

Marketing Activities Expenditures and Performance of Selected Hotels in Kiambu County, Kenya

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Abstract

The study investigated the effects of expenditure on marketing on performance of hotels in Kiambu County. The study specific objectives were: to determine the effects of expenditure on promotions on performance of hotels in Kiambu County, to assess the effects of expenditure on market research on performance of hotels in Kiambu County, to examine the effects of expenditure on customer management on performance of hotels in Kiambu County and to evaluate the effects of expenditure on marketing consultancies on performance of hotels in Kiambu County. Performance of hotels was measured using the indicators of financial performance, holding capacity and number of customers. The study was guided by the theories of Research Resource Based View Theory, Relationship Marketing Theory and Market Orientation Theory. The study adopted descriptive research design. The target population for this study was 3star, 4 star and 5 star hotels in Kiambu County. Sampling was done using stratified random sampling technique to come up with a size of 45respondents. Data was collected using questionnaires deployed using drop and pick method. Data was analyzed using the descriptive techniques and inferential techniques using multiple regression analysis. The analyzed data was presented in the form of frequency tables and graphs. Multiple regression analysis was used to establish the exact strength and influence of each of the independent variables on the dependent variable and inform the recommendations of the report. The findings of the study revealed that spending on marketing activities. How a significant positive effect on the performance of hotels. Spending on promotional activities had the greatest effect on the performance of hotels (30.9%). followed by spending in market research (28.6%) and then spending in customer relationship management was third (26.3%) spending on consultants in marketing had the least effects on performance of hotel at (14.2%). The study recommended that hotels should fund marketing activities proportionate to the effects on performance after evaluating them.

1. Introduction

The hospitality industry and hotels in particular play an important role in the economy and livelihood of the people in their locality. According to Wadongo, Odhuno, Kambona, and Othuon (2010) the economic contribution of hotel industry is mainly in earning hard currency and providing job opportunities. The hotel industry contributed to 628,000 jobs in 2007 and the number continues to grow as earning the country needed hard currency. Hotel industry is the pivotal yardstick for the growth of the entire hospitality industry that is the third foreign exchange earner, account for 12% of total national wage employment and contributes a 13.7% of the gross national product in Kenya (National Tourism Strategy, 2013).

Marketing has become an imperative for all businesses including hotels. The main reason for the marketing in the hotel business is because of the growth in the number of guests who are in need of accommodation and the increase in competitions by the accommodation service providers. Moreover, the hotel industry is becoming mature and competitive necessitating aggressive marketing (Cooper et al. 2008). Tightening of regulations and emerging markets especially from the bulging middle class and other emerging green consumers add to this urge (Mensah, 2004). Further, the sector is evolving in line with growing infrastructure especially in the transport industry (Kamau & Waudu, 2012).

According to Ottenbacher, Harrington and Parsa (2009) the industry is simultaneously expanding its product diversification offers to include lodgings, food services, catering, hiking and travel business. The hotels have been forced to change marketing strategies as they seek to appeal to organizations and corporate customers for these services. Kotler (2009) argues that selling products and services to a company is fundamentally different than selling to individuals. This has forced hotels to increase spending on marketing as they come up with cogent marketing strategies to appeal to consumers of the growing products.

Performance is a multidimensional concept with diverse definition and indicators of measurement. Gibson (2010) offered a comprehensive conceptualization of performance as a measure of an organization output as measured its objectives. It can be measured either in financial term, non-financial terms or in measures of efficiency and effectiveness. Non-financial measures have been deemed to be more effective in motivating managerial performance because they are more reflective of the overall corporate strategy (Galeticet.al., 2007).

Nganga (2013) found non-financial indicators, such as customer satisfaction, quality assurance, productivity, employee development etc. becomes important as they determine the competitiveness of a business as well as its ability to sustain profitability in the future. Several factors affect performance of hotels. According to Ongori, Iravo and Munene (2013) the ability of the top managers in a hotel to analyze both internal and external

environment and devise suitable strategies is key to performance of hotels. Customer perception of quality services was also cited as another factor affecting performance of hotels. Brander, Brown and Atkinson (2001) found that presence of tangible resources to actualize the objectives of an organization as a key pillar to good performance.

Spending on marketing activities is premised on the fact that marketing maximizes the wealth of capital owners despite the criticism against it. Marketing has been responsible for present over-consumption and consumerism (Karma, 2003). Acknowledgement has been there that such expenditure on marketing such as slogans, symbols, packaging, advertising and other promotional events lead to development of brand equity and purchase intention (Yoo, Donthu & Lee, 2000). Spending on marketing also ultimately influences consumer preferences and purchase behavior (Pappu, 2005).

Zeithaml and Bitner (2000) had earlier asserted that hotel services should be accompanied by an overt marketing strategies to increase sales. This spending on marketing accords the hotels a chance to inform the customers about all the products and services available and an opportunity to engage with customers to enable satisfaction and loyalty (Rublescki, 2009). Expenditure on marketing activities enables alignment of marketing and the entire human resources functions. This alignment was noted by Chimhanzi and Morgan (2005) as enabling greater success in marketing strategy by creating process based dimensions.

All the categories of hotels are in Kiambu County. These include; vacation hotels, town hotels and lodges into five classes denoted by stars, five being the highest and one as the lowest. This study however intends to focus on the classification of hotels as given by the Local Authority of County Government of Kiambu. Its classification involves high standard lodging hotels with restaurants, butcheries and bars/membership clubs. It also includes eating house hotels which is the focus of this study. Ngandu (2014) found out that the rapid growth of new hotels in Kiambu County has encountered some challenges including sub-optimal utilization of capacity which the study sought to link to spending on marketing activities.

2. Statement of the Problem

Hotels in Kiambu including the big accredited hotels continue to post mixed and confounding performance especially in profitability with very profitable hotels just next to a struggling hotel of the same capacity and resources, the number of customers they attract as compared to their capacity, their staying power as a running entity yet others remaining stable and profitable for a very long time. Studies done on hotels in Kiambu County have not satisfactorily explained this strange phenomenon are mostly general in nature and fail to capture the localized nuances and internal operational issues that inform disparity in performance. Najib (2016) found that hotels in Kiambu has been seen to deteriorate in the past few years with some even closing without offering the informing reasons apart from competition and macro- economic environment.

Kamau (2008) attributed the changes in performance of hotels to: competition for resources, skilled labour and market share, socio-cultural changes, technological changes, economic challenges, changes in Customers' expectation. Oduhno & Kambona (2010) found out that hotels scarcely invest substantially on activities that didn't fetch quick returns. In the Kenyan context Ndungu (2010) carried out a study on the effectiveness of marketing strategies used in destination branding in the promotion of domestic tourism and found out positive correlation to performance but failed to include the effects of funding on these marketing strategies and branding. This study will seek to fill in this deep and universal gap on failure to capture expenditure on marketing activities as a factor contributing not only to success in marketing but also eventual performance of hotels. This study will also determine if differentials in expenditure on marketing account for disparities in performance of hotels in Kiambu County.

3. Specific Objectives

The study was guided by the following specific objectives:

- i. To determine the effect of spending on promotion on performance of hotels in Kiambu County.
- ii. To assess the effect of spending on market research on performance of hotels in Kiambu County.
- iii. To establish the effect of spending on customer relationship management on performance of hotels in Kiambu County.
- iv. To determine the effect of spending on marketing consultancies on performance of hotels in Kiambu County.

Literature Review

2.1 Theoretical Review

The study was informed by the following theories:

Resource Based View Theory

This model recognizes the importance of a firm's internal organizational resources as determinants of the firm's

strategy and performance (Barney & Clark, 2007). The term internal organizational resources consist of all assets, capabilities, organizational processes, firm attributes, information, knowledge, that are controlled by a firm and that enable it to envision and implement strategies to improve its efficiency and effectiveness. This theory was invaluable to this study because it emphasizes intangible assets such as marketing over physical assets as was observed by Alavi and Leidner (2011).

The theory notes that superior performance and competitive advantage is achieved as a result of investment in human capital. Ganotakis and Love (2010) observed that such investment in human capital can be achieved through training and ensuring that such resources are inimitable, not substitutable, tacit in nature and synergistic.

King (2007) noted that building such investment require heavy capital and usually is risky. Eisenhardt and Martin (2001) noted that the investments should lead to development of dynamic capabilities and marketing is one such capability in line with product innovation. In guiding this study, the investment in marketing activities by hotels were considered as internal resources and capability. The diverse investment in terms of marketing teams, budgets for marketing research and monies paid to marketing consultants related to the recorded performance by hotels to assess the value added to the performance.

Market Orientation Theory

The market orientation theory was developed by Felton (1959) and was premised on integrating and coordinating all marketing functions with the overall corporate strategy to produce maximum long range profits. This was supported by McNamara (1972) who suggested that customer orientation, profit orientation and recognition of the need to communicate should be in all corporate departments.

The market orientation theory has posits and provisions that a well funded marketing teams should seek to attain. They include focus on customer, understanding of the competitor, integration of functions to create superior customer value and active integration of groups to create a culture of delivering superior value to customers (Kohl & Jaworski, 1990; Narver & Slater, 1990; Dobni & Luffman, 2003). These market orientations have been found to produce the benefits of market sensing, market responsiveness especially in hostile and unpredictable environments (Stoelhorst & Raaj, 2004). The theory guided the study in establishing the extent the hotels invest in market research either through the use of their marketing teams or hired consultants for the purpose. The study assessed the benefits the hotels accrue by investing resources in understanding the market, how the competitors price their products and the general trend in the market.

2.2 Empirical Review

Empirical literature has documented that marketing communication channels commonly used in the hotel industry are advertising, personal selling, sales promotion, direct marketing, public relations and trade shows (Devashish, 2011) brochures, travel fairs, direct marketing, discount schemes, loyalty clubs, public relations, and the use of a celebrity or journalist (Buhalis, 2000), personal experience and colleagues/friends/relatives (Ndivoet *al.*, 2012), publicity and internet (Yimsrisai & Khemarangsai, 2012).

A study by Njung'e and Liswani (2013) shows that a number of tour companies and hotels in Kenya use the internet daily for reservations and bookings done by domestic tourists. Sales promotions are commonly used to combat competition by rewarding customers with special deals or discounted prices (Kumar, 2010). Ndivoet *al.*, (2012) point out that domestic tourists' in Kenya consider television as more important as opposed to print media (travel brochures, newspapers, magazines, and books) in creating awareness of a tourist destination, however, the choice of a tourist destination is highly influenced by print media. This awareness could be because free to air TV info is free for viewers whereas print media such as tourist guidebooks are very expensive, hence destination info is out of reach for many Kenyans, especially those with low budget.

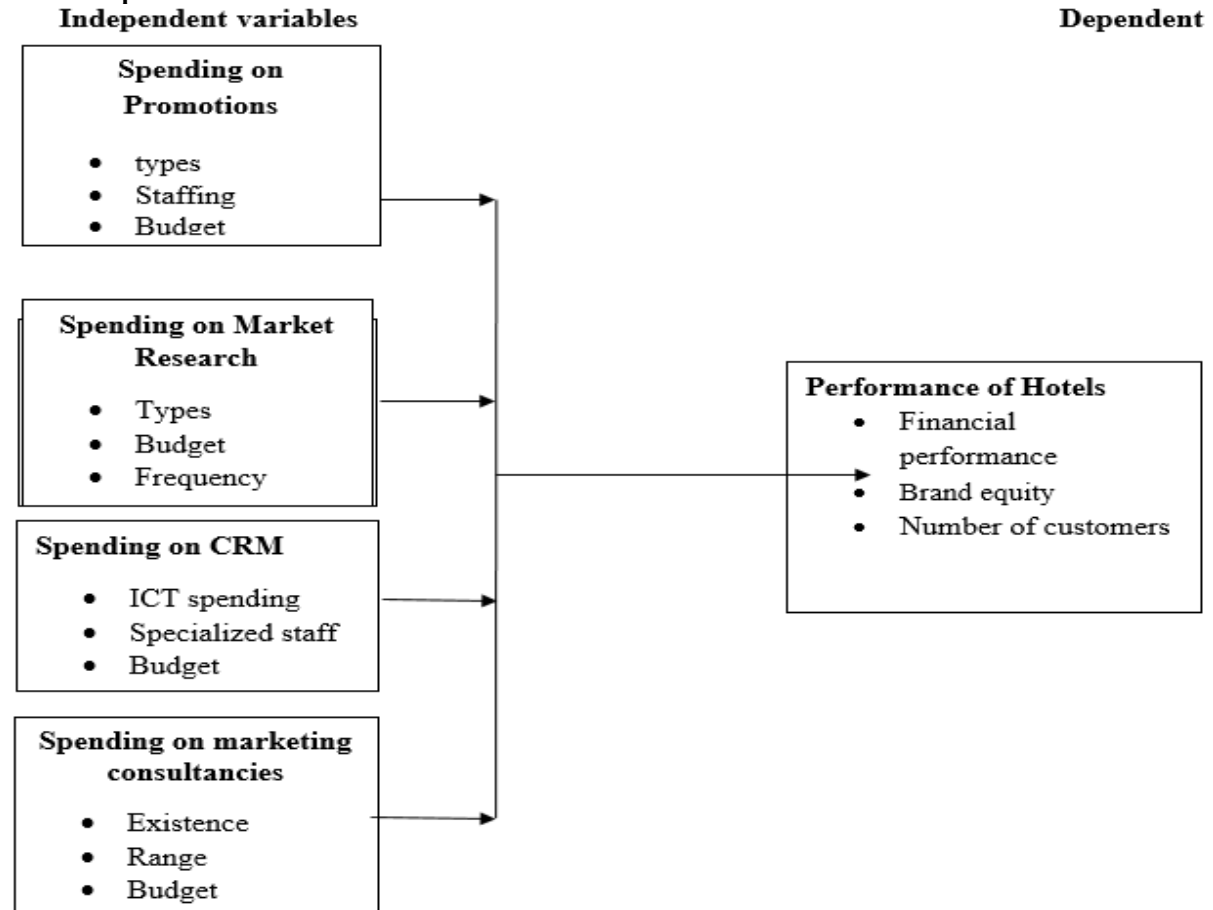
Shaw and Jones (2005) reported the need for extensive spending on market research by organizations chiefly because of its invaluable role in demand creation, demand activation or demand generation and propaganda or the conditioning of buyers or sellers to a favorable attitude. Gitonga (2015) on the marketing research practices and performance of fast moving consumer goods manufacturers in Kenya found out that All FMCGs in Kenya take marketing research seriously and do carry out marketing research.

Owiti, (2014) studied customer management practices and or drivers of hotels in Nairobi and it was concluded that the driver that was influencing hotel performance was quality because satisfied customers would recommend others amounting to increased competitiveness and profitability. It was further established that that hotels in the future will spend 70% of their expenditure on CRM related activities because of the potential of CRM to increase hotels efficiency (Alino, 2013).

There have been empirical findings on the positive contribution to performance and the distinctive resources gained from engaging external consultants as generating higher rents than those generated independently by the resources of each firm (Rodriguez and Robaina, 2006). Gilley and Rasheed (2000) argue that, by allowing outside specialist organizations to concentrate on certain tasks, firms may increase their performance by focusing narrowly on things they do best. In other quarters, marketing has been found to be

getting complex and thus the need for external consultants. Ingram (2004), in research work on the future themes in sales management complexity, collaboration, and accountability found that collaboration is inferred for success in sales. There is hardly any study investigating the role of the effect of spending on any marketing activity and how those spendings impacts on the performance of institutions such as hotels and thus the primary gap thus study sought to fill.

2.3 Conceptual Framework



Research Methodology

The study adopted descriptive research design. The target population for this study was 3star, 4 star and 5 star hotels in Kiambu. According to Kenya Association of Hotel Keepers & Caterers Hotel & Restaurant Guide (2014), there are approximately 50 hotels in Kiambu. This is a combination of 3Star, 4Star and 5 Star hotels. The hotel managers, marketing managers, finance managers and their equivalent, in these hotels constituted the respondents to the study.

The study employed purposeful sampling, stratified sampling and simple random sampling among the hotels and staff. Stratified sampling was used to select categories of hotels for the study. The strata was the classification of hotels as either 5 star, 4 star or 3 star classification. All the classification were represented. Simple random sampling settled on the employees to participate in the study. However, purposeful sampling settled on the category of hotel employees with knowledge on the marketing activities and performance of the hotels. The study sampled of 30% of the hotels and respondents as advocated for by Mugenda and Mugenda (2003).

Table 1.1 Sampling frame

Sample Design Strata	Strata size	Sampled	Employees sampled
5 star hotels	9	3	6
4 star hotels	8	3	18
3star hotels	14	5	21
Total	311	11	45

Data was collected using questionnaires administered using drop and pick method. To ensure validity of the research instruments, face validity and content validity of the research instruments was ensured by examination of the research instruments by an expert and validation by the supervisor. To ensure reliability of the research instruments, the study used the Cronbach Alpha Co-efficient after test re-test to ascertain the reliability. A score of 0.7 was deemed sufficient for the study. Descriptive analysis was administered on the collected data.

Presentation and Discussion of Findings

4.1 Spending on Marketing Activities

The study sought to establish if the hotel undertook and spends resources on marketing activities of promotions, marketing research, customer management and marketing consulting. The findings were presented in the table below:

Table 2 Spending on Marketing Activities

PRACTICES	YES	NO
Advertising for services	43	57
Conducting Marketing research	24	70
Conducting Customer relationship management	56	42
Engaging marketing consultants	30	70

4.2 Spending on Marketing Activities and Performance

The study established the effects of spending on promotion on the following aspects of performance of hotels as follows; maintaining existing customers, getting new customers and increase in profits.

Table 3 Effects of Marketing on Performance

	Very great extent	Great extent	Average extent	Small extent	Not at all	M	SD
a) Maintaining existing customers	0%	0%	35%	35%	30%	4.0	0.8
b) Getting new customers	0%	15%	12%	46%	27%	3.9	1.0
c) Increase in profits	8%	23%	12%	27%	31%	3.5	1.4

4.3 Spending on Marketing Research

The study established the availability of marketing research by hotels in Kiambu, frequency of budget involved and effects on performance and found out the following; only 52% of the hotels conducted marketing research of any type. The frequency of conducting market research was staggering with 63% of the hotels conducting the formal market research only once in a year due to costs involved. To comprehend the depth of spending on research, the study found out that the approximate annual budget for market research by hotels in Kiambu County was as follows;

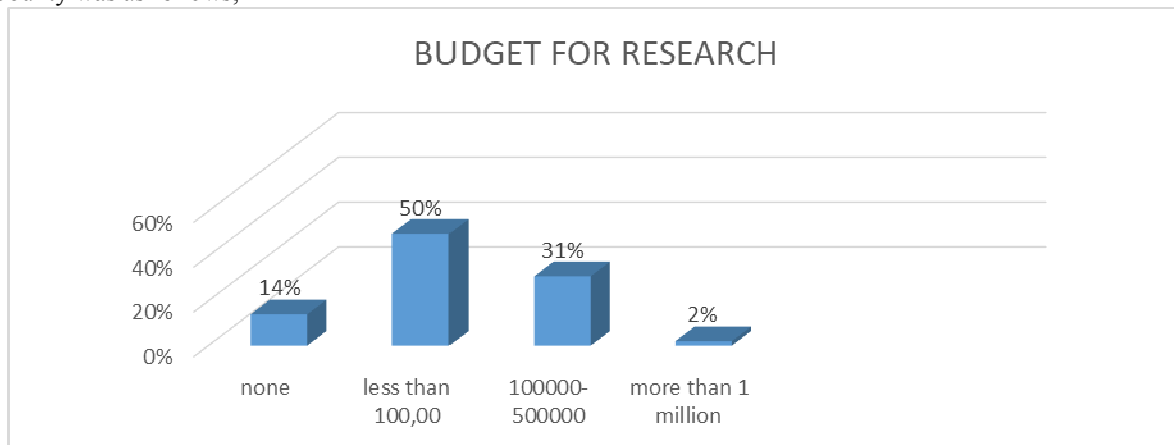


Figure 1 Budget for Marketing Research

4.3.1 Spending on Market Research and Performance

It was established that spending on market research had the following impact on the following aspects of performance by hotels; maintaining existing customers, getting new customers and increasing sales.

Table 4. Market Research and Performance

	Very great extent	Great extent	Average extent	Small extent	Not at all	M	SD
Maintaining existing customers	4%	8%	19%	46%	23%	3.9	1.1
Getting new customers	12%	0%	27%	23%	38%	3.4	1.3
Increasing sales	4%	23%	8%	50%	15%	3.3	1.4

4.4 Spending on Customer Relationship Management

The study sought to establish if hotels in Kiambu County invested in customer relationship management, trained staff on it, had a budget for CRM and how it implicated on performance and found out the following; the study found that 67% of the hotels had some tangible investment in CRM mostly in acquiring ICT equipment and staffing. Only 46% of the hotels in Kiambu had trained staff on CRM management. To understand the scale of spending on customer relationship management, the study established the hotels annual budget for CRM and found out the following;

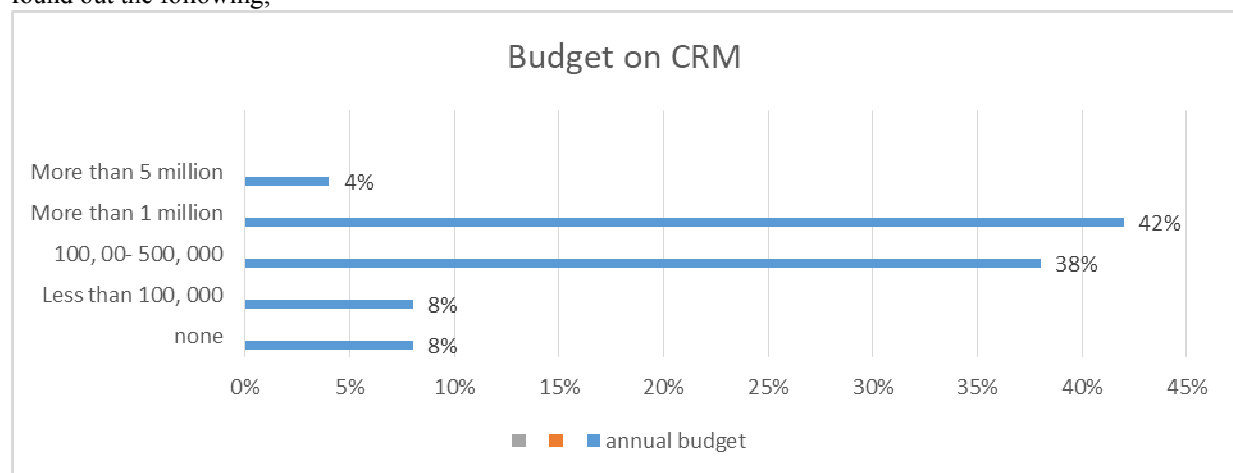


Figure 2 Budget for the Customer Relationship Management

4.4.1 Customer Relationship and Performance of Hotels

The study sought to establish if the hotels in Kiambu County were maintaining the existing customers, getting new customers and whether they improved customer experience. The study found out that the following;

Table 5 Customer Relationship Spending and Performance

Performance Metric	Very great extent	Great extent	Average extent	Small extent	Not at all	M	SD
Maintaining existing customers	6%	13%	6%	31%	44%	3.4	1.2
Getting new customers	10%	36%	21%	14%	21%	3.3	1.3
Improving customer experience	33%	17%	24%	22%	4%	3.4	1.4

4.5 Spending on Marketing Consultancies

The study sought to establish if the hotels in Kiambu engaged consultants, range of consultants, budget for consultancies and effect of consultancies on performance. The findings were as follows: only 41% of the hotels in Kiambu engaged consultants in any marketing activities. The range of consultancies ranged from making marketing plans, conducting surveys, and forecast and in customer relationship management. Figure 3 shows the range of consultancies and the percentages of hotels in Kiambu that sought the services

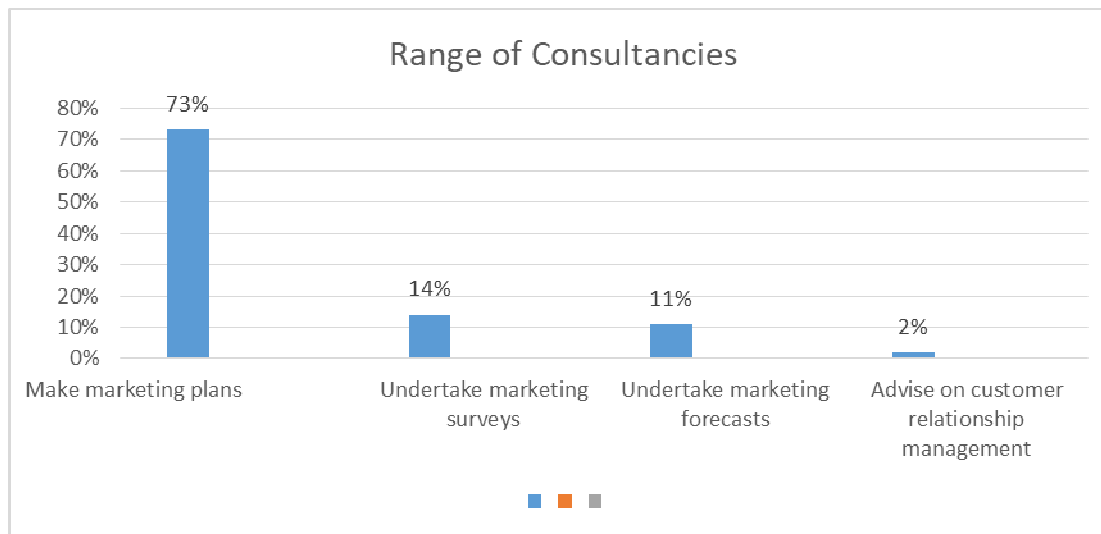


Fig 3 Range of Engagement of Marketing Consultants

4.5.1 Budget for Marketing Consultancies

The study sought to find appropriately to indicate the approximate amount the hotel spends on marketing consultancies in one year.

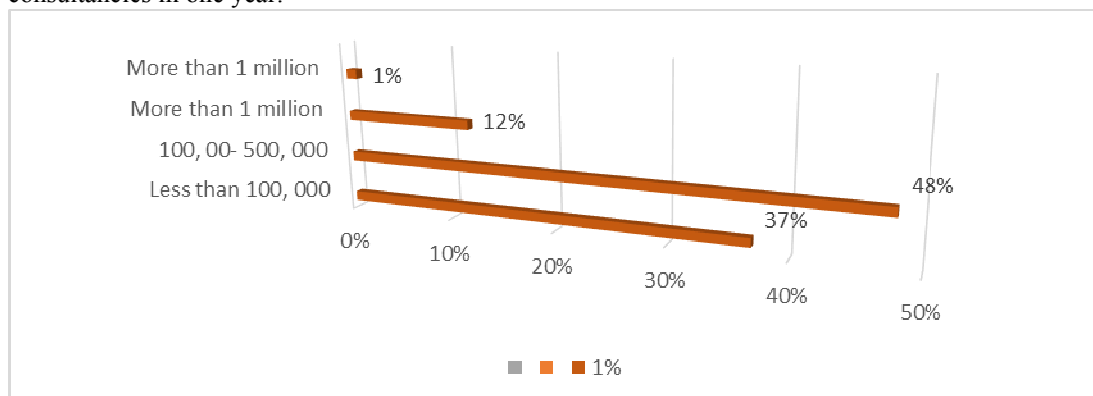


Figure 4 Budget for Marketing Consultancies

4.5.2 Marketing Consultancies and Performance of hotels

The effects of engagement of consultants on the following aspects of performance of hotels were established as follows;

Table 6 Spending on Marketing Consultants and Performance of Hotels

Performance Metric	Very great extent	Great extent	Average extent	Small extent	No extent	M	SD
Maintaining existing customers	32%	6%	15%	32%	16%	3.6	1.3
Getting new customers	3%	7%	34%	41%	15%	4.1	0.8
Improving customer experience	30%	15%	15%	33%	7%	3.7	1.3
Lowering the cost of marketing	19%	27%	30%	18%	6%	3.7	1.3
Introducing new customer relationship techniques	16%	33%	23%	21%	7%	3.3	1.5

Conclusions and Recommendations

5.1 Conclusion

Based on the study findings, the study makes a number of conclusions. The study aimed to establish the marketing activities put in place by selected hotels in Kiambu County. The study concluded that budget for marketing and research influences the performance of hotels. Also, the study concluded that many hotels in Kiambu County have not been exposed to the importance of consultancies in marketing. The study concludes that adoption of promotions, market research, customer relationship management and marketing consultancies improve hotel performance. The study also concludes that most adopted promotions is penetration pricing on services, the most adopted marketing activity was making hotel brand visible to the niche market, existence of promotion activities. This is an indication that most of the activities have large extents of adoption. This may be due to the impact the activities have on both the effectiveness and efficiency of the operations.

The study also concluded that the marketing activities have a significant positive relation with the performance of the hotels. The study thus concludes that variation seen in the performance of hotels in Kiambu is explained by marketing activities which include promotions, market research, customer relationship management and marketing consultancies. Hence proper activities alignment and formulations will result in improved performance of the hotels. This is because planned marketing is the driver of organizational positioning in a dynamic environment, and that it helps to enhance the development of new product/service for existing markets.

5.2 Recommendations

From the findings, several recommendations are made. Hotels should have an appraisal system of the promotional activities they undertake to evaluate effectiveness of each and determine which ones to spend on. Hotels should develop a routine of conducting marketing surveys to ensure all aspects of performance are researched on. Hotels should keep date on all areas of performance and share with the staff. Marketing research and macro-economic variable should be studied and incorporated in marketing activities of hotels. Hotels should develop a culture of conducting surveys on existing customers to boost their customer experience and keep a record for action on weak areas. Customer relationship management should be made a institution wide philosophy and not a departmental issues . Consultants should be invited to train managing teams to keep the costs low.

The study thus recommends that the implementation process of these marketing activities should be given top priority during the strategy formulation process. Particularly, adequate time and resources should be allocated in ensuring that the activities are implemented successfully. Further, the marketing activities adoption should be supported by an understanding of the hotel industry structure, the needs of target customer segments, positional advantages being sought, and trends in the environment. This will consequently improve on the firm's market revenue, share and profitability. Additionally, the organizations should focus more on the practices that are likely to accrue more benefits. This should therefore go a long way in not only boosting but also improving the organization performance at large.

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