stiff competition, with some tourists preferring destination such as South Africa, Tunisia and Morocco to Kenya (see appendix vii). This increased competition has resulted in some hotels experiencing liquidity problems resulting in some being placed under receivership. Second, the demand for hotel services is seasonal, in which case during high demand season the facilities are outstretched while in low demand season the facilities are under utilized. This calls for synchronization of demand and supply of hotel services. Third, is an increasing change in consumers' tastes and preferences (Mukewa, 2005).

The strategic issues for hotels in Kenya is lack of adequate finances and government support, changing customer needs and trends, increasing power of the customer via the internet, lack of consistency in employee hiring, training and recognition (Oduori, 2006). The industry has also suffered from negative effects of international terrorism and security (Mwaura, 2003) as well as travel advisories against Kenya issued by the American and British governments (Marete, 2005). The key players in the hotel sector in Kenya are The Serena Hotels, The Sarova Hotels and the Heritage Hotels (Oduori, 2006).

1.2 Statement of the Problem

The hotel industry plays an important role in the country's economic development, in terms of foreign exchange earnings, contributions to government revenues, and generation of employment and business opportunities. Government revenues from the hotel sector include both direct and indirect contributions. Direct contributions consist of taxes on income from hotel employment and hotel business, and levies on hotel customers such as services charges and value added taxes. On the other hand, indirect contribution includes taxes and duties levied on goods and services supplied to the hotels.

This research envisaged internet marketing as the future of the hotel industry in Kenya in the wake of fluctuating demand and stiff competition. Internet offers substantial advantages over traditional means of communication: reduced costs of information exchange; increased speed of information transfer and retrieval; increased customer involvement in and control of transactions, and greater flexibility of using the marketing mix. Its main business uses include communications (both internal and external), market research, customer services, market penetration, product development, cost savings through process reengineering, direct marketing, advertising and product delivery (Cronin, 1996 ; Ellsworth and Ellsworth, 1996).

Studies on internet marketing in Kenya have been done by Muthuri (2001), Musembi (2001), Odiko (2003) and Nyingi (2003) who covered the fields of export marketing in the internet, factors influencing adoption of e-commerce in the retail industry, E-business in international business engagement and E-marketing practices tour

operators respectively. Mwaura (2003) carried out a study on the hotels with an aim of establishing the marketing strategies employed by hotels in the age of terrorism.

However, it was not known to what extent the hotel industry has adopted e-marketing. It was the opinion of the researcher that the adoption of e-marketing would significantly overcome the challenges of fluctuating demand and stiff competition in the hotel industry.

The proposed study therefore sought to fill the gap by answering the following questions.
i) To what extent have the classified hotels in Mombasa adopted e-marketing?
ii) What are the benefits that accrue to these hotels as a result of adopting e-marketing?
iii) What challenges do these hotels experience in the course of adopting e-marketing?

1.3   Objectives of the Study
The objectives of the study were;
i) To determine the extent to which classified hotels in Mombasa have adopted e-marketing.
ii) To establish the benefits these classified hotels derive as a result of adopting e-marketing.
iii) To establish challenges these hotels experience in the adoption of e-marketing.

1.4   Importance of the Study
This study will be important to the following parties:
i) The government which relies heavily on the hotel industry for foreign exchange, job creation and contribution to the Gross Domestic Product (GDP).
ii) The Ministry of Tourism and other organs such as the Kenya Association of Hotelkeepers and Caterers (KAHC), the Kenya Tourism Board, and the Tourism Trust Fund will be enlightened on the benefits and challenges of e-marketing adoption.
iii) The Internet Service Providers (ISPs) will also benefit from this study for after establishing the extent to which rated hotel in Mombasa have adopted e-

marketing, the ISPs will get to know the market reach of the internet and subsequent business potential in this market.

iv) Scholars and researchers will find this study useful for future research work in related and other areas.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section reviews the literature that is relevant to the study. The literature distinguishes the fact that hotel industry provides services and therefore the section starts by giving an overview of unique characteristics of services. This is followed by an outline of the application of internet on marketing activities, benefits and challenges experienced as a result of adopting electronic marketing.

2.2 Characteristics of Service Marketing

According to Rust et al (1996), the distinction between goods and services is somewhat artificial since the success of goods manufacturers is vitally dependent on the services they provide. However, service marketers must be concerned with four characteristics of services. These characteristics are: Intangibility, inseparability, variability and perishability

Unlike physical products, services cannot be seen, tested, felt, heard or smelled before they are purchased. Members of hotel sales force cannot take a hotel room with them on a sales call. In fact, they do not sell a room. Instead, they sell the right to use a room for a specific period of time. When hotel guests leave, they have nothing to show for the purchase but a receipt (Kotler, et al, 2006). Robert (1981) observed that some who purchases service may go away empty-handed. However, they do not go empty-handed; they have memories that can be shared with others. To reduce uncertainty caused by service intangibility, buyers look for tangible evidence that will provide information and confidence about the service. The exterior of a restaurant is the first thing that an arriving guest sees. The conditions of the grounds and the overall cleanliness of the restaurant provide clues as to how well the restaurant is run. Tangibles provide signals as to the quality of the intangible services (Kotler, et al 2006).

In most hospitality services, both the service provider and the customer must be present for the transaction to occur. Customer-contact employees are part of the

product. The food in a restaurant may be outstanding but if the service person has a poor attitude or provides inattentive service, customers will down-rate the overall restaurant experience. They will be satisfied with their experience. According to Kolter et al (2006), service inseparability also means that customers are part of the products. For instance, a couple may have chosen a restaurant because it's quite and romantic, but if a group of loud and boisterous conventioneers is seated in the same room the couple will be disappointed. Managers must manage their customers so that they do not create dissatisfaction for others. Another implication of inseparability is that customers and employees must understand the service delivery system, since they are co-producing the service. Customers must understand the menu items in a restaurant so that they get the dish they expect. Finally, customer co-production means organisation must select, hire and train customers. For instance hotels and restaurants train customers to use the electronic check-in and internet to get information and to make reservations. The benefits provided to the quest by becoming an "employee" include reduced price, increased value, customization, and reduced waiting time. The characteristic of inseparability requires hospitality managers to manage both their employees and their customers.

Services are highly variable. They are said to be heterogeneous rather than homogenous (Kotler, 2006; Kibera and Waruingi, 1998). The quality of service depends on who provides them and when and where they are provided. There are several causes of service variability. Services are produced and consumed simultaneously, which limits quality control. Fluctuating demand makes it difficult to deliver consistent products during periods of peak demand (Kotler, 2006). Kotler also noted that the high degree of contact between the service provider and the guest means that product consistency depends on the service provider's skills and performance at the time of the exchange.

Services cannot be stored (Kotler, 2006). Marrison (1989) noted that an unsold inventory of service is just like water down the drain. The sale of an empty hotel room is lost forever. Because of service perishability, some hotels charge guests holding guaranteed reservations even when they fail to check into the hotel.

Figure 1: Four Service Characteristics

Intangibility - Services cannot be seen, tested, felt, heard or smelled before they are purchase	Inseparability - Services cannot be separated from their providers
Services	
Variability - Quality of services depends on who provides them and when, where and how	Perishability - Services cannot be stored for sale or use
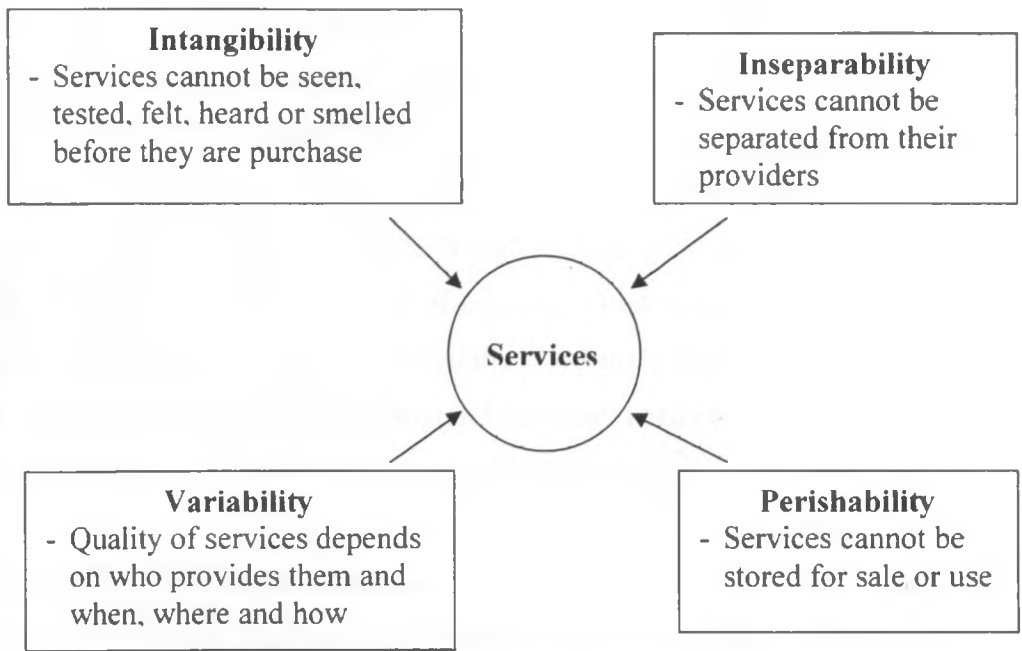
Source: Kotler, et al (2006) Marketing for Hospitality and Tourism, Pearson Education, 4th ed., pg 42.

2.3 Applications of the Internet on Marketing Activities or Practices

The variables within marketing activities or practices include: Marketing information system, target marketing and the marketing mix. According to Zhenhua (2000), internet as a marketing media can be of great benefit to virtually all areas of marketing. These areas include marketing research, market segmentation, market targeting and positioning, marketing mix, and marketing organisation and control. Internet can also be applied on the core concepts of marketing as described by Kotler (2001).

A marketing Information System (MIS) consists of people, equipment, and procedures to gather, sort, analyze, evaluate and distribute needed, timely, and accurate information of marketing decision makers (Kotler 2003, and Cravens et al, 1996). According to Kotler (2001), the information is developed through internal company records, marketing intelligence activities, marketing research and marketing decision support system. The internet is applied in the following way:

2.3.1 Internal Records System

The heart of any Internal Records System is the order-to-pay cycle, which starts from the time of order to the delivery and billing of those goods. This process goes through various departments. Companies need to perform these steps quickly and accurately. Kotler (2003) has observed that customers favour firms that can promise timely delivery and with the use of internet, companies are now able to carry out these activities much faster, efficiently and effectively. In addition, it is easy to gather systematic data about all users who visited the company's web site. This information can be used to identify prospects, understand customer needs and customize resources to give greater levels of service to customers (Heinen 1996).

2.3.2 Marketing Intelligence System

In 2003, Kotler defined marketing intelligence system as a set of procedures and sources used by managers to obtain everyday information about developments in the marketing environment. The internet does more than automating online business transaction, it can "informate" in that it provides a vast amount of information which was previously unavailable. This information which is provided at low cost but up-to-date concerns customers, competitors and other useful information within the marketing environment (Zhenhua, 2000).

2.3.3 Marketing Research System

Kotler et al (2006), and Kibera and Waruingi (1998) have defined marketing research as a systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing a company. One of the aspects of the internet that has attracted attention is its potential in the marketing research arena (Peterson et al, 1997). The collection of information can be done by examining competitor's website, monitoring chart rooms, and accessing published data online.

With the use of software's such as Aurums Software's Web-track, a marketer can be able to gather systematic data about all users who visited the company's website. By searching other websites, a company can get valuable information, about market demand, supply, competition and economic, demographic, legislative and technological changes in the domestic and international markets (Heinen, 1996).

2.3.4 Marketing Decision Support System (MDSS)

Little (2001) in Kotler (2003), has defined MDSS as a coordinated collection of data, systems, tools and techniques with supporting software and hardware by which an organisation gathers and interprets relevant information from business and environment and turns it into a basis for marketing action. Most of these modelling soft ware tools can be downloaded from the internet.

2.3.5 Market Targeting

Market targeting is the process of evaluating each segments attractiveness or opportunities and selecting one or more of the market segments (Kotler, et al 2006; Kibera and Warungi, 1998). An important feature of the web as a medium is that it is the consumer who is actively searching for information about products in which he is interested. In effect the consumer is "pre-screened" and shows both interest and involvement in visiting the website. While on the web, the consumer can also provide instantaneous feedback to the marketer (Stern, 1995). Through the application of the Internet Technology data mining technique, companies can find patterns within their internal customer data and make sense of data or turn data into meaningful marketing information. Armed with such data, organisations can refine their targets and develop specific means to achieve true-one-to-one marketing (Pitta, 1998). The appropriate use of user profile and surfing behaviour data can improve the effectiveness and efficiency of market segmentation and targeting. This is because the traditional approach to market segmentation is often based simplistically on geographical, demographic and economic variables which the psycho, behavioural or lifestyle data is costly to collect and difficult to measure and compare (Zhenhua, 2000).

2.3.6 Product

According to Kibera and Waruingi (1998), a product is anything that is offered to the market for acquisition or purchase including physical objects, services, places and ideas. It is a bundle of benefits that satisfies the needs of organisations or consumers and for which they are willing to exchange money or other items for value (Strauss and El-Ansary, 2003). According to Ehmke et al (2004), a product is the element of marketing mix that involves researching customers' needs and developing appropriate products.

One of the major advantages of the internet in marketing is that the tourist can be a value creator for tourism companies through redefining the labour division between the marketer and the tourist in providing tourist experiences (Dellaert, 1999). This is because, on one hand, tourists can provide individual preferences for a specifications of holiday packages through feedback in the form of web forms, e-mail messages or simply the clicking" patterns; which the tourism marketer can use to develop new products or tailor-make existing products to suit the needs of particular customer(s). On the other hand, the self-servicing tourist can not only conduct transactions online and reduce costs of sales but also actively participate in the production process itself. Provided with choices, a tourist can now assemble his own product according to the specifications desired (Zhenhua, 2000).

2.3.7 Pricing

Price is the amount of money charged for a product or service, or the sum of the values consumers exchange for the benefits of having or using the product or service (Kotler, et al 2006). The role of the internet in pricing is based on its ability in processing and exchanging large amount of data instantaneously with a great number of people. This information processing capacity enables a company to analyse relevant pricing data effectively and quickly. The information exchange capacity enables firms to set and change prices in real time and also facilitates online bidding and flexible pricing. Both of these qualities of the Net are extremely useful in tourism marketing (Zhenhua, 2000). In the internet marketing, the potential for price discrimination is diminished given the enhanced capability of consumers to identify the least expensive source, regardless of supplier or location.

2.3.8 Place

The place element of the marketing mix traditionally refers to how the product is distributed to the customers (Allen and Fjermestad, 2001). It is about getting the product to the consumer and therefore it is the channel of distribution through which goods move from the produces or marketers to the consumer (Kibera and Waruingi, 1998; Kotler et al, 2006). The uniqueness of the internet as a mean of distribution is based on the fact that it exists in "cyber space" thus physical phenomena such as location and distance are less significant or even irrelevant. For the producer, the Web enables it to have direct links with consumers at a low cost. Therefore it provides

the producer with an opportunity of "disintermediation". The foremost role of the Web in tourism distribution is the direct electronic reservations and transactions between tourism product supplier and consumers. Aldridge et al (1997) argues that direct marketing is the name of the game on the internet, offering both consumers and marketers greater control and lower potential costs of access due to the convenience of the Net.

2.3.9 Promotion

Promotion is one of the elements of marketing mix and it refers to how marketing communications are used to inform customers and other stakeholders about an organisation and its products. Kotler (2003), has identified five major modes of communication as advertising, sales promotion, public relations and publicity, personnel selling, and direct and interactive marketing. Arguably, promotion is the component of marketing mix being most quickly transformed as a result of internet usage.

The internet provides a labour-efficient and cost-effective way of distributing information almost instantaneously to millions of potential clients to the global markets. Internet promotion combines mass media's reach with the personalization inherent in two-way dialogue, previously only possible in personal selling. Internet can be used for corporate visibility, brand name recognition, advertising, public relations, corporate sponsorship, direct sales, sales promotion, customer support and technical assistance (Zhenhua, 2000).

2.4 Benefits of E-Marketing

Internet, as a marketing tool, offers substantial advantages over traditional means of communication (Cronin, 1996). According to Kotler (2003), the internet provides marketers and consumers with opportunities for much greater interaction and individualization. Thus internet, as a marketing tool, benefits marketers as well consumers (Kotler, 2001). The benefits are explained as follows: cost savings, interactivity, connectivity, and accessibility.

The internet lowers the transaction costs; transaction costs are defined as those costs relating in information gathering, the costs of monitoring and enforcing contracts and coordinating access to resources to resources and the processes that transform resources into goods or services (Fletcher, et al 2004). Fletcher and his co-authors, have identified three ways that internet has lowered the transaction costs. First, research cost is lowered in that internet increases the amount of information available to both buyer and sellers and makes information available in a convenient and timely manner. Second, are the contracting costs; the internet makes it easier to compare and negotiate prices and other terms, and to keep in touch with and monitor the performance of partners in business relations. Third, are the co-ordination costs. The internet reduces the costs of sharing information and can automate and integrate many business processes.

Internet marketers avoid the expenses of maintaining a store and the costs of rent, insurance and utilities. They can produce digital catalogs for much less than the costs of printing and mailing paper catalogs (Kotler, 2001). According to Zhenhua (2000), cost savings can also be realized through reduced office and sales space, furniture and decoration outlay, and administration overheads. E-processing of booking and payments, automation and deskilling of tasks, hence reduction of labour intensity and staff training; direct links between the producer and consumer hence disintermediation, are all areas of savings (Wigand, 1997; Milgram et al, 1992; Zhenhua 2000).

Zhenhua (2000) and Kotler (2000) have noted that internet enables the marketer to dialogue with consumers and learn from them. This two-way dialogue forms an importance component of relationship marketing, and is an important factor in building customer loyalty (Nyingi, 2003). The interactive aspect between organisations and customers is enhanced by the real time nature of the internet. Dutta and Segev (1998) argue that this makes for richer and more intense relationships and creates new paradigms for customer service and product design.

The global nature of the internet is fostering the creation of shared market space. The growth of connectivity gives rise to new communication and co-ordination mechanisms linking organisations to their customers, as well as stimulating greater

communication between customers themselves (Fletcher et al, 2004). Connectivity aspect together with interactivity is transforming business models of organisations especially when applied to the Four P's of product, price, promotion and placement. To these, Dutta and Segev add a fifth element – customer relationships.

As a communication medium, the area in which the internet has overwhelming advantage over any other media is its permanent exposure and global market reach. The Net greatly improves, both spatially and temporally, the information availability and user interaction. With an effective website a company is on business on a global spectrum 24 hours a day, 365 days a year. Any web user in the world can access its marketing information at any time that is convenient for him. This extends greatly the place and time utility of companies which traditionally rely on distribution channel members to perform. The round the clock accessibility is extremely important especially in international trade where business is conducted across different time zones (Nyingi, 2003).

In addition to the above mentioned benefits, Zhenhua (2000) has identified other several advantages of a web. The Web has enabled tourism destinations to market themselves with well constructed and well promoted Websites. Furthermore, the web facilitates, doing business overseas by avoiding regulations and restrictions that companies must follow when they are physically present in other countries. Compared with the traditional media, the Web not only provides virtually unlimited access for hundreds of millions users but also delivers unlimited amount of information on the Web as there is practically on restrictions in terms of the "space of advertisement"- the number of pages a web can accommodate or the "bytes" of data a online database can hold.

The information processing ability of the internet is a market intelligence tool that acts as a link between firms and the external environment in which they operate. Effective management of information system can be a powerful source of competitive advantage and the use of the internet for marketing intelligence enables firms to access information about overseas markets with high speed and at lower cost.

Search engines and electronic surveys provide useful tools for obtaining information on foreign markets. Firms interested in internet marketing, can access a variety of international information sources such as online newspapers and journal, country and industry market research reports, trade lists of suppliers, agents and distributors and contracts in government (Fletcher, at el 2004).

Figure 2: The Market space model
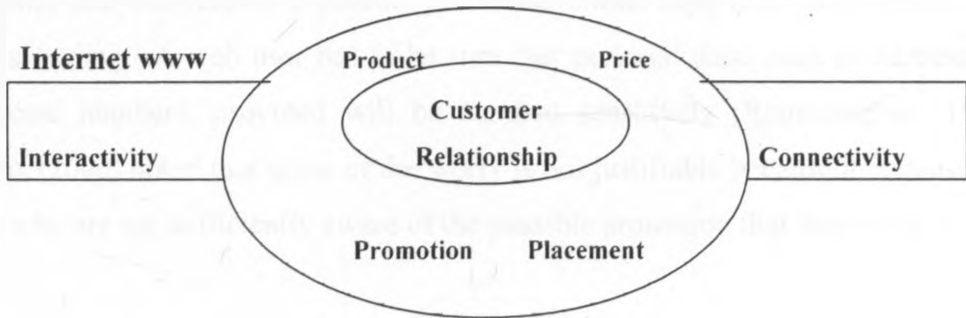
Source: **Dutta and Segev (1998), the global internet 100 survey, available in www.inf-strategy.com //G1100. Pg 5)**

2.5   Challenges Experienced in the Adoption of E-marketing

Penetration rate of computer usage and internet connection is still low world wide. According to Zhenhua (2000), about 30-50% of the adult population in developed countries use internet. He noted that the low frequency of Web surfing is mainly caused by high access cost. On the other hand, Web users expect valuable resources to be offered for free. Users bypass sites that change a fee. Attempts to generate revenues at these sites by having paid advertising have not proven to be very successful.

Web technologies consist of the hardware, software and networks. These enable individuals and organisations to connect and interact with the World Wide Web. However this poses a high degree of complexity of use. In 1998, Juliussen and Juliussen noted that the slow speed is one of the main hindrances to e-marketing implementation. The slow connections are irritating to both users and companies that have web sites.

Due to the sheer complexity of e-marketing with regard to the number of parties involved in a typical Website, the amount of traffic on the Web, the number of links that firms have at their sites, the use of multimedia, and other factors, may cause frequent breakdowns. In addition, intrusions of hackers who may corrupt files, steal customer data is also common.

Concerns over privacy, information abuse, Web crime, payment security and doubts of whether one will receive a product purchased online have also been inhibitors to online shopping. A web user has to be sure that personal data, such as address and credit card numbers, provided will be handled sensitively (Ratnasinghan, 1998). Zhenhua (2000) noted that some of the worry is not justifiable because it is caused by people who are not sufficiently aware of the possible protection that does exist.

Zhenhua (2000) also identified some of the challenges to be organisational related. This includes: lack of management commitment, lack of investment capital and lack of qualified technical skills. All these may hinder full exploitation of e-marketing benefits. In addition, a company's corporate culture and also the fact that internet marketing may not capitalise on the company's core competences, may pose a challenge of using internet in marketing.

Governmental factors are also barriers to the full exploitation of e-marketing benefits (Zhenhua, 2000). The government can play an active role in e-commerce by providing the necessary infrastructure for conducting internet business. Apart from the infrastructure, the legal framework needs to be put in place. Finally, even though the internet is a worldwide communications vehicle, culture, language, currency and other differences among countries can act as barriers to a firm seeking global internet strategy.

2.6 Summary of Literature Review

This chapter discussed five main areas which form the conceptual framework of the research. First, is the four characteristics of a services, which make marketing strategies of services unique compared to marketing strategies of goods. Second, is the application of the internet on marketing practices; namely internal records system, marketing intelligence system, marketing research system, marketing decision support

system, market targeting, product, pricing, place and promotion. Third, the benefits that accrues from adoption e-marketing and finally, the challenges experienced by companies in implementation of e-marketing requirements.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research Design

A Description design was used in the study. Churchill (1991) noted that a descriptive study can be used when the purpose of the study is to describe the characteristic of certain phenomenon, to estimate proportion of elements which behave in a certain way and to make specific predictions. In addition, descriptive study is supposed to describe the who, what, where, when and how of a phenomenon which is the concern of the proposed study. Muthuri (2001) and Nyingi (2003) used descriptive design in related studies.

3.2 The Population

The population of interest in this study comprised of rated hotels in Mombasa. According to the Kenya Gazette of 23rd July 2004, there are 16 classified hotels in Mombasa (see appendix v). Given the small size of this population, a census study will be conducted.

3.3 Data Collection Methods

Primary data was collected using questionnaires with both open and closed ended questions. The respondents were marketing managers or their equivalent. One respondent in each of the elements of the population was used. A drop-and-pick later method was used to collect the data. However, follow up by phone was found necessary and therefore was used to enhance the response rate. The questionnaire consisted of four sections. Section A contained questions on the general information about the hotels. Section B contained questions aimed at determining the extent to which hotels have adopted e- marketing while section C and section D had questions on the benefits and challenges of adopting e-marketing respectively.

3.4 Operational Dimensions of E-Marketing

In order to operationalise the adoption of e-marketing by rated hotels the variables are defined as shown in appendix vi. Five point Likert scale to measure the extent to which hotels have adopted e-marketing was used.

3.5 Data Analysis Techniques

Descriptive statistics was used to analyse the data. According to Nachmias and Nachmias (1996), descriptive statistics are statistical procedures used for describing and analysing data that enables the researcher to summarize and organise data in an effective and meaningful ways. These procedures, provided tools which are necessary for describing, collections of statistical observations and reducing information to an understandable form. Data on section A of the questionnaire was analyzed using frequencies and percentages, data in section B was be analyzed using mean and standard deviation, while data on sections C and D was be analyzed using frequencies.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains the findings together with their possible interpretation. In the chapter, data on general information, data on the extent of use of internet as a marketing tool, data on benefits derived from the use of internet as a marketing tool and the data on challenges accompanying these benefits, is analysed. A total of 16 questionnaires were distributed to the respondents; all of them were completed and returned: thus the respondent rate was 100%. All the 16 hotels under study are the classified hotels in Mombasa as per the Kenya Gazette 2004.

4.2 General Information on the Hotels

The general information considered in the study included classification of the hotel, whether the hotel has offices outside Kenya or not, whether it has a marketing department or not, and how different continents contributes rank as far as the number of customers visiting the hotel is concerned. The findings of on the general information are presented in the Tables 1 to 5.

Table 1: Classification of Hotels

Classification	Number	Percentage (%)
One Star	1	6.25
Two Star	7	43.75
Three Star	5	31.25
Four Star	3	18.75
Total	16	100

Source: Research data

Table 1 indicates that out of 16 responses, 18.75% of the hotels are Four Star, 31.25% are Three Star, 43.75% are Two Star while 6.25% are One Star. It is important to note that among the hotels studied there is no Five Star.

Table 2: Distribution of the Hotels by ownership

Ownership	Number	Percentage (%)
Wholly foreign	6	37.5
Wholly Local	8	50.0
Jointly Owned	2	12.5
Total	16	100

Source: Research Data, 2007

The above Table shows that 50% of hotels are Wholly Local while 37.5% and 12.5% are Wholly Foreign and Jointly Owned respectively. All the firms responded to this question.

Table 3: Data on whether the Hotels have Offices outside Kenya or not

Whether have Offices Outside Kenya	Number	Percentage (%)
Yes	6	37.5
No	10	62.5
Total	16	100

Source: Research Data, 2007

Table 3 shows that majority of the hotels (62.5%) do not have offices outside Kenya. This is consistent with the fact that most of the firms are Wholly Locally owned. The rest (37.5%) have offices abroad mainly because they are Wholly Foreign and Jointly Owned.

Table 4: Data on whether the Hotels have Marketing Department or not

Hotels with Marketing Department	Number	Percentage (%)
Yes	13	81.25
No	3	18.75
Total	16	100

Source: Research Data, 2007

The above Table reveals that 81.25% of the hotels studied have marketing department while 18,75% have none.

Table 5: How Different Continents Rank as Far as Their Contribution of Customers is Concerned

Continent	Average of the Ranks
Australia	2.69
America	3.25
Asia	3.69
Africa	1.81
Europe	3.19

Source: Research Data, 2007

According to table 5, Africa contributes the highest number of customers, followed by Australia, then Europe, America and finally Asia.

4.3 Extent of use of Internet as a Marketing Tool

The first objective of the study was to determine the extent to which internet marketing is being used in the classified hotels in Mombasa. The respondents were asked questions focused on the marketing activities, which can be done on the internet and were asked to rate their extent of use of the internet as a marketing tool in a five-point likert scale ranging from very large extent (5) to no extent (1). The findings on the extent of use of the internet in marketing activities that can be done on the internet which include, marketing information system, target marketing and marketing mix, are presented in the Tables 6 to 16. The analysis is done by the use of mean score and standard deviation. A mean score of less than 1.49 was interpreted to mean that the internet is used to a no extent; a mean score of between 1.5 and 2.49 was interpreted to mean that the internet is used to small extent; a mean score of between 2.5 and 3.49 was interpreted to mean that the internet is used to a moderate extent; a mean score of between 3.5 and 4.49 was interpreted to mean that the internet is used to a large extent; and a mean score of above 4.5 was interpreted to mean that the internet is used to a very large extent. A standard deviation less than 1 meant that there were no significant deviation in responses while that of greater than 1 mean that deviation in responses were significant.

4.3.1 Extent of use of the Internet as a Marketing Information System

The internet of the researcher was to determine the extent of which the internet has been used as a marketing information systems tool. The variables to be measured were the internal records system marketing intelligence system marketing research and marketing support system. The respondents were asked to determine their use of the internet for this purpose using a five-point likert scale.

4.3.1 (a) Use of the Internet as Internal Records System

The analysis was to find out whether the entire process of internal record system is done on the internet. The process of internal record system includes the following: receive orders, transmit orders to the departments, invoice customers, track sales level, create customer database and identify prospects and their needs.

Table 6: Extent use of Internet as an Internal Records System

Aspect	Mean	Standard Deviation (SD)
Receive orders	3.94	1.52
Transit orders	3.25	1.75
Invoice Customers	3.75	1.25
Track sales levels	3.06	1.65
Create customer data base	3.75	1.35
Identifying Prospects needs	3.81	1.29
Overall mean/SD	**3.59**	**1.47**

Source: Research Data, 2007

The internet is used to a large extent as an internet record system tool as was indicated by a means score of 3.59. A standard deviation of 1.47 is an indication that there was lack of general agreement among the respondent as far as the response to this question is concerned.

4.3.1(b) Use of the Internet as a Marketing Intelligence System

The analysis was to find out the extent of use of the internet as a marketing intelligence system. The variables measured included: spot new developments, access information and distribute information.

Table 7: Extent of use of Internet as Marketing Intelligence System

Aspect	Mean	Standard Deviation (SD)
Spot new development	3.44	1.06
Assess Information	3.69	1.10
Distribute information	4.06	0.95
Overall mean/SD	**3.73**	**1.04**

Source: Research Data, 2007

It is evident from the Table 7 above that the hotels studied use internet to a large extent as a marketing intelligence system; with a mean score of 3.73. A standard deviation of 1.04 is an indication that there was a significant variation in the usage of internet as a marketing intelligence system among the respondents.

4.3.1 (c) Use of the Internet in Marketing Research

The analysis was determining the extent of use of the internet in marketing research. To measure the extent a five-point likert scale was used, and respondents were asked to rate the following variables; determine customer needs, increase business and to project on corporate image.

Table 8: Extent of use of Internet in Marketing Research

Aspect	Mean	Standard Deviation (SD)
Determine Customer needs	3.69	1.57
Increase business	3.94	1.3
Project on corporate image	3.50	1.54
Overall mean/SD	**3.71**	**1.47**

Source: Research Data, 2007

From the Table 8 above it is clear that internet is used in marketing research to a large extent in determining customer needs, in the increase of business and in projecting their corporate image. In over all, internet is used to a large extent with a mean score of 3.71. However, this was not a general view of all the respondents as indicated by the standard deviation of 1.47.

4.3.1 (d) Use of the Internet as a Marketing Support System

The researcher was interested in determining the extent to which the internet is used as marketing support system which includes purchases of hardware and software and downloading of software programs.

Table 9: Extent of use of Internet as a Marketing Support System

Aspect	Mean	Standard Deviation (SD)
Purchase hardware and software	3.19	1.47
Downloading software	3.44	1.41
Overall mean/SD	**3.32**	**1.44**

Source: Research Data, 2007

The use of internet as a marketing support system is to a moderate extent. This was supported by the fact that the over all mean score is 3.32. However there was a significant variation among the respondents as indicated by the standard deviation of 1.44.

Table 10: Overall use of internet as a marketing information system

Dimension	Overall Mean	Standard Deviation (SD)
Internal records system	3.59	1.47
Marketing intelligence system	3.73	1.04
Marketing research	3.71	1.47
Marketing support system	3.32	1.44
Overall mean/SD	**3.59**	**1.35**

Source: Research Data, 2007

In summary, the respondents use internet as a marketing information system to a large extent; mean score was 3.59. The standard deviation was 1.35 and therefore the variation was quite significant among the respondents.

4.3.2   Extent of Use of the Internet in Target Marketing

The research was interested in determining the extent of use of the internet in target marketing. The three stages of target marketing include: market segmentation, market targeting and market positioning. The extent of usage was measured using a five-point likert scale.

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Table 11: Use of the Internet in Target Marketing

Aspect	Mean	Standard Deviation (SD)
Market segmentation	3.31	0.98
Market targeting	3.00	1.06
Market positioning	3.75	1.25
Overall mean/SD	3.35	1.10

Source: Research Data, 2007

The Table 11 above shows that all hotels use internet in all aspects of target marketing to a varying degree. The hotels use internet in market segmentation to a moderate extent of a mean score of 3.31. There was no significant variation since the standard deviation was 0.98. The hotels were also found to be using internet to a moderate extent in market targeting since the mean score was 3.00. However the variation was significant for the standard deviation was 1.06. As far as market positioning was concerned, the internet usage was to a large extent with a mean score of 3.75. This was not a general view of all the respondents as indicated by a standard deviation of 1.25. In over all, it was found that hotels use internet in target marketing to a moderate extent with a means score of 3.35 and a standard deviation of 1.10; which was an indication of significant variation.

4.3.3 Extent of Use of the Internet in the Marketing Mix

The researcher was interested in determining the extent of use of the internet in the marketing mix. The four P's of marketing mix namely Product, Price, Promotion and Place were measured using a five-point likert scale.

4.3.3 (a) Use of the Internet in Product

The analysis was aimed at determining the extent of use of the internet to market firms' products. The main product marketing activities measured included; new product development, product demonstration and development of product packages.

Table 12: Extent of use of the Internet on Product

Aspect	Mean	Standard Deviation (SD)
Development of new products	3.19	1.18
Product demonstration	3.12	1.60
Develop product packages	3.63	1.65
Overall mean/SD	**3.31**	**1.48**

Source: Research Data, 2007

From the Table 12 above it is evident that all the hotels used in the study use internet to a moderate extent, in development of new products and product demonstration; as indicated by mean scores of 3.19 and 3.12 respectively. As far as development of product packages is concerned, the hotels were found to use internet to a large extent with a mean score of 3.63. In overall the hotels were found to use to use internet to a moderate extent in all aspects of product as reflected by an overall mean score of 3.31. All the three aspects were found to have a significant variation with a standard deviation of 1.18, 1.60, and 1.65 respectively. There was also a lack of general agreement in overall as indicated by a standard deviation of 1.48.

4.3.3 (b) Use of Internet in Pricing

The researchers' aim was to determine the extent of use of the internet in pricing of products. Pricing activities for this analysis include: Price Setting, Price Negotiations, Price Communication, Price Adjustments, and Display of Price Offers and Discounts.

Table 13: Use of Internet in Pricing

Aspect	Mean score	Standard Deviation (SD)
Determine price	3.81	1.98
Price negotiation	3.75	1.35
Communication price	4.00	1.12
Price adjustment	3.81	1.76
Price offers and discounts	3.88	1.45
Overall mean/SD	**3.85**	**1.53**

Source: Research Data, 2007

It is evident from the Table 13 above that all the hotels studied use internet to a large extent for the purposes of pricing in all aspects. There was also a significant variation in all aspects.

4.3.3 (c) Use of the Internet in Promotions

The analysis was done to determine the extent of use of the internet in the promotion of products. The various promotion activities that were used include; run of special offers and discounts online, sponsoring newsgroups and forms, online competitions, web casting and online advertising.

Table 14: Use of the Internet in Promotions

Aspect	Mean	Standard Deviation(SD)
Run special offers	3.81	1.42
Sponsor newsgroup and forums	3.19	1.59
Online competition	2.50	1.75
Web casting	2.75	1.38
Advertising online	3.44	1.66
Overall mean/SD	**3.14**	**1.56**

Source: Research Data, 2007

From the Table 14 above, it is evident that the hotels studied use internet to large extent to run special offers; with a mean score of 3.81, then to a moderate extent in all other aspects of promotion which were studied. There was lack of general agreement in all aspects as reflected by the standard deviations which were all greater than 1.

4.3.3 (d) Use of the Internet in Place

The analysis was done to determine the use of the internet in direct online reservation.

Table 15: Use of the Internet in Room Reservation

Aspects	Mean	Standard Deviation(SD)
Direct online reservation	3.94	1.37
Overall mean/SD	**3.94**	**1.37**

Source: Research Data, 2007

It is evident from the Table 15 above that the hotels use internet for online direct reservation to a large extent given the mean score of 3.94. However a standard deviation of 1.37 was an indication that this was not a general view of all the respondents.

Table 16: Overall marketing mix

Element	Mean	Standard Deviation (SD)
Product	3.31	1.48
Pricing	3.85	1.53
Promotion	3.14	1.56
Place	3.94	1.37
Overall mean/SD	**3.56**	**1.48**

Source: Research Data, 2007

Table 16 is a summary of how hotels use internet in all the four elements of marketing. Over ally, hotels use internet to a moderate extent in both product and promotion elements. For pricing and place, they were found to use internet to a large extent. All responses there were a significant variation.

4.4 Benefits Derived from Using the Internet as a Marketing Tool

The researcher was interested in determining the benefits derived from using the internet. The respondents were supposed to tick as many benefits as apply to the hotel he/she works for.

Table 15: Benefits derived from using internet as a marketing tool

Benefits	Frequency
Sales Increase	14
Reduce Cost	13
Increased Sales Leads	9
Improved Customer Service	12
Increased International Awareness	13
Easier Interactivity	15
Flexible to Quick Adjustment	6
Easier to Quick Accessibility	15
Greater Interaction with Customers	12
Research Cost is Lowered	3
It is Easier to Compare and Negotiate Prices	11
Information Between the Hotel	10
Reduces the cost of Stationery Ability to Control the Relationship Between the Hotel and Customers	13
Global Presence by Use of Website	16
Round the Clock Accessibility	15
Ability to Deliver Unlimited Information to Web-users	14
Internet Helps in Getting Information from External Environment	14

By Managing the Information Received, Creation of Competitive Advantage over Other Firms	11
Ability to Adjust Prices in Real Time Depending in the Demand	14

Source: Research Data, 2007

All the respondents were in agreement that there benefits that are derived from the use of internet as a marketing tool.

4.5 Challenges Encountered in the use of Internet as a Marketing tool

The analysis was done to determine the challenges encountered by the hotels as they use internet as a marketing tool. The respondent was supposed to tick as many challenges as apply.

Table 16: Challenges Encountered in the Use of Internet as a Marketing Tool

Challenges	Frequency
High Accessibility Cost	13
Lack of Privacy	12
Insecurity (information abuse)	12
Insecurity (payments)	6
Low internet Connections	13
Low Internet from Users	10
Complexity of Use	10
Lack of Skilled Knowledge	4
Inefficiencies of Internet Service Providers	10
Use of Outdated Software and Computers	11
Lack of Government Support in Providing	13
Infrastructure and Legal Framework	13
Slow speed in Accessing Information	11
Frequent Breakdown	14
Language and Cultural Barriers	14

Source: Research Data, 2007

From the Table 16 above, it was found that the respondents find some challenges as they undertake the adoption of internet as a marketing tool.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study aimed at determining the extent to which classified hotels in Mombasa have adopted internet as a marketing tool. This chapter presents the discussion, conclusion and recommendations based on the findings of the study. The findings have been discussed in accordance to the objectives of the study; conclusions have been drawn from the study and recommendations arising from the study given.

5.2 Discussion

The objectives of this study were to determine the extent to which classified hotels in Mombasa have adopted e-marketing, to establish the benefits derived as result of e-marketing adoption and to establish the challenges these hotels experience in the adoption of e-marketing. Sinclair (1990) and Sindiga (1999) have pointed out that certain locations, such as Mombasa, are perceived by tourism investors as having the highest potential for immediate return on investment since they attract most international tourists who visit Kenya.

In achieving the first objectives, the findings of this study showed that majority of the hotels have adopted internet as a marketing tool. Most of them use internet as a marketing information system to a large extent; target marketing to a moderate extent and marketing mix to a large extent. Responding to the questions related to objective one, the respondents showed a significant variation, thus lack of general agreement as reflected by a standard deviation greater than 1. According to Ehmke *et al* (2004), a product is the element of marketing mix that involves researching customers' needs and developing appropriate products. The study showed that hotels use internet to a moderate extent in development of new products and product demonstration; and to a large extent in developing product packages.

Zhenhua (2000) has suggested that information exchange capacity enables firms to set and charge prices to real time and also facilitates online bidding and flexible pricing. These two and other qualities of the internet are extremely useful in hotel industry and it is not a wonder to realize, therefore, that the study has established that majority of hotels studied use internet to a large extent in all dimensions of pricing.

Arguably, promotion is the component of the marketing mix being most quickly transformed as a result of internet usage. According to Zhenhua (2000), internet promotion combines mass media's reach with the personalization inherent in two-way dialogue previously only possible in personal selling. However, from this study, it seemed that some hotels studied have not fully exploited the benefits of internet as far as promotion is concerned, this fact is supported by statistics in that some hotels use internet to a moderate extent of a mean score of 2.5 and 2.75 in   online competition and web casting respectively.

It is argued that direct marketing is the name of the game on the internet, offering both consumers and marketers greater control and lower potential costs of access due to the convenience of the internet (Aldridge et al, 1997). It is in line with this that the hotels that use internet at least to a large extent with a mean score of 3.94 in room reservation online.

The second objective of the study was to establish the benefits derived from the adoption of internet as a marketing tool. The study indicated that majority of the firms which adopted internet have indicated that they derive benefits from using internet .These benefits can be summarised in terms of cost saving, interactivity, connectivity and accessibility. The benefits can also be looked as those which benefit the marketers as well as consumers (Kotler, 2001).

The third objective was to establish the challenges encountered in the internet adoption as a marketing tool. Majority of the hotels were in agreement that there are challenges which are encountered. These challenges range from those that can be termed as technology related, organisational moral and governmental factors (Zhenhua, 2000; Ratnasinghan 1998; and Juliussen and Juliussen, 1998).However a question on lack of skilled knowledge was left out unanswered.

5.3 Conclusion

The study was important in revealing the extent to which classified hotels in Mombasa have adopted e-marketing. From the findings it was clear that these hotels have adopted e-marketing in all area of marketing activities but in a varying extent. It can also be concluded that most of the hotels which are classified in Mombasa use internet in their marketing activities from which they derive some benefits and encounter some challenges. However there are a few hotels which are lagging behind as far as technology is concerned.

5.4 Recommendations

Based on the findings of the study, the researcher gives the following recommendations:

i) The classified hotels in Mombasa should improve in their facilities, services and amenities so that they can move to star Five star; and especially those which have already attained star four. This will attract different clientele and hence increase the potential customers.

ii) The hotels which are still experiencing technological gap should endeavour to close this gap so as to remain competitive in the tourism sector.

iii) From the study 18.75% of the hotels do not have a marketing department. Marketing department plays a key role in co-ordinating all the marketing activities within the organisation and especially in the modern world where the market has become more competitive and taste and preferences of customers are changing very fast. According to Kotler (2003), it is only the marketing department which is better placed to monitor these and device appropriate proactive measures.

iv) Majority of the hotels are wholly local in terms of ownership. Although this provides an ample opportunity to the hotels to come up with strategies that fit the local conditions, the researcher recommends that these hotels should move towards joint ownership. This will promote growth and efficiency.

5.5. Limitations of the Study

The limitations with the current study are primarily related to the scope of the research. According to the most recent government publications there are about 123 classified hotels in Kenya. This study only covered 16 classified hotels in Mombasa and therefore it might not be possible to generate the results. Furthermore, the study focussed on the classified and excluded unclassified hotels and therefore the findings might not be applicable unclassified hotels and to other services in the tourism and hospitality industry as a whole. Finally, the study used marketing managers as respondents and therefore giving the study the managerial perspective. This approach leaves other major players, for instance customers, perspectives out of the picture.

5.6 Suggestions for further Study

The researcher suggests that similar study to be conducted but from customer perspective. A study on the adopting of internet as a marketing tool using all the classified hotels in Kenya as the population of study may also be carried out. A study could also be carried out on the relationship between the extent of adoption of internet as a marketing tool and hotel classifications.

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APPENDICES

Appendix i: Letter of Introduction to Respondents

University of Nairobi
School of Business
Department of Business
Administration
P. O. Box 30197
NAIROBI

July 2007

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfil the degree requirement, I am undertaking a management research project on the use of the internet as a marketing tool. The study is entitled.

"The extent to which classified hotels in Mombasa have adopted E-marketing".

You have been selected to form part of this study. I kindly request you to fill the attached questionnaire, which I will later collect.

The information that is going to provide will be used exclusively for academic purposes and will be treated with strict confidence. At no time shall your company's name appear in the report. The find/findings of this research can be availed to you upon request.

Your co-operation will be highly appreciated.

Thank you in advance.

Yours Faithfully,

Charles G. Mwangi   **Margaret Ombok**
Student   **Lecturer/Supervisor**

Appendix ii: Questionnaire

SECTION A

General Information

This section requires you give general information regarding your firm. Please tick

(√) or fill in where appropriate.

1.   Name of your Hotel: _____

2.   How is this hotel classified?

        i.   One Star   [ ]

        ii.   Two Star   [ ]

        iii. Three Star   [ ]

        iv.   Four Star   [ ]

        v.   Five Star   [ ]

3.   When was the hotel built?

_____

4.   Who owns the hotel?

      Wholly foreign   [ ]

      Wholly local   [ ]

      Jointly owed   [ ]

5.   Do you have offices outside Kenya?

      Yes   [ ]   No [ ]

6.   If your answer to as is "Yes" indicate where:

_____

_____

7. Do you have a marketing department?

    Yes [ ]   No [ ]

8. Indicate (with values 1 – 5) the order in which the following regions

    contribute customers to your hotels.

    Note

    1 – Indicates the region is major source of tourists to your hotel(s)

    5– Indicates the region contributes the lowest number of tourist to your hotel.

                (Put the value in number in the bracket)

    Australia   [   ]

    America   [   ]

    Asia   [   ]

    Africa   [   ]

    Europe   [   ]

SECTION B: EXTENT OF USE ON INTERNET AS A MARKETING TOOL

9. The following are the marketing activities that can be done on the internet. On

    a scale of 1 to 5, please indicate to what extent you are using the internet to

    conduct your marketing activities.

    5=   Very large extent;   4= Large extent;   3= Moderate extent;

    2=   Small extent;   1= No extent

i) MARKETING INFORMATIONSYSTEM	5	4	3	2	1
Receive orders online					
Transmit orders to department					
Invoice customers					
Track sales level					
Create customer database					
Identify prospects and their needs					
Spot new developments					
Access information needs					

Distribute information					
Determine what customers want					
How to increase our business					
Project on corporate image					
Purchase hardware and software tools					
Download software programs					
ii) TARGET MARKET					
Profile distinct tourist groups e.g. Geographically or demographically					
Select one or more groups in terms of their needs, size or profitability					
Communicate and establish attractions to the selected tourist group/s					
iii) MARKETING MIX					
Develop new attractions using tourist preference e.g. sports tourism					
Demonstrate tourist attractions using live shows on the company's website					
Allow tourists to select tour packages of their choice					
Determine (set) prices					
Allow price negotiations					
Communicate new prices					
Adjust prices when necessary					
Display price offers and discounts					
Run special offers/discounts online					
Sponsor on newsgroups and forums					
Online competition					
Web casting					
Advertising online on other websites using banners, pop-up-ads, tickers, static ads					
Direct online reservation					

SECTION C: BENEFITS OF USING THE INTERNET AS A MAKRETNG TOOL

10. What benefits does your hotel derive from using the internet as a marketing

    tool?   (Tick as many as apply)

    Sales increase--- [ ]

    Reduced cost -- [ ]

    Increased sales lead-- [ ]

    Improved customer service--- [ ]

    Improved customer relationships--- [ ]

    Increased international awareness-- [ ]

    Easier interactivity-- [ ]

    Flexible to quick adjustments-- [ ]

    Easy and quick accessibility --- [ ]

    Greater interaction with customers-- [ ]

    Research cost is lowered-- [ ]

    It's easier to compare and negotiate prices ------------------------------- [ ]

    Reduction in the costs of sharing information
    Between the hotel and--- [ ]

    Reduces the cost of stationery -- [ ]

    Able to control the relationship between the
    Hotel and customers through disintermediation------------------------ [ ]

    Through our website we can communicate all
    Over the world --- [ ]

    The information in our website is accessible
    round the clock-- [ ]

    We are able to deliver unlimited amount of
    information to web-users -- [ ]

    Internet helps us to get information from the

External marketing environment -- [ ]

By managing the information we get, we
have competitive advantage over other firms ------------------------- [ ]

Able to adjust prices in real time depending
on the demand-- [ ]

Others: (Specify)

_____

_____

SECTION D: CHALLENGES ENCOUNTERED IN THE USE OF INTERNET AS A MARKETING TOOL

11.   What challenges are being experienced in the use of the internet as a
marketing tool? (Tick as many as apply).

High accessibility cost -- [ ]

Lack of privacy --- [ ]

Insecurity (information abuse)--- [ ]

Insecurity (payments) -- [ ]

Low internet connections-- [ ]

Low interest from users-- [ ]

Complexity of use --- [ ]

Lack of skilled knowledge -- [ ]

Inefficiencies of Internet Service Providers ------------------------------ [ ]

Use of outdated software and computers------------------------------------ [ ]

Lack of government support in providing
Infrastructure and legal framework -- [ ]

Slow speed in accessing information --- [ ]

Frequent breakdowns -- [ ]

Language and cultural barriers -- [ ]
Others Specify_____

Thank You

Appendix iii: Hotel Classification Criteria

Star(s)	Description of Facilities
*	- Hotels with basic facilities and services meeting the quality standards. - In harmony and conformity with locality. - Separate and independent access for the hotel guests and delivery. - Reception staff in uniform and presentable. - At least ten lettable rooms. 100 per cent private bathrooms. - At least one restaurant that is well furnished and lit. - One meeting room with on not least than 40 sqms. - Glass washing and drying machine shall be available. - Enough storage capacity for water to last at least one day in cast of a breakdown in supply. - Drinking water must be safe and potable and shall meet WHO standards. - Lifts shall be provided for buildings of four or more storey including ground floor.
**	Same as one star but. - With comfortable facilities, offering some services and amenities. - Some claim to style and beauty. - Good quality and harmony of colours. - Enough storage capacity for water to last at least three days in case of a breakdown in supply. - Drinking water must be safe and potable and shall meet WHO standards. - Lifts shall be provided for buildings of four or more storey including ground floor.
***	Same as two stars but with excellent facilities, offering a wider array of services and amenities. - All rooms to be approached through a corridor except for cottages. - Good quality uniforms.

	• Restaurant should be same as in One star but with a coffee shop or snack bar in addition.
	• Provision for smoking and non smoking area.
	• At least one percent of suites shall be suites.
	• Safe deposit available though not necessarily in the rooms.
	• Enough storage capacity for water to last at least five days in case of a breakdown in supply.
	• Drinking water must be safe and portable and shall meet WHO standards.
	• Drinking water must be safe and potable and shall meet WHO standards.
	• Lifts shall be provided for buildings of four or more storey including ground floor.
****	• Hotels with superior facilities, offering a wide range of services and amenities.
	• Mosquito nets available.
	• High quality furniture and fittings.
	• Enough storage capacity for water to last at least one week in case of a breakdown in supply.
	• Drinking water must be safe and potable and shall meet WHO standards.
	• Lifts shall be provided for buildings of four or more storeys including ground floor and a service lift provided.
*****	• Same as for three star but
	• Hotels with exceptional facilities, offering a full range of services and amenities.
	• Locality and environment of high international standards.
	• Building wholly detached.
	• Exceptionally high quality of finishing.
	• Enough storage capacity for water to last at least one week in case of a breakdown in supply.
	• Lifts shall be provided for buildings of four or more storeys including ground floor and a service lift provided.

Where:

*	-	One Star
**	-	Two Star
***	-	Three Star
****	-	Four Star
*****	-	Five Star

Appendix iv: Essential Items for Hotel Classification

Vacation Hotels	Town Hotels	Lodges
Menu	Menu	Menu
Service Staff	Bar Staff	Service Staff
Bar Staff	Wash Hand Basin	Wash Hand Basin
Fume Extraction	Fume Extraction	Fume Extraction
Waste Disposal	Waste Disposal	Waste Disposal
Drainage	Drainage	Drainage
Kitchen Staff	Kitchen Staff	Kitchen Staff
Numbering of Rooms	Numbering of Rooms	Numbering of Rooms
Change of Linen	Change of Linen	Change of Linen
Safe Deposit	Safe Deposit	Safe Deposit
Front Office Staff	Front Office Staff	Staff
Refuse Disposal	Refuse Disposal	Refuse Disposal
Sewage	Sewage	Sewage Treatment and Disposal
Vermin Proofing	Vermin Proofing	Vermin Proofing
Water Supply	Water Supply	Water Supply
Electricity Safety	Electricity Safety	Electricity Safety
First Aid	First Aid	First Aid
Safety Of Swimmers	Safety Of Swimmers	Safety Of Swimmers
Qualification of Management Staff	Qualification of Management Staff	Qualification of Management Staff
Departmental Heads	Departmental Heads	Departmental Heads
Qualification of Operative Staff	Qualification of Operative Staff	Qualification of Operative Staff
Medical Examination	Medical Examination	Medical Examination
Hotel Insurance	Hotel Insurance	Lodge Insurance

Appendix v: List of Classified Hotels in Mombasa

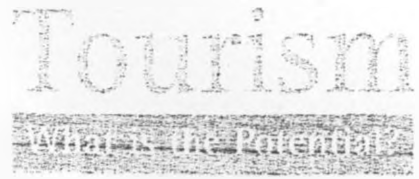|	NAME	NO. BEDS	CLASS
1.	Lotus Hotel	64	TWO
2.	Royal Court Hotel	116	ONE
3.	Quale Hotel	66	ONE
4.	Indian Beach Apt Hotel	81	THREE
5.	Reef Hotel	252	THREE
6.	Bahari Beach Hotel	200	THREE
7.	Kasar al Bahir Hotel	80	TWO
8.	Palm Beach Hotel	400	TWO
9.	Dolphine Hotel	225	TWO
10.	Paradise Beach Hotel	308	TWO
11.	Coral Beach Hotel	380	TWO
12.	Malaika Hotel	184	TWO
13.	Giriama Beach Hotel	184	TWO
14.	Travellers Beach Hotel	556	FOUR
15.	Kenya Bay Beach Hotel	250	TWO
16.	Voyager Beach Resort	462	THREE

(Source: The Kenya Gazette. 23rd July, 2004, Gazette notice No. 5693.)

Appendix vi: Operationalization of Variables

| Variable	Expanded Dimension	Relevant issues	Relevant Questions
Marketing Information System	- Internal Record System	• Receive reservation online • Transmit reservations received to relevant departments • Invoicing customers • Track sales levels • Create customer database Identify prospects and their needs.	9(i) (a)
	Marketing Intelligence System	• Spot new developments in the industry • Access information needs from competitors website	9(i) (b)
	Marketing Research	• Determine what customers want. • Determining level of demand • Customers profile.	9(i) (c)
	Marketing Decision Support System	• Purchase Hardware and Software tools online. • Download Software Program	9(i) (d)
Target Marketing	- Segmentation - Targeting - Positioning	• Profile destination • Targeting • Positioning	9(iii) (a)
Product	- Features - Designs - Product range	• Demonstrate tourist attraction • Allow customers to select	9(iii) (a)

	- Branding - Management	package of their choice	
Pricing	- Price determination - Discounts - Price discrimination	• Price determination • Price negotiations • Communication of new prices • Price adjustments • Displaying price offers and discounts.	9(iii) (b)
Promotion	- Advertising - Sales promotion - Personal selling - Public relations and publicities - Direct selling	• Advertising online offers/discounts online • Sponsor of newsgroup and forums • Online competition • Online customer follow-up • News of price changes online • Announcing new product launch on line. • Providing online catalogues • Maintaining Internet Customer database • Contacting individual customers online	9(iii) (c)
Place	- Middlemen - Location - Market Coverage	• Intermediation through online reservation	9 (iii) (d)

Tourism
What is the Potential?

Destination Africa

Top inbound destinations & receipts 2006
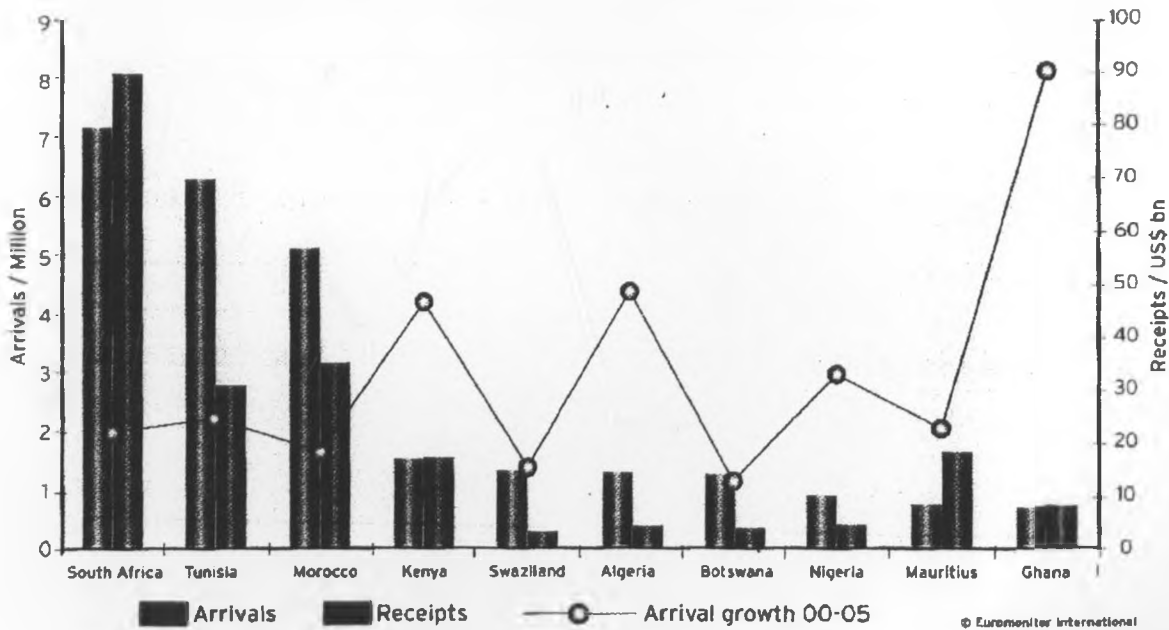
Source: My business, Kenya's Authoritative Entrepreneurship Magazine issue
No.006, April/May 2007, Kosmos Resource Systems, Nairobi.