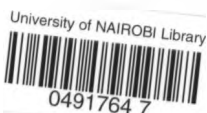


THE IMPACT OF E-COMMERCE AS A FACILITATING  
TOOL FOR BUSINESS: THE CASE OF TOUR  
OPERATORS IN NAIROBI

BY

KORIR DIANE CHELANGAT

SUPERVISOR:  
ELIUD O. MUDUDA



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## DECLARATION

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

Signed     *Diane*    

Diane Chelangat Korir

Date     19<sup>th</sup> SEPTEMBER 2005    

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

Signed     *Eliud O. Mududa*    

Eliud O. Mududa

Date     26-9-05

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## ABSTRACT

The impact of the new technology is far reaching and its invention has revolutionised the way companies conduct business and the tourism industry is no exception. This study was done with the objective of determining The Impact of E-commerce as a Tool for Business among the Tour Operators. With the increased number of holiday-makers wanting instant information on holiday destinations which are availed by e-commerce and internet.

Primary data was collected by means of structured questionnaires. The questionnaires were given to managers who are entrusted with the operations of the tour firm. The response rate was 70% (28/40). The data was analysed using descriptive statistics.

The study revealed that many Tour Operators have embraced e-commerce and they are applying it as a tool for business. From the response it showed that Tour Operators enjoy the benefits of e-commerce as a tool for business to a large extent. However there are factors that are influencing the operations of Tour Operators while transacting business through e-commerce. There are problems like lack of privacy, insecurity in payments and information abuse ad complexity of use.

The researcher clearly shows from the results that benefits surpass the problems that are faced by Tour Operators.

## **GLOSSARY OF ABBREVIATIONS**

- WTO – World Trade Organisation
- EAPA – East Africa Publicity Association
- EATTA – East Africa Tourist Travel Association
- KTDC – Kenya Tourism Development Corporation
- KTB – Kenya Tourist Board
- KTF – Kenya Tourist Federation
- KATO – Kenya Association of Tour Operators
- EAATO – East Africa Association of Tour Operators
- EAC – East Africa Community
- ARPA – Advanced Research Project Agency
- DoD – Department of Defense
- NSF – National Science Foundation
- CNP – Customer Not Present

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1.1 Background**

Trade has been carried out from time to time immemorial because people have always felt the need to transact in order to acquire goods and services that meet their needs and wants. Over a long period of time, trade has been limited to 'arms length' transactions as there was no other way two or more interested parties could meet. With the advent of the telephone, peoples' requirement for mobility reduced since they could now communicate without necessarily being in physical proximity of each other.

#### **1.1.2 Role of E-Commerce**

E-commerce has unleashed yet another revolution that is changing the way businesses buy and sell their products and services. It is associated with buying and selling of information, products and services over computer networks. E-commerce helps conduct traditional commerce through new ways of transferring and processing information since it is information which is at the heart of any commercial activity. Information is electronically transferred from computer to computer in an automated way. This has, in fact, transformed the way organisations operate. With the revolution of the computer in recent years, it has now become possible to stretch the imagination and communicate with individuals, groups and organisations around the globe.

E-commerce is carried out over the internet. The internet is a vast network that connects computers in all parts of the world using special purpose cables, ordinary telephone lines, radio connections or satellite. The fast growth of the internet and the accompanying shift in internet user demographics has created an exciting new communication channel that can help business to increase their revenue dramatically. The internet has had a great



impact on marketing of tourism than any technology since the invention of the television (WTO, 1999). This trend shows that the internet will definitely have considerable impact on the Kenyan tourism sector, which incidentally is a major foreign exchange earner for the country

### **1.1.3 Organisational interventions**

During the period between 1890 and 1938, tourists found the sea journey to East Africa not only too long and expensive but also the attractions were underdeveloped. Tourism in Kenya was restricted to a number of adventures until the Second World War and most of the tourists arrived by ship (Nkari, 1994). The East Africa Publicity Association (EAPA) formed in 1938 was the first step at the formal development of tourism as an industry with marketable commodities in Kenya and South East Africa as a whole. In 1948, after the Second World War EAPA was re-organised and re-named East Africa Tourist Travel Association (EATTA) with offices in many parts of the world. After independence, in 1965, the activities of EATTA in Kenya were taken over by the Kenya Tourism Development Corporation (KTDC) which has been the official body involved in the marketing and organisation of the tourist industry in Kenya in conjunction with the then Ministry of Tourism and Wildlife (Nkari, 1994).

The Kenya tourism industry encompasses both the private and public sectors. The public sector is essentially the government that provides an enabling environment for the industry players. Government bodies that regulate the tourism industry are Kenya Tourism Development Corporation (KTDC), Kenya Tourism Board (KTB) and Kenya Tourism Federation (KTF). These bodies are also concerned with marketing the country abroad as a tourist destination. The private sector comprises mainly Tour Operators, travel agents, hotels among others. Tourism has played a major role in the Kenyan economy. Indeed for a period of over ten years, it has maintained the number one position as the country's highest foreign exchange earner. Tourism registered consistent growth between 1963 and 1968. In the 1990s, Kenya emerged as a key destination in Africa receiving over sixty percent of total tourist arrivals in the continent. Although

tourist arrivals decreased in 1991 to 1992, when the first multiparty elections were held, the numbers rose again in subsequent years (KATO, 2004).

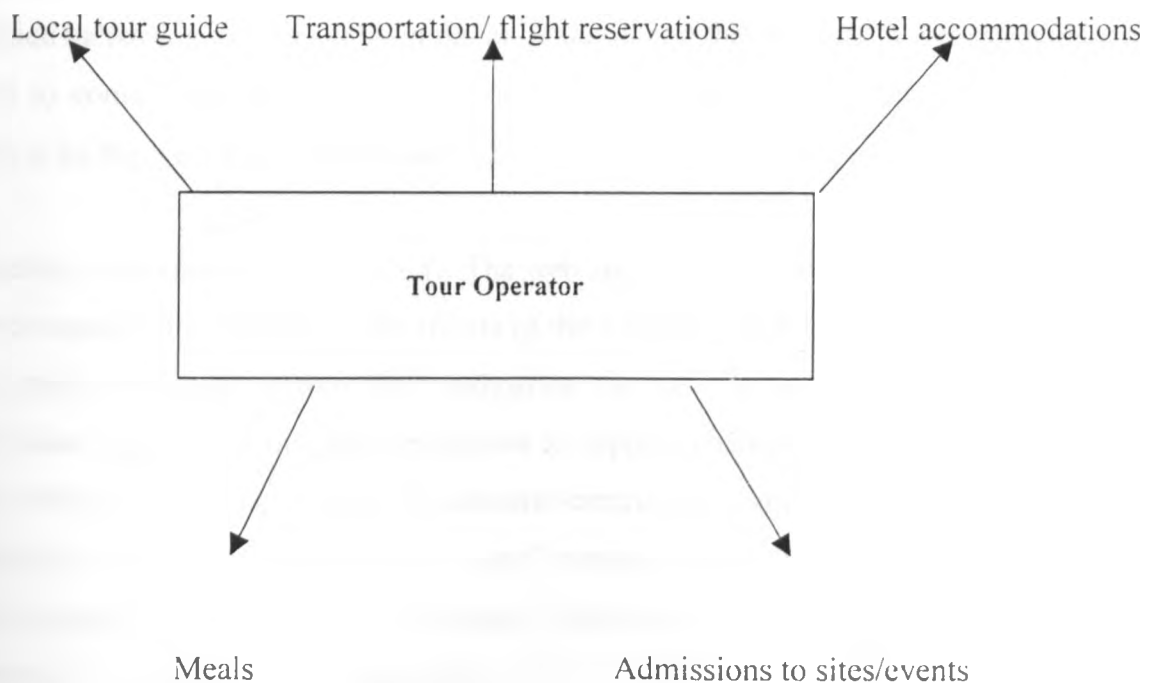
Tourists visiting Kenya are mainly international, coming from continents like North America where over one million travel products were purchased online in 1998 (WTO, 1999). The tourist industry consistently has been identified as one industry likely to be impacted most by the advance of e-commerce. This position is said to be applicable both in advertising and selling through the internet. The Kenya Tourism Board has plans to develop and operate: (1) As an integrated suite of tourism-related networked services for use by the Kenyan tourism organisations and industry, and (2) As an application to focus on information management and delivery to and from a range of users including the Kenya tourism industry as well as domestic and international tourists. Nyingi (2003) observes that Kenya has a chance to gain from the online travel market and to compete internationally despite its limited capital resources.

Kenya Association of Tour Operators (KATO) is a non-commercial body that provides a forum for licensed Tour Operators in Kenya through which they can address and deal with issues concerning business interests. Through interactive contact with the government, the Association endeavours to uphold and improve the business standards and ethics of Tour Operators in Kenya by recommending certain standards that the government might consider in determining whether or not to grant or renew a license for a Tour Operator. The Association plays a major role, lobbying as a central voice for its members, and acting as an advisory centre and identifying market destinations for its members. It also plays an important role in public relations, aiming essentially to emphasise the vital part played by Tour Operators in Kenya's overall tourism industry. The Association also produces the annual directory that lists all its member companies. From the start, KATO has been an influential group working to improve conditions for tourists. In 1999, for example, it was responsible for the introduction of the airport service charge that helped reduce tourists' delays at the airport. It also persuaded the government to scrap the visa requirement for certain countries that are ranked highly as a source for marketing tourism. Most of the leading Tour Operators in Kenya are members

of KATO. KATO was formed in 1978 after the disintegration of East Africa Association of Tour Operators (EAATO). EAATO used to serve Tour Operators in the East African countries namely Kenya, Uganda and Tanzania before the East Africa Community (EAC) broke up.

A Tour Operator is a business organisation that purchases different items that make up an inclusive holiday in bulk, and then combines them to produce package tours. The Tour Operator subsequently sells these package tours to local or international tourists. A standard package tour includes a number of individual travel products such as, air or ground transport, hotel accommodation, sight seeing among other products. To be able to produce such packages Tour Operators interact in business with airlines, hotels, car rentals among other entities. To create a tour package a Tour Operator buys travel products in bulk from a number of travel suppliers, assembles them and then offers to customers at a single all-inclusive price. By selling an inclusive package, Tour Operators play a central role in marketing the tourism product as shown in figure 1.1 below.

*Figure 1.1 Tour operator and the all-inclusive package*



*Source: Burke, 1991.*

Figure 1.1 shows that the customers served by Tour Operators may enjoy convenience of an all-inclusive vacation and at relatively low prices made possible by the Tour Operator's purchasing power.

## 1.2 Statement of the problem

As the internet is not confined within national boundaries, it is becoming a medium for international trade as well as for domestic business. E-commerce is beginning to revolutionise the traditional procedures involved in processing business transactions as a result of which many organisations are enthusiastic about applying it. The obvious reason for this enthusiasm is the understanding that whereas real-world marketing involves huge investments, the online world promises much smaller overhead and potential global penetration.

Literature on e-commerce is rapidly gaining applicability and this gives the impression that the subject is gaining attention. Studies by Walle (1996), Kasavana (1997), Weber and Roehl (1999) observe that the volume and value of web transactions are expected to continue increasing exponentially in the millennium and that the best in web participation is yet to come. Similarly, Emery (1999) states. " everyone agrees that e-commerce is going to be big, very big or enormous ..."

Therefore, e-commerce is here to stay. The web and e-commerce are key industry drivers. Few companies are immune to the effects of the e-commerce tidal wave. Visionary firms are setting new rules within their industries via new techno-business designs, new enterprises process and integrate operations to support changing customer requirements. They realise that the next wave of customer-centric innovations require business wide integration of processes, applications and systems on an unprecedented scale. The organisational foundation that can support business in the Net economy is forcing companies to ask the following questions: -

1. How will e-commerce change their customer priorities?
2. How can companies construct a business design to meet these new customer priorities?
3. What technology investment must the companies make to survive?

The use of airline booking systems by travel agents give access to a wealth of information and is an important element in creating what is now a fiercely competitive market. The internet offers a new sales channel with added value features. some of these features include; additional travel service such as hotel booking, travel and airport information, access to bargain offers and personalisation of the web site to suit the customer's expected travel requirements due to the fact that a profile is developed from the booking information stored on the customer information database.

This research envisages the Impact of E-Commerce as a Facilitating Tool for Business. Study done by Mbuvi (2000) focused on the preparedness of Tour Operators to adopt e-commerce, as well as Tour Operators potential for adopting e-commerce. She found out that 94% of the respondents from the tourism industry were enthusiastic about the adoption of e-commerce and had intentions of adopting the technology. However there was no actual e-commerce being conducted among firms. The researcher therefore sought to extend Mbuvi's study by addressing the following questions: (1) What are the benefits of using e-commerce as a facilitating tool for business? and. (2) What are the factors that are influencing the use of e-commerce as a tool for business?

These questions provide the basis for this study which undertook to determine the Impact of E-commerce as a Facilitating Tool for Business as it relates to Tour Operators based in Nairobi.

### **1.3 Objectives of the study**

The study focused on all Kenyan Tour Operators based in Nairobi who are members of the Kenya Association of Tour Operators (KATO). The aim of the study is to: -

1. To establish benefits of e-commerce as a tool for business and.
2. To establish the factors influencing use of e-commerce as a tool for business.

### **1.4 Importance of the study**

It is envisaged that this study will be important to the following groups and entities:-

1. Tour Operators who are already using and are intending on adopting e-commerce as a tool for business to use to improve on their operations.
2. Scholars and researchers who may be interested in making similar studies in government or other business sectors in issues related to e-commerce.
3. KATO who would gain better understanding on the applicability of e-commerce in Tour Operations and urge its members to apply e-commerce widely in their operations.
4. Academics who would use the findings of the study as background material for further research in the area.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The origin of e-commerce springs from the need to exchange goods and services to satisfy human needs and wants. E-commerce is now a global digital phenomenon. A large percentage of tourists in Kenya come from the world where e-commerce is already a system in place for purchasing and selling goods and services. Such tourists, most of whom are already surfing the internet from the comfort of their homes expect to access quality instant information. The tourist destination that plunges into e-commerce earliest and meets the consumer demand is bound to gain competitive advantage. E-commerce has influenced the way companies are doing business today. Some companies no longer need to advertise in the newspaper about their tenders but instead they are posted on the website and quotations are completed online.

#### 2.2 E-Commerce as a concept

E-commerce simply means buying and selling over the internet. It is about using the internet for doing business (ANC, 1998). It means using the internet or similar electronic means as a way of doing business of buying and selling goods and services. It may also be defined as the conduct of financial transactions by electronic means. It often refers to purchases from online stores on the web, otherwise known as “ e-commerce websites”.

Kamlesh (2003) defined e-commerce as “ the paperless exchange of business information using Electronic Data Interchange, Electronic Mail, Electronic Bulletin Boards, Electronic Funds Transfer and other network base technologies.”

E-commerce systems include commercial transactions on the internet but their scope is much wider than this. They can be classified by the following application types: -

1. **Electronic markets.** The principal function of an electronic market is to facilitate the search for the required product or service. Airline booking system is an example of e-market.
2. **Electronic Data Interchange (EDI).** This provides for the efficient transaction of recurrent trade exchange between commercial organisations. EDI is widely used, for instance, by vehicle assemblers when trading with their suppliers.
3. **Internet commerce.** Internet can be used for advertising goods and services and transacting one-off deals. Internet commerce has application for both business and consumer transactions.

The internet can be likened to a noisy and crowded market place with a myriad of signposts where every trader is yelling for attention to their wares. These "traders" range from a very lowly individual to business people to high profile institutions and corporations. Website represents each of the stalls and the search process is known as "browsing" or "surfing". When two or more parties in this arrangement are in direct contact with each other they are said to be "online" and the process of inputting wares into the shopping basket is known as "downloading".

E-commerce integrates commerce, data management and security services to allow business applications within different organisations to automatically interchange information. **Communications service** transfer the information from the originator to the recipient, **data management service** define the interchange format of the information and **security service** authenticate the source of information, verify the integrity of the information to unauthorised users and verify that the intended recipient received the information.



E-commerce applies and integrates this infrastructure service to support business and commercial applications. Information is an integral part of e-commerce, but electronic and traditional commerce each deal with information differently. Conveying information has traditionally been done through paper exchanges and direct personal contacts. In e-commerce, information may be conveyed via a communication network or other electronic media. In e-commerce also, information processing is automated reducing or eliminating the need for human intervention and the use of paper. E-commerce therefore can be defined as communication transacted using automated processing procedures integrated with automated procedures for the interchange of information.

### 2.2.1 The internet

The internet is a group of worldwide information highways and information resources enabling the world to truly become an information society. Its origins can be traced to an experimental network established with funding from the Advanced Research Project Agency (ARPA) of the US Department of Defense (DoD), to enable scientists engaged on DoD projects to communicate with one another. Starting in 1965 with four sites in the US, it soon grew to ten widely dispersed sites including those in UK and Norway. Electronic mail over the ARPAnet, as it was called, was a great success. The National Science Foundation (NSF) took over the academic community network project in the mid-1980s, after defense traffic was moved away from the ARPAnet to MILNET. In 1987, the NSF created NSFnet which it upgraded the lines of communication. It is the NSFnet that was christened as the Internet. In 1990, the Federal Networking Council of America dropped an earlier requirement that networks linking to the internet needed a government agency sponsorship. From then on, organisations could apply for internet membership without providing reasons for connectivity. This change in policy led to an explosive growth in internet participation. The internet has continued to grow ever since.

The internet is about networking of computers to allow users to share information and other resources. So far the internet has been used to provide speedy, inexpensive and convenient means of communication via its electronic mail (e-mail) facility. The internet

enables organisations and individuals to send or receive messages throughout. In general, the communication services offered by the internet include e-mail, fax services, chat and teleconferencing. E-mail is mainly used by individuals for their own convenience like in communicating with their families and friends, reading daily news and so on. Professionals use the internet to enable them gain competitive advantage while organisations use it to enhance their operations. Society in general uses the internet when voicing its opinions on leading issues of the day.

The internet belongs to every one and no one, since there is no single organisation that owns and controls it. There is however an internet society that co-ordinates and sets standards for its use (Onunga, 1998). The internet has become ubiquitous. Not long ago, a business may have been considered leading edge if it had an internet or e-mail address. Internet and e-mail have long since become commonplace. Domain names appear on everything from billboards to business cards to hotel folios to frequent diner cards to broadcast advertising among others. Despite the increased exposure extended to electronic references, some remain sceptical about the internet and where it may be heading. The internet has long been claimed to be ungovernable because it is a network of networks whose only common feature is that they can interconnect using common protocols.

### **2.2.2 Requirements for e-commerce**

E-commerce tends to lead to smaller overhead and potential global penetration. While this may be true, effective applicability of e-commerce involve costs that can be divided into various broad categories as follows: -

1. The technical infrastructure of computers and network communication
2. Database management system and related software
3. The digital database content
4. Standard "off-the-shelf" software
5. Specialist software, such as those for accommodation and airline bookings

6. Project management and,
7. Staff training and development in e-commerce.

The very basic requirements for any organisation deciding to embark on an e-commerce adoption project include: a computer, a modem, a telephone line and socket communication software, subscription to an Internet Service Provider (ISP) for the connectivity to the internet as well as the process of change management.

Some requirements for e-commerce are complex and they require both national and international attention from governments. Such may include: -

1. Formulation for a legal framework recognising e-commerce.
2. Creation of a financial infrastructure necessary for the facilitation of payment for goods and services through the use of credit cards.
3. Telecommunication infrastructure and information technology that is bandwidth, accessibility, security, cost among others.
4. Transportation and distribution network to facilitate delivery of goods to customers.
5. Provision of constant supply of affordable and accessible electric power.
6. Market access issues such as technical standards.
7. Reduction of corruption since in the current global market situation image is vital.

### **2.2.3 The role of credit cards in e-commerce**

Credit cards have a key role to play in e-commerce. The most common way of paying in an e-commerce transaction is with a credit card. The customer types the card number, expiry date and billing address on the order form and the vendor can verify the details and the confidence of the payment. Credit card companies allow for 'Customer Not Present' (CNP) transactions. This facility has been adopted for e-commerce payments. There is a general concern that CNP transactions are less secure than the conventional use of credit cards in that there is no signature that can be checked and no possibility of assessing if the customer gives the impression of being genuine. Concerns for security of

online credit card payments are such like fraudulent use of credit cards, interception of credit card details, remote storage of credit card details, among others.

#### **2.2.4 Online and offline distribution**

At the onset of the internet and e-commerce revolution, some leading service business organisations have shown that the word e-distribution is the preferred way of retailing. In the traditional model of distribution, consumers go many stages that facilitate the transaction such as contact with a service provider via the telephone or face-to-face. Payment is usually by cheque or cash. Through online distribution, almost all the details of the transaction can be concluded electronically. As tour consumers become accustomed to instant information retrieval and online e-commerce facilities, they will start to care less about who they are purchasing from and be more concerned about using the most convenient channel. At the office or home the consumers may prefer using the web from personal computers (PC) or mobile telephony device.

#### **2.2.5 Buyer driven commerce**

E-commerce is buyer driven in that buyers tell sellers what they want to purchase and how they want to pay. This technology collects demand from each customer, presents their offers to suppliers that they pick and choose what offers to fulfil. This demand collection system is authorised by the buyer to transact if the seller agrees to the offer. It then becomes a sale guaranteed by a credit card. With the Global Distribution System (GDS) which provides with the consumer near perfect information so that anybody through their Tour Operators or directly on the internet can quickly find what prices are available for a similar tourism product and they will objectively assess competing value propositions. In the new e-commerce market, things that will shape the industry include consumer ability to search globally for products that meet their precise needs.

### 2.3 E-fundamentals of retailing

With the opening up of commerce around the world, Tour Operators can source for their customers from any part of the globe. There is heavy competition in attracting potential customers and converting them from browsers to buyers. The first thing that any Tour Operator needs to do is to create excellent and customer friendly website.

Companies placing their products on the web need to focus their energies on seven Cs of retailing:

1. **Content.** This answers the question, **what** is offered and is it compelling? Customers are looking for rich up-to date information with expert insights. They want to see lots of products to choose from in an entertainment and visually appealing style.
2. **Communication.** Consumers want dialogue, especially via e-mail. Tour Operators need to engage themselves in follow up marketing, either by sending the customers e-newsletter or by asking them if they would like to receive more information on related products and services.
3. **Customer care.** Customer care over the internet can take on various forms. It could be the mode of payment, the delivery or the return options. It should be geared to support all stages of the relationship. Consumers should be offered multiple avenues and support such as e-mail, toll-free numbers and live chat to get their questions answered.
4. **Communities.** Those consumers that are embracing the Internet Technology have established cyberspace communities. Tour Operators have figured out how to become a constructive part of these communities, by giving them expert information in a clear and entertaining style.
5. **Convenience.** This plays a very big role in attracting and retaining browsers and

buyers. Consumers want sites that are user friendly, organised and with the ability to make transactions quickly.

6. **Connectivity.** Firms should focus on connecting users to other sites. Shoppers enjoy exploring links to other websites, particularly if they are relevant to their interests.
7. **Customisation.** Customers want to know that they are appreciated and have a sense of belonging in purchasing from particular sites. After a while they will expect the firm to know their purchase history and thus modify their services appropriately. Those companies that do a good job at tracking their customers' purchases will be leaders in offering products to better meet and anticipate their needs.

## 2.4 Benefits of e-commerce

In an effort to cut down their costs and remain competitive, retailers are investing a lot in Information Technology automation and most Tour Operators are now applying e-commerce. E-commerce has four distinct segments. These segments are Business-to-Business (B-2-B), Business to Consumer (B-2-C), Consumer to Business (C-2-B) and Consumer-to-Consumer (C-2-C) as shown in table 1 below.

Table 1 The e-commerce matrix

Business	Consumer
<b>Business to business</b> <b>B-2-B</b>	<b>Business to Consumer</b> <b>B-2-C</b>
<b>Consumer to Business</b> <b>C-2-B</b>	<b>Consumer to Consumer</b> <b>C-2-C</b>

Source: *The Economist*, Feb – March (2000)

This study is concerned with the B-2-C segment, within which Tour Operators fall since they trade mainly directly with the consumer and they must endeavour to encourage consumers to visit their websites frequently.

The impact of e-commerce goes beyond activities related purely to transactions and includes collaborative activities between members. The value of non-transaction functions is hard to quantify. However more and more companies are participating in e-markets. There is increasing pressure on companies not to be left behind and to adopt online transactions as a form of best practice( Kiyeng, 2003)

Since Kenya is said to have some of the best tourist facilities in the world and most of the people who spend on tourist attractions there are foreign, Kenya's Tour Operators have taken advantage of e-commerce and aggressively compete internationally. It should be noted that Information Technology is a powerful tool for providing an e-presence at the point of sale and also foster collaboration between the different industry sub-sectors such as Tour Operators, travel agents, airlines and hotels. With this understanding it can be said that there are justifications for Tour Operators to use e-commerce as a facilitating tool for business.

The benefits of e-commerce covers a wide range of factors and will include the following:

#### **2.4.1 Transactional costs**

Transaction costs have received most attention in discussion of the benefits of e-commerce. There are a number of ways where such costs can be reduced. The first is the reduction of search costs in terms of efforts, time and money. This is achieved through bringing together large number of buyers and sellers engaged in similar lines of business into a single trading community hence reducing search costs. The second way of reducing costs is through automation of transaction processing such as invoices, purchase orders and payment arrangements. E-market place can also process sales through online

auctions without buyers or goods traded having to **move** to auction sites. Thirdly, online processing adds value to other functions through the **supply** chain, for example, improved inventory management and logistics costs, all of **which** are linked to transactions.

#### **2.4.2 Disinter mediation**

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

#### **2.4.3 Pricing transparency**

By bringing together large number of buyers and **sellers** it reveals market prices and transaction processing to participants. One result of **price** transparency is a reduction in price difference prevailing in the market place. **Buyers** are also allowed more time to compare prices and make purchasing decisions. **Multiple** buyers and sellers participate in prices collectively by engaging in a continuous two-way auction.

#### **2.4.4 Economies of scale and network effects**

The growth of e-markets provide scope for the **creation** of economies of scale. There are considerable up front expenses in establishing an **e-market**, like programming costs. This creates the traditional supply-side cost-based **economies** of scale. By linking large members of buyers and sellers, e-markets provide **demand-side** economies of scale or network effects. The latter do not relate to the **supply** side in the form of reduced average costs, they relate to the fact that the addition of each incremental participant in a market creates value for all existing participants on the demand side. Large numbers of



participants, that is, a critical mass are a key that attracts users to an e-market since it promises benefits for both buyers and sellers.

#### **2.4.5 Global presence**

The boundaries of e-commerce are not defined by geography or national boundaries, but rather by the coverage of the computer networks. Since the most important networks are global presence conducts business worldwide.

#### **2.4.6 Improved competitiveness**

E-commerce enables suppliers to improve competitiveness by becoming "closer to the customer". A simple example is whereby many companies have employed e-commerce technology to offer improved levels of pre and post sales support, with increased level of product information, guidance on product use and rapid response to customer enquiries.

#### **2.4.7 Fast response**

With paper inquiries it would be several days before the customer was informed of any difficulty, such as fully booked tour operations. With e-commerce customers can be informed straightaway giving time for consideration of an alternative product or alternative date of the tour to be advised.

#### **2.4.8 Sales forecasting**

More accurate sale forecasting and business planning is possible due to information availability at the right place at the right time.

### **2.5.2 Security**

Seeing the security issue from the customer's point of view is also quite critical, in that newness brings with it a new set of characteristics and consumers view the internet medium with a certain amount of suspicion especially when it involves entering their credit card details on the internet. They have heard and read the report that e-mail transmissions are not secure, and this has only led to deeper suspicion of technology security.

### **2.5.3 Ethical issues**

In the information age the most valuable thing a customer gives an organisation is his or her profile. As a consequence of this, sellers become wise to the benefits offered by data mining attempts to extract valuable customer information could result in the invasion of privacy. Once having obtained that information the ethical use of the information is quite important to customers, an issue accentuated by the fact that the presence of 'info brokers' is on the rise. Info brokers refer to intermediaries who barter customer information to companies in highly competitive niches.

### **2.5.4 Regulation**

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

### **2.5.5 Service provider liability**

Many Internet Service Providers provide with users access to shared websites, Usenet news, and e-mail distribution among other facilities. Their users can upload unlawful, defamatory, copyright trademark or infringing material the users can misuse these

facilities. Thus, the concerns include libel and defamation, liability for infringement of third party rights and liability for hosting of unlawful materials.

### **2.5.6 On-line contract**

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

### **2.5.7 Jurisdiction**

There are problems associated with jurisdiction of the parties, since it is the one that determine the laws that would be applicable in case of disputes. What body has legal jurisdiction over the contract? The internet allows anyone to set up a website anywhere in the world. Its location could however be interpreted to decide the jurisdiction of disputes especially in e-commerce. Jurisdiction determine which laws would be applicable. Realising the full potential of e-commerce requires universal access. Every company and every consumer must be able to access all organisations offering products or services regardless of geographical position or the specific networks to which these organisations are connected. These in turn demand universal standards for network interconnection and inter-operation. However it should be emphasised that these problems pale beside the opportunities offered by the internet. (Moody, 1996)

## 2.6 Summary

E-commerce benefits tend to surpass those of conventional commerce. First, the time taken to secure an electronic transaction is short. Secondly, the cost involved is low due to the few transaction elements involved from ordering to delivery of products and services. E-commerce is a new phenomenon that needs to be applied. As innovations go through the stages of awareness, comprehension, attitude, legitimisation and trial before adoption, this is expected of e-commerce as well to go through the challenges faced in the change process.

Studies on e-commerce so far focus on the consumer-to-business segment of the e-commerce matrix. Societal changes likely to affect consumer acceptance of e-commerce have been found to include information proliferation and greater focus of time. Given that e-commerce is a new phenomenon it is necessary to focus on the potentials as a facilitator of business that ought to be secured by business organisations. For consumers to gain confidence in e-commerce businesses, there is a need to address the technical issues of bandwidth and network security. The internet is widely recognised as an extremely valuable tool for business. It is generally held that the internet offers substantial advantage over traditional means of commerce. (Cronins. 1996)

E-commerce makes it possible to achieve level playing fields in the fiercely competitive world of business. Large multinationals and small businesses can all take advantage of the available e-commerce tools and technology to enhance productivity and use them innovatively to maintain a competitive edge. Realising the full potential of e-commerce requires universal access. Every company and every consumer must be able to access all organisations offering products or services regardless of their geographical location or specific networks to which these organisations are connected. This turn demands universal standards for network interconnections and inter-operations. (Musembi. 2001)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research design**

This study surveyed the impact of e-commerce as a facilitating tool for business by Kenyan Tour Operators who are members of the Kenya Association of Tour Operators (KATO) and are located in Nairobi. A descriptive survey was used to find out the benefits and factors influencing e-commerce as a facilitating tool for business among the Tour Operators.

#### **3.2 The population**

The population of interest for this study comprised of all those Tour Operators that are listed in the current directory of the Kenya Association of Tour Operators and are based in Nairobi. The geographical scope of the study was limited to Nairobi, which has a membership of 196 members according to the KATO directory list for the year 2005. The advantage of using this list was because majority of Tour Operators are KATO members.

#### **3.3 Sample and sampling design**

A sample size of 40 Tour Operators was randomly selected from the list of KATO directory. This was considered as a good representative of the population of interest because the population is fairly homogenous.

### **3.4 Data collection**

The information required was primary data, and was collected through structured questionnaire completed by managers of the 40 Tour Operators who are entrusted with the operations of the firm. The 'drop-and-pick-later' method of data collection will be employed. This method was considered appropriate in view of time constraint as well as managers filled them when they had less work to do, thus giving them more consideration to the questions. Follow up on the respondents was done through telephone calls. The questionnaires were then collected upon completion and subsequently analysed.

The questionnaire was divided into three parts. Each part consisted questions inquiring into different items that in one way or another relate to the impact of e-commerce as a facilitating tool for business by Tour Operators. The first part, sought general information on demographic features of the respondents. The second part of the questionnaire contained likert scale type of questions on the benefits enjoyed by Tour Operators using e-commerce as a facilitating tool for business.

The third part contained questions focusing on the problems that may be experienced in the use of internet as a business tool.

### **3.5 Data analysis**

The data collected from part A of the questionnaire was analysed using proportions and mean. Factor Analysis, was conducted using statistical package for parts B and C which captured responses of objective 1 and 2 respectively captured in the likert scale responses in the questionnaire. This procedure uncovered relationships among several variables.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATIONS

#### 4.1 Introduction

This chapter contains summaries of data findings and their interpretations. It is divided into three sections, two of which are related to the objectives of the study. The first section analyses the tour operators' general information. The second section analyses the perceived benefits of e-commerce as a facilitating tool for business. The third section analyses the factors influencing the use of e-commerce as a facilitating tool for business.

##### 4.1.1 Response rate

The response rate was 70%. Out of the 40 questionnaires distributed, 28 were received. 12 of the targeted respondents did not respond. All the respondents were members of Kenya Association of Tour Operators and were based in Nairobi. They were selected from the Directory of 2005. Those who did not respond gave varied reasons such as:-

1. They were too busy
2. They feared that their responses might get into the hands of their competitors
3. They had filled too many questionnaires in the past without getting feedback
4. They were generally unwilling to fill questionnaires due to undisclosed reasons

There was another category of respondents who did not apply e-commerce in their operations. Out of the 28 questionnaires received four of the respondents did not use e-commerce as a facilitating tool for business. Therefore, there were a total of 24 respondents who were then analysed to give meaning to the research. These results are discussed in the following sections.

## 4.2 Analysis of general information

The general information considered in the study included, the year of incorporation, tourism products sold, if the company's operations are computerised, the kind of operations that the company performed through the computer and the internet and what prompted them to use e-commerce. The following tables depict the findings as follows:

**Table 4.1 Year of incorporation**

Year	Number of responses obtained ( out of 24)	Number of responses in Percentage	Cumulative percent
Before 1980	5	20.8	20.8
1980 – 1990	8	33.3	54.2
1990 – 2000	9	37.5	91.7
After 2000	2	8.3	100.0
Total	24	100.0	

**Note:** Cumulative percent – all added percentages from the responses. These are figures related to the valid variable that are successfully added onto a previous figure of the same. Enables researcher to see how many responses lie above or below certain values.

Applies to all succeeding tables

The table above shows that most of the firms were incorporated between the years 1990 – 2000. This accounts for 37.5% of the total responses. This percentage can be explained by the fact that this is the period when Kenya emerged as a key destination in Africa. During this period it received 60% of the total tourist arrivals in the continent (KATO,2004). While this is the case it can also be clearly seen from the table that there was a decline of the number of companies formed after the year 2000 which comprises only a percentage of 8.3. What this implies is that companies of tourist nature increase or decline depending on the number of tourists that visit a particular country.



**Table 4.2 Distribution of tourism products sold by companies**

Products	Yes		No	
	Number of responses (out of 24)	Number of responses in Percent	Number of responses (out of 24)	Number of responses in Percent
Hotel rooms	22	91.7	2	8.3
Service of tour guides	13	54.2	11	45.8
Rental cars	11	45.8	13	54.2
Restaurant meals	10	41.7	14	58.3
Entertainment	5	20.8	19	79.2
Airline seats	16	66.7	8	33.3

The table above shows that majority of Tour Operators sell hotel rooms. This accounts for 91.7% of the total responses. The reason for the high percentage in hotel rooms is because tourists who come to Kenya are foreigners, who need accommodation while they are touring the country. The product that is not popular with tour operators is entertainment. This relates to the lowest percentage of responses which is 20.8. This can be attributed to tourists who come to Kenya mainly to engage in travel and to whom entertainment only amounts to a side consideration.

**Table 4.3 Distribution of computerisation of company's operations**

	<b>Number of responses (out of 24)</b>	<b>Number of responses in percent</b>	<b>Cumulative percent</b>
Yes	19	79.2	79.2
No	4	16.7	95.8
Missing system	1	4.2	100.0
<b>Total</b>	<b>24</b>	<b>100.0</b>	

Note: missing system – number of respondents who omitted to answer this particular question

Table 4.3 shows that 79.2% of the company's operations are computerised. This implies that four operators find it more convenient and efficient to computerise their operations. This further indicates that most companies find e-commerce and internet services beneficial to a large extent.

**Table 4.4 Operations carried out using computers**

<b>Operations</b>	<b>Yes</b>		<b>No</b>	
	<b>Number using computers</b>	<b>Number using computers in Percent</b>	<b>Number using computers</b>	<b>Number using computers in Percent</b>
Hotel reservations	16	70.0	8	30.0
Asset management	10	40.0	14	60.0
Airline bookings	15	65.0	9	35.0
Gathering information	15	62.5	9	37.5
Advertising	21	87.5	3	12.5
Disseminating information	10	41.7	14	58.3

According to Table 4.4 which shows the various operations carried out by tour operators through the computer and the internet, advertising ranks highest at 87.5%, followed by hotel reservations with a percentage of 70.0 and next by airline bookings with a percentage of 65.0.

This clearly supports the researcher's first objective that the use of e-commerce is highly beneficial to tour operators as it helps them to reach out potential customers globally. It also highly facilitates travelling through its use in making hotel reservations and airline bookings.

**Table 4.5 Mean response of what prompted companies to use e-commerce**

	Number	Mean	Std. Deviation
ISP connectivity	15	2.53	1.060
Management needs	17	1.71	.772
Customer needs	19	1.16	.501
Competitors	19	1.32	.671
Consultants needs	15	2.13	.990

**Note:** mean – central tendency measure representing average of a set of responses.

This is obtained by adding the values of the responses in the scale and dividing this sum by number of respondents.

Standard deviation – calculates the average amount of deviation from the mean. It enables the researcher to determine with great deal of accuracy, where the values of a frequency distribution are located in relation to the mean. Obtained by square root of the variance.

Table 4.5 shows the mean response of what prompted companies to use e-commerce. Since the numbers were assigned ranging from 1(very important) to 4 (not important), the response reveals that most companies were prompted by their customer needs which has a mean response of 1.16. This apparently high figure is due to the fact that whenever they wanted information from tour operators, they would use e-commerce to communicate efficiently. Similarly, in case of any enquiries they were responded to faster than any other means of communication. The least influence is ISP with a mean of 2.53 because of low

connectivity. This clearly implies that due to the needs of the customers and the orientation of competitors, it has made tour operators to embrace e-commerce as a tool for business and this tallies very well with the objectives of this study.

### 4.3 Perceived benefits of using e-commerce as a facilitating tool for business

Factor analysis was used to assess the benefits that are derived when using e-commerce as a business tool. A total of 13 main factors were defined and used to assess the benefits by Tour Operators.

**Table 4.6 Communalities on perceived benefits**

Factors	Initial score	Real score
Flexible	1.00	.754
Increased revenue	1.00	.500
Reduced transaction costs	1.00	.863
Improved customer service	1.00	.864
Improved customer relationships	1.00	.773
Increased internal awareness	1.00	.767
Easier interactivity	1.00	.812
Easy & quick accessibility	1.00	.779
Increased efficiency	1.00	.748
Speedy communication	1.00	.693
Reliable	1.00	.758
Convenient	1.00	.746
Access to customer information	1.00	.624

**Note:** initial score – variance of a test to be explained. It is the maximum score that is used to measure up against the real score.  
 Real score – attempt to estimate the total common variable of an item to be accounted for by the main factors. This is obtained from values that were assigned to the particular range in the scale on the variables that were examined.

This applies to succeeding tables.

The responses were analysed on the scale of 5 (very large extent), 4 (large extent), 3 (moderate), 2 (small extent), and 1 (no extent). The principal component analysis was performed on the respondents' scores. As indicated in Table 4.6, Communality refers to the portion of variance of a particular item that is due to common factors or shared with other items. It expresses the proportion of variance that is extracted or accounted for by the factors. From Table 4.6, the

factor with the highest variation is improved customer service with a real score of 0.864 or 86.4% for factor four, it clearly shows that a small proportion of variation of the item was accounted for by other factors. While this is the case, increased revenue had the lowest variation with a real score of 0.500 or 50%. This implies that a large proportion of variation of the item was accounted for by other factors.

**Table 4.7 Total variance explained on perceived benefits**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.843	60.333	60.333	7.843	60.333	60.333
2	1.839	14.144	74.477	1.839	14.144	74.477
3	.980	7.539	82.017			
4	.798	6.136	88.153			
5	.537	4.127	92.279			
6	.436	3.353	95.633			
7	.194	1.494	97.126			
8	.111	.852	97.978			
9	.102	.786	98.764			
10	6.609E-02	.508	99.273			
11	4.978E-02	.383	99.656			
12	2.514E-02	.193	99.849			
13	1.964E-02	.151	100.000			

Extraction Method: Principal Component Analysis.

**Note:** % - percent

Initial eigenvalues – initial factors produced by a principal-component analysis of the perceived benefits and routine items and the amount of the variance they account for (their eigenvalues)

% of variance – the proportion of variance accounted for by any one factor is its eigenvalue divided by the sum of their eigenvalues( in this case it is 13), which is multiplied by 100 to convert it to a percentage.

Extraction sums of squared loadings – measure of association between a variable and a factor.

Applies to succeeding tables

The table above shows the total variance explained for each of the extracted factor. Each factor accounts for decreasing proportion of variance subject to the condition that is uncorrelated to all various factors. For a factor to account for at least one variable, it should have an Eigenvalue of at least 1. This serves as a cut off point for determining the number of factors to be extracted.

Since the object of factor analysis is to reduce the number of variables we have to handle, this would not be achieved if we use all of them. The researcher kept the first few

variables that explain most of the variance.

From the figures in Table 4.7 it clearly shows that two factors were extracted. Factor one accounted for 60.33% of the total variation. Factor two solution explained 74.47% of the total observed variation. Factor one and two have been cut off from other factors that did not have an Eigenvalue of 1. The results will be explained in the succeeding sections of perceived benefits.

**Table 4.8 Component matrix of perceived benefits**

Factors	Component	
	1	2
Flexible	.520	.696
Increased revenue	.574	.413
Reduced transaction costs	.709	.600
Improved customer service	.762	-.532
Improved customer relationships	.863	-.166
Increased internal awareness	.790	.379
Easier interactivity	.862	.264
Easy & quick accessibility	.877	-9.69E-02
Increased efficiency	.829	-.246
Speedy communication	.816	-.168
Reliable	.856	-.157
Convenient	.781	-.368
Access to customer information	.764	-.202

Extraction Method: Principal Component Analysis

The table above shows the results of the component matrix where two principal component factors were extracted. Factors one and two represent variables with the proportion of variance subject to the condition that is uncorrelated to all various factors. A summary of factor loading is shown in Table 4.9. The table gives details of what is contained in loadings of Table 4.8.

**Table 4.9 Summary of loadings on perceived benefits**

Factor	Variable(s)
1	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13
2	1

The items have been listed in terms of the size of their loadings on the factor to which they are most closely related. Factor one loads the highest, this means it is closely related with the items. The statements that make up the various factors listed in Table 4.9 are shown in Table 4.10.

**Table 4.10 Statements of perceived benefits**

Factors	Statements
1	<ul style="list-style-type: none"> <li>▪ Increased revenue</li> <li>▪ Reduced transaction costs</li> <li>▪ Improved customer service</li> <li>▪ Improved customer relationships</li> <li>▪ Increased internal awareness</li> <li>▪ Easier interactivity</li> <li>▪ Easy and quick accessibility</li> <li>▪ Increased efficiency</li> <li>▪ Speedy communication</li> <li>▪ Reliable</li> <li>▪ Convenient</li> <li>▪ Access to customer information</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Flexible</li> </ul>

From the Factor analysis results it can be concluded that increased revenue and reduced transaction costs resulted from using e-commerce, as well as improved customer service and customer relationships and their access to information. Further, more Tour Operators engage in speedy communication and easy and quick accessibility in terms of customer enquiries. From factor analysis results it also shows that there is increased internal awareness of the whole operations of the company by staff. Similarly, there is reliability and convenience in using e-commerce. All these variables imply that tour operators find e-commerce as a facilitating tool or business more beneficial. This can be clearly seen from the variables produced of the perceived benefits and the amount of variance they account for.

#### **4.4 Factors influencing use of e-commerce**

There are problems that are faced by Tour Operators when using e-commerce as a facilitating tool for business. Factor analysis was used to evaluate challenges encountered by tour operators. A total of 11 main factors were defined and used in this analysis.



**Table 4.11 Communalities of problems experienced**

<b>Factors</b>	<b>Initial score</b>	<b>Real score</b>
High accessibility cost	1.00	.917
Lack of privacy	1.00	.934
Insecurity due to information abuse	1.00	.866
Insecurity related to payments	1.00	.938
Low internet connections	1.00	.840
Low interest from users	1.00	.845
Complexity of use	1.00	.938
Lack of skilled knowledge	1.00	.910
Use of outdated software	1.00	.807
Inefficiencies of ISP	1.00	.756
Lack of government support	1.00	.892

Extraction Method: Principal Component Analysis

Since the responses were analysed on a scale of 5 (strongly agree), 4 (agree), 3 (undecided), 2 (disagree), and 1 (strongly disagree), the principal component analysis was performed on the respondents' scores. From table 4.11, the factor with the highest variation is insecurity related to payments with a real score of 0.938 or 93.8%. This higher percentage shows that a small proportion of variation of the item was accounted by other factors. While this is the case, factor with the lowest variation is inefficiencies of ISP with a real score of 0.756 or 75.6%. This implies that a bigger proportion of variation of the item was accounted for by other factors.

#### 4.12 Total variance explained on problem experienced

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.095	28.132	28.132	3.095	28.132	28.132
2	2.287	20.788	48.920	2.287	20.788	48.920
3	1.766	16.056	64.977	1.766	16.056	64.977
4	1.421	12.920	77.897	1.421	12.920	77.897
5	1.075	9.769	87.666	1.075	9.769	87.666
6	.505	4.593	92.259			
7	.384	3.487	95.745			
8	.190	1.725	97.470			
9	.135	1.229	98.699			
10	8.839E-02	.804	99.503			
11	5.467E-02	.497	100.000			

Extraction Method: Principal Component Analysis.

From the table above it shows that five factors were extracted. Factor one accounts for 28.13% of the total observed variation, factor two explains 20.79%, and so on. Factor five solution explained 87.67% of the total observed variation. Factor one to five have been cut off from other factors that did not attain an Eigenvalue of 1. The results will be explained in the succeeding sections of problems experienced.

**Table 4.13 Component matrix of problems being experienced**

	Component				
	1	2	3	4	5
High accessibility cost	.261	.128	.676	.481	-.379
Lack of privacy	.888	-.223	-.211	.220	5.707E-02
Insecurity (information abuse)	.568	.297	.506	-.339	.289
Insecurity (payments)	.776	-6.55E-02	.261	.494	.137
Low internet connections	-.542	.288	4.123E-02	.335	.591
Low interest from users	.211	.114	-.812	.187	-.304
Complexity of use	.605	.394	-.349	-.214	.498
Lack of skilled knowledge	-.132	.763	.150	-.468	-.263
Use of outdated software	.361	.796	5.888E-02	-3.09E-02	-.194
Inefficiencies of ISP	6.760E-02	.686	-.354	.386	-8.15E-02
Lack of government support	-.675	.435	7.590E-02	.470	.146

Extraction Method: Principal Component Analysis.

In general, the meaning of a factor is determined by the items that load most highly on it. Items or variables that correlate less than 0.3 with a factor are omitted from consideration since they account for less than nine percent of the variance and so are not very important. The loadings in excess of 0.3 with regard to any variables that are implicated in more than one factor.

Table 4.13 shows the results of component matrix where five principal components factors were extracted. Factors one to five represent variables with the proportion of variance subject to the condition that is uncorrelated to all various factors. The following table is on the basis of details contained in Table 4.13

**Table 4.14 Summary loading of problems experienced**

Factors	Variable(s)
1	2, 3, 4, 7
2	8, 9, 10
3	1
4	11
5	5

The relationship between each item and a factor is expressed as a loading. The items have been listed in terms of the size of their loadings on the factor to which they are most closely related. The statements that make up the various factors listed in table 4.14 are as contained in the following table:

**Table 4.15 Problems experienced statements**

Factor	Statements
1	<ul style="list-style-type: none"> <li>▪ Lack of privacy</li> <li>▪ Insecurity (information abuse)</li> <li>▪ Insecurity (payments)</li> <li>▪ Complexity of use</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Lack of skilled knowledge</li> <li>▪ Use of outdated software</li> <li>▪ Inefficiencies of ISP</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ High accessibility cost</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ Lack of government support</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ Low internet connections</li> </ul>

Factor Analysis reveals that there is lack of privacy while transacting business using e-commerce. Similarly, there is insecurity both in payments and information

abuse. Complexity is another factor that is influencing use of e-commerce as a tool for business.

This observation tallies with the researcher's second objective that there are problems that are encountered by tour operators while transacting business through e-commerce. Even though there are variables which show there are problems experienced and the amount of variance that account such problems, these problems do not surpass the perceived benefits.

## CHAPTER FIVE

### CONCLUSIONS, LIMITATIONS AND RECOMENDATIONS

This section gives a summary of the findings of the study in relation to the objectives of the research. The study objective was to examine the benefits that are enjoyed by Tour Operators when using e-commerce as a tool for business. Another objective was to evaluate the factors influencing the use of e-commerce as a business tool. This chapter covers conclusions, limitations and suggestions for further research.

#### 5.1 Conclusions

It is clear from the study that many of the firms were incorporated between the years 1990 and 2000 due to the fact that during this time Kenya emerged as a key destination in Africa which without many tourists coming into the country then companies will not be formed. For the companies that have been formed it has a wide variety of products that they offer. Selling of hotel rooms by Tour Operators was the most popular product with a total percentage of 91.7 from the respondents.

Study done by Mbuvi(2000) found out that 94% of the respondents from the tourism industry were enthusiastic about the adoption of e-commerce and had intentions of adopting the technology. On this note, the researcher set out to find out the extent at which the tour operators are enjoying the benefits of using e-commerce as a tool for business, and at the same time capture the factors influencing the use of e-commerce as a business tool. From the findings in Table 4.3 it shows that majority of the company operations are computerised and the operations that are mostly carried out using the computer is mostly advertising closely followed by hotel reservations.

From this research, it is evident that Tour Operators have embraced e-commerce as a tool for business. Clearly the reason behind Tour Operators embracing e-commerce is mainly attributed to customer needs. From Table 4.5 it has attained a mean score of 1.16. This is

because customers need to be responded to faster.

There are more benefits to be derived from using e-commerce as a facilitating tool for business, than there are challenges that are faced by Tour Operators when using e-commerce for their business transactions. This is clearly evident from the discussions in the following sections.

### **5.1.1 Perceived benefits**

The researcher was interested in determining the perceived benefits of using e-commerce. The study identified twelve variables that were pointed out by Tour Operators that were making e-commerce as a tool for business beneficial to their operations. A five-point likert scale was used to establish the extent to which tour operators find e-commerce beneficial to their operations. A factor analysis was used to determine this. From such analysis, the following conclusions relating to such benefits were drawn:-

1. Increased revenue – which is realised through efficiency of operations.
2. Reduced transaction costs – which is established to be low due to the few transaction elements involved from ordering delivery of products and services.
3. Improved customer service – resulting from the fact that Tour Operators can easily anticipate customer needs thereby being able to meet customer demands.
4. Increased customer relationships – which arise from the fact that Tour Operators are able to gather detailed information from customer purchases which they then can use to tailor their products and services to fit individual needs.
5. Increased internal awareness – as the boundaries of e-commerce are not defined by geographical or national boundaries or departmental boundaries, employees of Tour Operators have knowledge of operations in the other departments.
6. Easier interactivity – as e-commerce goes beyond activities related purely to transactions, it includes collaborative activities between members
7. Easy and quick accessibility – not only can information be retrieved easily but also can be viewed easily.

- 3 Insecurity due to information abuse – which is mainly because of ‘info brokers’ who barter customer information to companies in highly competitive niches.
- 4 Complexity of use – which is brought by new employees who need to be trained before performing their tasks of transacting business through e-commerce.

In as much as there is more to be gained in using e-commerce there are also problems that are faced by the Tour Operators and they are as listed above.

## **5.2 Limitations**

Some of the Tour Operators were not clear on the academic nature of the study in relation to the objective of the research and were hesitant to fill out the questionnaires. as they feared that the information provided would end up in the hands of the competitors. This the researcher was able to overcome by Tour Operators the letter of introduction and sometimes by producing university identification card. Another problem that was encountered during the study was time shortage, such that questionnaires that were received in good time were used in the analysis.

## **5.3 Suggestions for further research**

E-commerce is still a new phenomenon in this country. Different sectors have opened up their eyes to a wide range of advantages that can be derived from e-commerce. As the benefits surpass the shortcomings of e-commerce there tend to be more problems that will come up before they are sorted. Some respondents expressed their view that, as they have filled many questionnaires in the past, benefits of e-commerce are frequently addressed. Therefore it would be more valuable if a study is done focusing on the underlying problems that are faced by Tour Operators. There is also need to replicate this study in other sectors of the industry, for example, banking sector because most banks are currently trying to apply e-commerce in their operations.



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## 7.0 APPENDICES

### 7.1 Appendix 1: list of Tour Operators in Nairobi as listed in the (KATO, 2004/5)

#### Directory

1. Abercrombie & Kent
2. Across Africa Safaris
3. Adventure Center Ltd
4. Africa Expeditions
5. African Horizons Travel & Safaris
6. African Jacana Safaris
7. African Latitude (Kenya) Ltd
8. African Road Safaris & Kimbla
9. African Tropical Safaris Ltd
10. Air Travel & Related Services Ltd
11. Albatross Travel & Safaris
12. Allicen Travel Ltd
13. Aloha Tours & Safaris
14. Amazing Tours And Travel Ltd
15. Apollo Tours & Travel
16. Archers Tours & Travel Ltd
17. Arrow Travel Services
18. Art Safaris Ltd
19. As You Like It (Safaris) Ltd
20. Australken Tours & Travel Ltd
21. AV Tours & Safaris
22. Avenue Service Station (1977)
23. Awa Touring Company
24. Balloon Safaris
25. Bateleur Safaris Ltd
26. Bentley Travel Ltd
27. Best Camping Tours
28. Big Five Tours & Safaris Ltd
29. Bike Treks Ltd
30. Bill Winter Safaris
31. Bottger Production Ltd
32. Bush Homes Of East Africa Ltd
33. Bushbuck Adventures Ltd
34. Call Of Africa Safaris
35. Carr-Hartley Safaris Ltd
36. Chameleon Tours
37. Cheli & Peacock
38. Concorde Car Hire & Safaris
39. Cottars Safari Services
40. Cotts Travel & Tours Ltd
41. County Car Hire
42. Crossway Car Hire & Tours
43. Crown Tours & Car Hire
44. Dallago Tours & Safaris Ltd
45. David Penrose Safaris Ltd
46. Destination Kenya
47. Destinations Link Services
48. Discount Tours & Travel
49. Discover Safaris Ltd
50. Diving The Crav – Blue Wave
51. Dodoworld Ltd
52. Dominio DI Doriano
53. E.A Wildlife Safaris Ltd
54. Eastern & Southern Safaris

55. E. A. Ornithological Safaris Ltd
56. El- Molo Tours & Travel
57. Explore Mara Ltd
58. Express Travel Group
59. Feather Trail Tours
60. Ferrari Tours
61. Five Continents Travel Ltd
62. For You Proxy Ltd Obi
63. Four By Four Safaris Ltd
64. Franz Lang Safaris Ltd
65. Freeway Tours & Travel
66. Fun Tours & Safaris Ltd
67. Furaha Travels Ltd
68. Game World Ltd
69. Gametrackers (K) Ltd
70. Gamewatchers Safaris Ltd
71. Gemkena Africa Safaris Ltd
72. General Tours & Travel
73. Geo Safaris Ltd
74. Going Places Ltd
75. Grand Edition Tours
76. Guerba (K) Ltd
77. Habib's Tours & Travel
78. Hamerkop Safaris
79. Holiday Bazaar Ltd
80. Holiday Homes Ltd
81. Hotel & Adventure Travel
82. Imperial Air Services
83. Ivory Safaris Tours (1975) Ltd
84. J. H. Safaris Ltd
85. Ja De Sea Journeys Ltd
86. Jet Travel Ltd
87. Kenia Tours & Safaris
88. Kenya Wildlife Trails
89. Ker & Downey Safaris Ltd
90. Ketty Tours & Safaris Ltd
91. Kibo Slopes Safaris Ltd
92. Kimbla Kenya Ltd
93. Kobo Safaris Ltd
94. Let's Go Travel
95. Lexinda Travels Ltd
96. Lindberg Holidays & Safaris Ltd
97. Lionking Travellers Ltd
98. Maniago Travel & Cruises Ltd
99. Madukha tours & safaris
100. Maridadi Safaris Ltd
101. Market Service Station & Car Hire
102. Mathews Safaris
103. Mini Cabs & Tours (Micato)
104. Motto Tours & Travel Ltd
105. Mountain Rock Safaris
106. Muthaiga Travel Ltd
107. Nahdy Travel & Tours Ltd
108. Nature Expeditions Africa Ltd
109. Njambi Tours
110. Nutty Safaris
111. Offbeat Safaris Ltd
112. Ostrich Holidays Adventures
113. Outdoor Expedition Safaris Ltd
114. Partners Of Adventure Ltd
115. Paws Africa Safaris Ltd
116. Payless Car Hire

117. Phoenix safaris (K) ltd
118. Pollman's Tours & Safaris
119. Prep Safaris International Ltd
120. Private Safaris ( E.A) Ltd
121. Rajair Air Travel
122. Raydoll Tours & Travel Ltd
123. Raylenne Tours & Safaris
124. Rhino Safaris Ltd
125. Richard Bonham Safaris Ltd
126. Rickshaw Travels Ltd
127. Rita's Tour & Car Hire
128. Robin Hurt Safaris
129. Romantik Safaris & Travel Ltd
130. Royal Host Tours & Safaris
131. Safari Camp Services
132. Safari Line Africa
133. Safari Partners Ltd
134. Safari Seekers Ltd
135. Safari Travel Ltd
136. Safaris Unlimited (Africa) Ltd
137. Sagawa Tours & Travel
138. Sapieha Tours & Safaris
139. Savage Paradise Ltd
140. Scenic Safaris
141. Senator Travel Services Ltd
142. Serena Hotels
143. Sher Safari Services Ltd
144. Shoor Travel & Tours Ltd
145. Sights Of Africa' Safaris
146. Smile Tours & General Agencies
147. Somak Travel Ltd
148. Southern Cross Safaris
149. Spotrmen's Safaris & Tour Ltd
150. Spurwing Travel & Tours Ltd
151. Star Travel & Tours Ltd
152. Suntrek Tours & Travel
153. Sunworld Safaris
154. Supersonic Travel & Tours Ltd
155. Taipan Vacations & Travel Ltd
156. Tekko Tours & Travel
157. Texcal Safaris & Tours
158. The Specialised Safari Co. Ltd
159. The Travel Mart
160. Thorn Tree Safaris & Tours
161. Tobs Golf Safaris
162. Tor Allan Safaris
163. Tour Africa Safaris
164. Trans Safaris
165. Transworld Safaris Ltd
166. Travel N Style Ltd
167. Travel Affairs Ltd
168. Travel Creations Ltd
169. Travel News
170. Travel Plaza Ltd
171. Travel Scene Services Ltd
172. Travelcare Ltd
173. Travelour Ltd
174. Tropiafric Safaris
175. Tropical Breaks Ltd
176. Tropical Ice Ltd
177. Tropical Nature & Cultural Safaris
178. Tulip Travel Ltd

179. Twiga Tours
180. Twin Travel & Tours Ltd
181. Ulf Aschan Safaris Ltd
182. Uniglobe Northline Travel Ltd
183. Utalii Tours & Safaris
184. Venture Africa Safaris & Travel
185. Vintage Africa Ltd
186. Visit Africa Ltd
187. Wago Wago Safaris
188. Waku Waku Safaris Ltd
189. Gemkena Africa Safaris Ltd
190. Westerveld Safaris Ltd
191. Westminster Safaris Ltd
192. Wild Destinations Ltd
193. Wildlife Safari Ltd
194. Wildtrek Safaris Ltd
195. Yare Safaris Ltd
196. Zirkuli Expeditions Ltd

## 7.2 Appendix 2: Letter of Introduction

Diane Chelangat Korir,  
University of Nairobi,  
Faculty of Commerce,  
Department of Business Administration,  
P. O. Box 30197,  
NAIROBI.

Dear Respondent.

### RE: COLLECTION OF SURVEY DATA

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. In order to fulfil the degree requirement, I am undertaking a research project. The title of my project “ **Impact of E-commerce as a Facilitating Tool for Business : The Case of Tour Operators.**”

I have prepared a questionnaire to help in my data collection and I am requesting you to take a few minutes to complete it to the best of your ability.

The information you will provide will be treated with strict confidence and will only be used for purposes of this study, without mentioning your name or that of your organisation. A copy of the project will be made available to you on request.

Thanking you for your co-operation.

Yours faithfully,

Diane Chelangat Korir.

Student.

### 7.3 Appendix 3: Questionnaire

Instrument for collecting data.

To be completed by managers of members of the Kenya Association of Tour Operators that are based in Kenya and located in Nairobi.

#### PART A

1. Name of your organisation -----
2. Year of incorporation       before 1980                       1980 – 1990  
    1990 – 2000                       after 2000
3. What individual tourism products do you sell?( please tick appropriate)  
    hotel rooms                       restaurant meals  
    service of tour guides               entertainment  
    use of rental cars                       airline seats  
    others( specify) -----
4. Are your company's operations computerised?  
    yes                                       no
5. If yes, specify operations carried out using computers  
    hotel reservations                       asset management  
    airline bookings                       others (specify) -----  
   -----
6. What operations does your company perform through the Internet?  
    gathering information               advertising  
    disseminating information       other(s) -----  
   -----



7. What prompted you to use e-commerce?

	VI	I	SI	NI
ISP	( )	( )	( )	( )
Management	( )	( )	( )	( )
Customers	( )	( )	( )	( )
Competitors	( )	( )	( )	( )
Consultants	( )	( )	( )	( )
Other-----	( )	( )	( )	( )

Key: VI - Very important      I - important  
 SI - somewhat important      NI - not important

**PART B**

The following are perceived benefits of using e-commerce as a facilitating tool for business

Key: 5 = very large extent    4 = large extent      3 = moderate    2 = small extent  
 1 = no extent

	5	4	3	2	1
1. Flexible	( )	( )	( )	( )	( )
2. Increased revenue	( )	( )	( )	( )	( )
3. Reduced transaction costs	( )	( )	( )	( )	( )
4. Improved customer service	( )	( )	( )	( )	( )
5. Improved customer relationships	( )	( )	( )	( )	( )
6. Increased internal awareness	( )	( )	( )	( )	( )
7. Easier interactivity	( )	( )	( )	( )	( )
8. Easy & quick accessibility	( )	( )	( )	( )	( )
9. Increased efficiency	( )	( )	( )	( )	( )
10. Speedy communication	( )	( )	( )	( )	( )

- |                                    |     |     |     |     |     |
|------------------------------------|-----|-----|-----|-----|-----|
| 11. Reliable                       | ( ) | ( ) | ( ) | ( ) | ( ) |
| 12. Convenient                     | ( ) | ( ) | ( ) | ( ) | ( ) |
| 13. Access to customer information | ( ) | ( ) | ( ) | ( ) | ( ) |
| 14. Other(s)-----                  | ( ) | ( ) | ( ) | ( ) | ( ) |

**PART C**

What problems are being experienced in the use of e-commerce as a business tool?

Key :            5 = strongly agree    4 = agree            3 = undecided            2 = disagree  
                      1 = strongly disagree

- |  | 5   | 4   | 3   | 2   | 1   |
|--|-----|-----|-----|-----|-----|
| 1. High accessibility cost             | ( ) | ( ) | ( ) | ( ) | ( ) |
| 2. Lack of privacy                     | ( ) | ( ) | ( ) | ( ) | ( ) |
| 3. Insecurity due to information abuse | ( ) | ( ) | ( ) | ( ) | ( ) |
| 4. Insecurity related to payments      | ( ) | ( ) | ( ) | ( ) | ( ) |
| 5. Slow Internet connections           | ( ) | ( ) | ( ) | ( ) | ( ) |
| 6. Lack of regulations                 | ( ) | ( ) | ( ) | ( ) | ( ) |
| 7. Complexity of use                   | ( ) | ( ) | ( ) | ( ) | ( ) |
| 8. Lack of skilled knowledge           | ( ) | ( ) | ( ) | ( ) | ( ) |
| 9. Use of outdated software            | ( ) | ( ) | ( ) | ( ) | ( ) |
| 10. Inefficiencies of ISP              | ( ) | ( ) | ( ) | ( ) | ( ) |
| 11. Lack of government support         | ( ) | ( ) | ( ) | ( ) | ( ) |
| 12. Other(s) -----                     | ( ) | ( ) | ( ) | ( ) | ( ) |