THE IMPACT OF E-COMMERCE ON THE PERFORMANCE OF MARKETING ACTIVITIES IN THE HOTEL INDUSTRY.

(A Case of Five Star Hotels in Nairobi).

BY

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DECLARATION.

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

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DEDICATION.

This project is dedicated to my best friend George for his financial and moral support that has made me realise this long desired dream. And to my loving son Derrick for his patience and understanding throughout the study.
ACKNOWLEDGEMENT.

My sincere regards to my supervisors, Dr. M.O Khayota and Mr. S.K Bett for their suggestions, critics, comments and encouragement.

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My gratitude goes to the hotels respondents whom without their invaluable support this project could not be possible.

Finally to my entire MBA Class of 2003 as well as my friends who created a conducive environment for studying and support.

To God for strength and good health through it all, I owe all glory and honour to Him.
ABSTRACT.

This research project offers a study of the current use of the Internet as a marketing tool in a world of E-commerce, by the hotel industry. Such a study is timely given that the growth rate of the web and E-commerce is overwhelming in the 21st century. Therefore, the hotel industry have adapted to the E-commerce with an aim of improving their customer service and support, sales and revenue, marketing research, relationship marketing and promotion activities.

The study has made policy recommendations and suggested areas of implementation for the benefit of all stakeholders in the hospitality industry. It has also highlighted the concepts, strategies and technologies that can be used to build E-commerce application for profitability and growth by hotel practitioners. Chapter two reviews the available and relevant literature on the six variables focused on the study: E-commerce, promotion, selling, customer service, relationship marketing, and market research.

A descriptive research was used to attain data to answer questions concerning the current status of the subjects in the study and it also focus on the 8 five star hotels in Nairobi. Purposive sampling method was used in the choice of respondents since only the customer contact personnel were used, that is, the marketing and the front office personnel. The primary data was mainly obtained using structured and self-administered questionnaire, which was pre-tested to ensure reliability and validity. The data collected was analysed using a combination of statistical techniques.

Chapter four covers the findings of the study, which can be summarised that though the usage of internet is relatively low and there are many challenges of e-commerce development in Kenya such as poor connectivity and limited access to telephone and electricity, the need to adopt e-commerce is clearly evident as the challenges and costs are outweighed by the benefits accrued as a result of its adoption.

Chapter five covers recommendations and implications of e-commerce on the performance of marketing activities in the hotel industry.
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DEFINITION OF TERMS.

- **E-Commerce** – Ability to conduct business via electronic networks such as worldwide net.

- **Internet** – It is a worldwide network interconnecting personal computers throughout the world; through ordinary telecommunication lines and modems that allow multiple users to access network services.

- **World Wide Web (WWW)** – A program, which cross-references links and retrieves data from computers around the world using hypertext. This allows you to move within documents, from one document to another or to a document held on another computer without having to turn pages or log out.

- **Hypertext** – Any text that contain links to another document.

- **Hyperlink** – A text or image whose address can be linked to another web page for reference.

- **Web Page** – Carrier of specific information reached by clicking a button or home page.

- **Home Page** – The page that appears when a visitor clicks on to a URL address; the opening screen of a site.

- **Router** – A computer dedicated to receiving information and sending it or along its route across the networks to its destination.

- **E-Mail** – The computer exchange of messages.

- **Web Site** – All of the worldwide pages maintained by an organisation or an individual.

- **Internet Service Providers (ISP)** – This is business entity that adds value to a network service and can be characterised as “owning” the relationship with the consumers of Internet services. The ISP operates the network infrastructure that enables the consumers to access the Internet.

- **Hyper Text Mark Up Language (HTML)** – A standard set of codes representing text or graphics.

- **Banners** – A graphic display on a web page that is used for advertising or promoting a website or service and links to the advertisers site.
• **Buttons** – A link with a label that, when you click on it, will take you to the intended destination site.

• **Intranet** – A private network based on the same technology as the Internet, but restricted to an organisation, its employees and select customers.

ABBREVIATION AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>WWW</td>
<td>World Wide Web.</td>
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<tr>
<td>PC</td>
<td>Personal Computer.</td>
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<tr>
<td>HTML</td>
<td>Hyper Text Mark up Language.</td>
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<tr>
<td>ISP</td>
<td>Internet Service Provider.</td>
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<tr>
<td>B2C</td>
<td>Business to Customer.</td>
</tr>
<tr>
<td>FAQs</td>
<td>Frequently Asked Questions.</td>
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<td>URL</td>
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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The explosive growth in computer, telecommunication's, and information technology has had a major impact on the way companies bring value to their customers. The technology boom has created existing new ways to learn about and track customer, create products and services tailored to meet customer needs, distribute products more efficiently and effectively and communicate with customers in large groups or one-to-one. (Kotler, 2002).

The most dramatic new technology surrounds the development of the "information super highway" and its foundation is the Internet. Today, the Internet links computer users of all types around the world. According to Hamill (1997), this explosion of Internet usage heralds the dawning of a new world of e-commerce. E-commerce is one of the most important aspects of the Internet to emerge. It allows people to exchange goods and services immediately and with no barriers of time and distance. Internet has changed drastically so much so that marketing information on product, price, promotion, distribution and packaging can be accessed through personal computers. Through subsequent improvements on information via Internet and intranet, the world has become one big village. This availability of information to customers now makes the customers become more demanding than before.

Internet usage worldwide is growing rapidly. Although the Internet originated in the United States, it has rapidly turned into a global phenomenon. The Internet remains a global technological marvel for global marketers. The Internet clearly provides a unique distribution and communication channel to marketers across the globe. Internet and its graphical interface world wide web (www) have come to dominate virtually all conversations about the future of technology and by extension the world of Business. Over the past decade, information technology has become the defining element in business itself. It is constructing a new vision for the future (Armstrong and Kotler 2000).

Through the Internet, a business of any size of can compete in the global market place. In fact, on the Internet, the size of an organisation's operations makes little difference
because the Internet is an open environment. Similar companies compete against one another while being only a click of the mouse away. In other words, a buyer can locate numerous sellers offering similar merchandize, similar prices and similar offers in a very short period. As more people and business become comfortable with the Internet, the marketing landscape will continue to evolve quickly in coming years as Clow (2000) indicates that Internet is the final piece of complete marketing puzzle in a world of e-commerce.

### 1.1.1 Internet and World Wide Web (http://www)

Many websites created by businesses and individuals are increasing at an exponential pace. Via the Internet, the user and subscribers can now get information on-line. This is accessed at the cost of a local telephone line. Electronic messages in the form of e-mail can be sent to recipients across the world.

When one gets connected to the Internet, a lot of information is available. These would be news, products, services etc. The Internet is made up of a network of millions of computers worldwide, hence the "www" worldwide web. The access of these information via personal computer (PC) is got through a modem, and a minimal fee is payable to an Internet service provider. In Kenya, there are many service providers who assist in developing name domain or addresses. An email address takes the form of name@location.com. The name refers to the sender's name and location refers to the host ISP/computer. The www (world wide web) refers to the host of computers that are connected electronically in the Internet through modems. The many World Wide Web make websites and web pages. The web pages are written in computer language called Hyper Text Mark up Language (HTML). This language allows the pages of websites to be linked together. This linkage enables communication from computer to computer or computers (Owaga 2002)

The websites have unique addresses. These acts like a phone numbers connecting one computer to other computers that hold the web pages to be viewed. As user, you navigate in your PC to the correct address and view information. This is called surfing the "net" (internet). To surf the net one needs a web browser. This is software that enables you to view pages and navigate around the web. Note that to surf the net, you must have a PC,
modem and Internet service provider (ISP). The ISP is like a gateway to the Internet or information highway.

In this era of marketing.com, the PC can revolutionise the way we do business. The PC provides electronic mail, letter, memos etc. this means that most business decisions and reports are available to the marketers at their working table where the PC is being used. Note that the information can also be stored for a long time and by use of passwords, get restricted only to the appropriate parties. The PC can also act as TV, radio or newspaper etc.

There were benefits to be had in using the Internet for business – improved and cheaper communications, the opportunity to work more efficiently and effectively from a distance and the chance for companies of all sizes to promote themselves more easily and cheaply to a worldwide market. Norton (2003) depicts a figure of the Internet users worldwide – a broad indication collated from various sources showing how rapidly Internet usage is growing.

Figure 1.1


1.1.2 The growth and development of Hotel Industry in Kenya: An Overview

Today, tourism has become a major sector in Kenya’s economy. Indeed tourism is the major foreign exchange earner to the country. Last year about 1 million tourists visited the
country earning the country close to Kshs 42 billion. Over 90 percent of those tourists stay in major hotels in the country and therefore constitute the major clients of the hotels. The global environment for tourists has become quite competitive and this inevitably has led to aggressive marketing strategies among hotels to attract potential clients. As part of the global marketing strategies, many hotels have adopted e-commerce by installing servers across the globe as well as websites to attract clients.

Hotels in Kenya developed as a way of tourism promotion by the British colonial government. The first and classic hotel in Nairobi was the New Stanley Hotel, which was built in 1902, followed by the Norfolk Hotel in 1904. These hotels were initially built to cater for recreation needs of settlers but later catered for the then nascent tourist industry. As tourism business boomed, there was need to accommodate and cater for tourists needs. Investors concentrated in hotel constructions in Nairobi, the game parks and along the coast (Bachmann, 1987). In Kenya’s development plan of 1966 and 1970, it was proposed that more high standard hotels be constructed in Nairobi, the main tourist gateway to East Africa, and expand existing hotels and lodges.

On the basis of physical infrastructure i.e. facilities, etc, the hotels in Kenya are classified into five (5) categories; that is from one (1) star to five (5) star. Of the 232 classified hotels in Kenya, 32 are five star, 47 are four star, 60 are three star, 48 are two star and 47 are one star. Of the 32 five star hotels, six are located in the national parks and game reserves, 17 at the coastal areas and eight (8) in Nairobi (Kenya Utalii College, 1999:1). The five star hotels are the pinnacles of the hotel industry. To acquire and maintain the five star statuses, hotel should have certain qualities spelt out in the Hotels and Restaurants Act (Cap. 494, 1984). Each hotel requires a ruling from a panel of judges based on these qualities which include location and building, restaurants safety and security, guest rooms, function rooms, sundry services among others.

According to Abbott (2000), the hotels cater for a number of different types of businesses these are: Airline business whereby the hotel is used by a number of airlines for putting up flight crews and staff during regular overnight stopovers. This business can be largely scheduled in advance. There are also a considerable number of travelling airline executives. This category’s average length stay is 1.0 night. The business traffic is mainly company executives and travelling professionals of various kinds. The hotel uses the term
‘FITs’ (Frequent Independent Travellers) to describe this important source of business. The average length of stay is 1.3 nights. Transit traffic is people who are departing or arriving and who need overnight accommodation. Touring business involves those people who come to the region to stay. They are mostly tourists. The hotel provides a useful base from which to explore both the city and surroundings. It is seasonal. Groups are those who stay in hotel over conferences. They are mainly conference delegates.

1.1.3 Internet Marketing in hotels.

Hotels utilise information technologies in some of its main functions that contribute to the overall success of the business. This include (1) Front Office operations whereby the technology enables the management of such functions as reservations and registration of data, guests’ histories, room itinerary management, night auditing maintenance and concierge activities. It also facilitates production of operational reports and management reports. (2) Sales and Marketing programmes. This supports the hotels entire sales and marketing functions such as group events management and reservations, account management, activities management, contract generations and associated follow-up activities. (3) Food and beverages management system whereby this function assists in revenue and cost budget management, stock control and return on investment. (4) Miscellaneous support services involve word processing, mail management, calendars and daily schedules organisation (Abbott 2000).

The main benefits of Internet in Hotel include: (a) To maximize profitability by maximizing revenue and minimizing costs. (b) To improve operational and financial efficiency. (c) To assist in control of all aspects of business (d) enable rapid response to customers and management requests. (e) To provide customers and travel trade with access to account information on availability. (f) To facilitate yield management and inventory control and (g) To offer easy, efficient, inexpensive and reliable ways of making and conferring reservations.

1.2 STATEMENT OF THE PROBLEM

The development of Internet and E-commerce has inevitably had a major effect on the operation, structure and strategy of the hotel industry throughout the world, with new technology, communication and operational costs are reduced and flexibility, interactivity, efficiency, productivity and competitiveness are enhanced.
Thus, the competitiveness of the hotel operations is being redefined as they maximise the utilization, development and application of E-commerce, since it has become an unavoidable reality (Cooper et al 1998). Setting up a website is affordable as costs are relatively low. Once established, the website allows a hotel to conduct a more targeted business 24 hours a day, 365 days in a year, with a potential audience world wide with connection access, irrespective of geography, time zone, or computer system. This makes the hotel product more accessible to the new global market place and may reduce the need for attendance at trade and consumer shows. From marketing perspective the major benefit is much greater degree of interactivity that any other communication media. However, as E-commerce gain popularity in the hotel industry, one of the potential problems and limitations is that hotel industry must address is the consumers’ inhibitions to change. It is imperative that the customers are comfortable with electronic shopping if individuals are going to book hotel rooms via the Internet. Despite this, consumers have been reluctant to supply credit card details over the Internet as they judge it to be risky and have fear of breach of security.

However, the key issues addressed were how E-commerce has facilitated improved marketing activities by being available, constant, credible, reliable, scalable, navigatable and interactive leading to growth of the hotel industry in Kenya. Therefore, due to the profound changes that have been brought by the Internet in businesses around the world, this research primarily dwelt on the performance of marketing activities that have mainly transformed with the usage of E-commerce in the hotel industry in the 21st century, namely: promotion, customer service, selling, market research and relationships marketing. Thus, it is against this background that the purpose of the study was to investigate the impact of E-commerce on performance of marketing activities in five star hotels in Nairobi.

1.3 PURPOSE OF THE STUDY.

The purpose of the study was to determine the impact E-commerce on performance of five star Hotels in the aspect of marketing. The study gives an insight into E-commerce and its contribution to the improvement of the marketing activities in the hotel industry namely: promotion, customer service, market research, selling, and relationship marketing.
1.4 OBJECTIVES OF THE STUDY

1.4.1 General objectives
1. The study determines the impact of E-commerce on the performance of marketing activities in the hotel industry.

1.4.2 Specific objectives

The study sought to;
1. Determine the role of E-commerce in promoting the hotel industry.
2. Identify the changing trends in sales and revenue generation as a result of E-commerce.
3. Establish the extent E-commerce has led to improved customer service and its satisfaction.
4. Determine the place of E-commerce in data collection and effective management decisions.
5. Determine the impact of E-commerce in enhancing relationship marketing.

1.5 RESEARCH QUESTIONS.

The research aimed at investigating the impact of E-commerce on performance of marketing activities in five star hotels in Nairobi. In view of this, the following are the research questions.

1. To what extent has e-commerce led to the promotion of hotels services?
2. In what ways has e-commerce boosted sales and revenue in the hotel industry?
3. In what ways has e-commerce enhanced the customer service and its satisfaction?
4. To what extent has e-commerce impacted on relationship marketing.
5. How has e-commerce influenced marketing research?

1.6 SIGNIFICANCE OF THE STUDY.

The Hotel industry contributes to the economic growth of the country since its main clients are the tourists who contribute greatly to foreign exchange earnings as well as proving employment to the best trained in the industry at a time when the level and the rate of unemployment is high, thus it is important to highlight the best ways to do business. Therefore the findings of this study are useful to the policy makers especially the marketing heads in Hotels, who will be able to make more informed marketing activities.
decisions related to the Internet and E-commerce. However, this study is useful to the competitors so as to achieve competitive advantage in service delivery.

The study highlights the potential of e-commerce in facilitating service delivery in the hotel industry. It also helps the policy makers so as they can develop a strategy for the internet and e-commerce which means, assessing the internet weaknesses and opportunities, working out what they want to achieve and how best to tackle it and appraising their own strengths and weaknesses. Other beneficiaries of this study will include customers who will get improved services.

This study also benefits other scholars and researchers who might have an interest in developing the findings further or taking other related field of e-commerce. Furthermore, contribute to existing body of knowledge on marketing in general and E-commerce in particular. Lastly, the research acts as a source of reference in the field of e-commerce and marketing.

1.7 THE SCOPE OF THE STUDY.

This study was based on the hotel industry and in particular limited to 5 star hotels in Nairobi Province. The study focused on the assessment of the impact of e-commerce on performance of the five star hotels in all their marketing activities. This included the personnel in the front office and marketing departments.

1.8 LIMITATION OF THE STUDY

The major limitation of the study was the time allocated to as well as the resources to carry out the research. Should there have been more time and resources, it would have been prudent to carry out the research on all the 5 star hotels in Kenya rather than Nairobi alone.

Secondary data regarding Kenyan e-commerce context was not available in scholarly form. This left the researcher dependent on the Internet and seminar representation and other IT conference literature, which is unpublished.
CHAPTER TWO
LITERATURE REVIEW.

2.1 INTRODUCTION.

Marketing has always been a voice of the customer – a conduit through which the rest of the company can hear the wishes of its customers. Thus, with the Internet, the voice of the customer becomes a shout (Hanson 2000). Marketing, of all company functions uses the Internet most widely since marketing forms the contact ground to customers. Pant and Hsu (2000) says marketing and sales are the beneficiaries of Internet, since the most value can be added through web, thus E-commerce.

Using Internet for conducting E-commerce places organizations in a better position to compete favourably. Since it provides a global audience of potential customers and it never closes. Marketing information on products, price, promotion, distribution, and packaging and about people can be accessed through computers. This clearly makes a revolution on how we do our business. It reinforces the E-commerce activities of our time. Through the Internet, the available information on the information highway includes updates on products, prices, distribution points and any other promotional necessities (Quelch 2002)

This availability of information to the customers now makes the customers become more demanding than before. It means that unless we change our methods of delivering services to the customers, the customers will be dissatisfied and move elsewhere. In the electronic age, E-Commerce is a new order of things, which has arrived. Organizations need to make use of its benefits for themselves and customers.

2.2 THEORETICAL REVIEW

2.2.1 E-commerce.
Armstrong (2000) defines E-Commerce as a conduct of commerce in goods and services over the Internet. It includes consumers using the Internet to purchase goods and services online; as well as businesses selling and communicating with other businesses through the Internet. However, the Commission of European Commission (1999) defines E-Commerce as a catalyst synonymous with great market transparency and immediate global competition. It is a powerful driver of change and incentive to competition. It favours the diffusion of varied products and services as well as developing the diversity of companies' know-how and productive base.

According to Quelch (2002), the Internet marketing mix consists of the same elements as elsewhere. It follows a life cycle that begins with planning, followed by the four P's – products, pricing, place and promotion; however, customer personalization is unique to marketing on the Internet. Planning starts with having a business plan which is a written document that identifies a business goals and how to achieve them. A business plan generally include elements like the mission, product, competition, target audience, marketing strategies, technology among others. When it comes to product, the emphasis is on viability, quality, reliability, dependability and integrity. Quality products mean fewer headaches in a way of returns, repairs, or customer complaints. Most information products and services involving information are easily customisable. Products may be physical goods or services. Once a product is identified, the next is to decide how much to change. Web based pricing strategies differ with the merchant, the market, and the type of customers. Customers can compare prices from a range of products from various organizations. Internet will increase standardization of prices across borders.

The other P is the place whereby the Internet is a place by itself. The place in context of Internet means creating methods for using the web to market and sell. E-commerce facilitates the exchange of information between businesses and delivery companies to ensure prompt and timely delivery of physical goods to customers.

The fifth P in e marketing is personalization. The technology combines two P’s- promotion and product – so customers receive personalized information or visit a home page customized for them. In most personalized interfaces, there is a bit of artificial intelligence incorporated into Internet marketing. Personalization crosses promotion and product and enhances both in the process.
E-commerce is used to market business-to-business services, consumer services and consumer and industrial products via worldwide web. It is a form of direct selling. Rapid growth in sales of industrial goods, services, and consumer goods is occurring over the Internet both locally and internationally. Small and middle-sized firms are expected to generate substantial growth in Internet transactions as well as to pool their purchase through various Internet exchanges for everything. Services are also an engine of growth; they are ideally suited for sales via Internet. All types of services—banking, education, consulting, retailing, gambling—can be marketed through a website that is globally accessible (Awad 2003).

The worldwide potential for firms operating on the Internet is extraordinary, but only if they are positioned properly. The www, as a market, is rapidly moving through the stage where the novelty of buying on the web is giving way to a more sophisticated customer who had more and constantly improving websites to choose from. In short, web merchants are facing more competition and web customers have more choice. This means that if a company is going to be successful in the new era of marketing, the basics of good marketing cannot be overlooked (Dodd 1998).

2.2.2 Promotion

According to Norton (2002) products and services promotion is one of the main uses of the Web, which has been described as one huge shopping precinct. With no distribution costs, ease and speed of updating and modification and a potential market of millions of consumers, the web is ideally suited to advertising and promotion.

Online advertising is one of the major parts of web promotion. It is mainly referred as sponsorship. It has hybrid characteristics that combine those of print, broadcast, outdoor and direct response media (Dreze, 1997). Dreze further says, The Internet allows for precision. The creative message can be replaced very easily. Internet marketers can get very precise information about website visitors base on a visitors feedback, browsing behaviour and historical buying patterns. Interactivity and precision offers a powerful mix to online advertisers.
Advertising messages can be customised to individual prospects. However the most useful characteristic of on-line advertising that sets Internet from traditional/conventional advertising media is the fact that advertisers can instantly access whether or not a particular advertisement is working. Online advertising uses a wide spectrum of techniques: banners, permanent buttons, Email listing, web advertising, classified ads.

Banners are straps at the top or bottom of a web page. They carry a company, or brand name, a message and an incentive to click. They can be static or animated. Banners are not interactive, once you click on them, they carry to another website. E-mail lists are E-mail messages sent directly to the consumer with an offer (e.g., coupons) or product/service information. Buttons are smaller in size than banners through similar to banners, but usually contain a corporate name, or the brand, or even the industry. A click on the button will take you to that company’s corporate website. Web Advertising is the most on-line advertising activity takes place on the web. Web advertising has hybrid characteristics that combine those of broadcast, outdoor and direct response media. This is because it creates awareness, demonstrates the products, provide information, help in evaluation and selection process and projects favourable corporate image. Web advertising offers sounds, colour, movement graphics and animation. There is also an opportunity to download advertisers’ material to the user’s computer and printing it. (Tseng 1999)

Classified advertisements seems more like newspaper classifieds, an advertiser buys lineage from the owner of the site, popular directory and search sites, such as Yahoo offer these services. It is always advisable to test sites selected for advertising before investing substantially in contract with them. The tests should include evaluation of quality as well as quantity.

However, the E-Commerce provides new tools for targeting by which the content and ad can be adapted to better suit the individual users. This is known as targeting. Usually targeting has been made for reasons of cost. The net is accurate and well fitting content to online customers as possible while the netizens do their own targeting by clicking hyperlinks. However, online advertising should be traffic generating ads, which are meant to draw attention or give a very short preview of what is available on the homepage that is being advertised.
2.2.3 Selling.

The Internet has been projected as the income generation medium of the millennium. The Internet offers a high degree of interaction and affords consumers unprecedented benefits from convenience to bargain prices. Shopping is as easy as searching the web. All E-commerce websites share the goal of selling products to satisfied customers. Success on the web requires intelligent usability engineering so users can find what they are looking for and buy it. However, if a website has perfect usability, the business will lose sales if it has unrealistic prices or unfriendly policies. On-line selling is the main growth area for the Internet, therefore an E-Commerce website needs to combine a simple but stimulating shopping experience with a reliable and comprehensive back office management systems (Kemibaro 2003)

Online selling is a fast and painless way to expand business since costs are modest and E-commerce development in quick. Thus for selling activities to be effective, a company's website, which is a part of E-Commerce strategy, should be designed and managed effectively. Design criteria such as appearance and quality assurance, consistency, scalability, security, performance and navigation and interactivity are among the keys factors to consider.

However, selling on the Internet affects two key areas of E-Commerce: Business to business (B2B) and business to consumers (B2C). Both areas involve connecting people and processes to suppliers, customers and business partners. According to Awad (2003), the ‘buy and sell’ aspect of Internet commerce has attracted more media attention than any other networked activity to date. The highest sales volume has been recorded in business-to-business commerce, and it is growing in terms of revenue.

According to Armstrong and Kotler (2002), a web storefront intention is to make sales. A storefront is a technology infrastructure that includes a website, the supportive hardware, the server, and security and payment systems that work together to provide business to
consumer interface. For a storefront to be effective and efficient, it should have four attributes which includes:

- Customers should be able to find the product quickly. There is an 8-second guideline. Customers who can’t find what they are looking for during that time will click out of the website and go to alternative site.
- The site should have mechanisms to process the orders and send it to the fulfilment centre for quick and secure packing and shopping.
- The site should have a mechanism to generate a summary of the order and produce a printable receipt.
- The site should have mechanism to send a confirming e-mail to customers.

2.2.4 Customer service.

The Internet is a very efficient and cost effective way for companies to provide customer service. The key to using the web effectively to enhance customer service is found in the design of the web site. Speed is the one primary benefit that Internet offers, making it faster and easier to get the information encouraging consumers to use the website. Today’s e-commerce is available to anyone, anywhere, anytime in the world. E-commerce means better and quicker customer service. Web based customer service makes customers happier. Efficient customer service on the web is an added competitive advantage for companies (Hamill 1997).

A major part of customer service is answering questions. Designed properly a web site can be a valuable resource for responding to common customer inquiries. One method is to provide a series of responses to frequently asked questions (FAQs). They must be indexed or arranged by topics so customers can access answers quickly. The other option that should always be available to customers is e-mail. Consumers who have specified questions should have the option of sending e-mail. Its huge appeal is its ease of use, its low cost. If e-mails are answered immediately and completely, it saves on time and money (Balough 1999).

Another approach some companies use to enhance customers service on the Internet is to put together discussion groups and chat rooms. They provide the opportunity for
customers to interact with each other and with the firm in somewhat controlled environment. One of the best ways for a firm to react to negative comments by consumers is through replying to the complaint directly. A company can encourage prospects and customers to send questions, suggestions and even complaints to the company via e-mail. Customer service reps can quickly respond to these messages. The company may also develop Internet-based electronic mailing lists. Using the lists, on-line marketers can send out customer newsletters special products or promoters offers based on purchasing histories, reminders of service requirement or warranty renewals or announcements of special events. However, in using email a direct marketing vehicle, companies must be extra careful not to develop a reputation as a "spanner" span is the term for unsolicited email. Yet despite the possibility of being perceived as a spanner, some marketers are racing to take advantage of potential of email marketing (Hanson 2000)

2.2.5 Marketing research and intelligence.

It is absolutely critical for any organization to have good information if it expects to connect with its customers. Good information helps the marketing executives to make key marketing decisions in key areas of marketing planning, marketing mix decision, and performance monitoring.(Kemibaro 2003)

The Internet has opened up new avenues for gathering market intelligence about customer and competitors worldwide. It is without doubt one of the richest pools of secondary data available. But the sheer wealth of data has led to an embarrassment of riches: how does one separate out the useful from the not-so-useful information. Advances search engines have however provided a solution. In terms of primary research, the Internet has created some stunning possibilities. Marketers can get instant feedback on new product concept or advertising copy. They can also set up worldwide consumer panels that can be used to track buying behaviour and test out marketing mix programs.

On-line research is becoming a quick, easy and inexpensive way to lap into marketing information. However, on-line researchers do not pretend that web surfers are representative of the whole population, this is because users tend to be better educated, more affluent, and young than the average consumer. However, these are highly important customers to companies offering products and services on-line they are also some of the
link with individual customers for mutual benefit. Relationship Marketing calls for
customer oriented production and delivery of services and products, thus enhancing
customer loyalty which every organization must strive to achieve in order to have a
competitive advantage position (Kotler 2000).

Companies that know about individual needs and characteristics can customize and
personalise their offers, messages, delivery modes and payment methods to maximize
customer value and satisfaction. And today relationship marketing is made possible by
micro marketing or database marketing. With existence of massive database and the
Internet, companies are able to get and analyse data almost simultaneously, and using the
Internet, they are able to link up with their customers anywhere on the globe. Thus
developing strategic relationships with customers and which enable the organisation deal
with them on one-to-one basis. Therefore, today’s companies have a very powerful tool for
accessing the names, addresses, preferences and other pertinent information about
individual customers and prospects: the customer database (Owaga 2002)

According to Norton (2000), database technology enables companies to gather vast
information on individual customers and their needs and preferences. The database can be
used to locate good potential customers, tailor products and services to the special needs of
targeted consumers, and maintain long term customer relationships. Companies that create
relationships with customers will be able to retain them for a long time. The retained
customers cost less to service than the cost of acquiring new customers. Although winning
new customers is important as well.

Using the Internet, an organisation can post questionnaires on their websites, from where
customers can access it, get it and give views on organisation products and services. Such
an interaction will enable customers develop loyalty with organisation since customers feel
their preferences and tastes are reflected in the end product. However, technology must not
alienate customer by heavily depending on it to communicate with them.

2.3 CRITICAL REVIEW OF THE MAJOR ISSUES.

According to Awad (2003), Internet technologies have changed traditional marketing in a
number of critical ways: -
Power shift from sellers to buyers whereby both individual and business buyers are more demanding than because they are just one click way from a plethora of global competitors, all vying for their business. In this environment, buyer's attention is the scarce commodity and customer relationship capital a valued asset. Also, there is death of distance since geographic location is no longer a factor when collaborating with business partners, supply chain firms, or customers, or just chatting with friends. The Internet made place less important and allows many buyers and sellers to bypass traditional intermediaries.

There is Time compression since time is not a factor with Internet communication between firms and their stakeholders. Online stores can be open 24 hours a day, 7 days a week; people can communicate as their schedules permit; time zones disappear for managers collaborating with partners or other continents. However, Knowledge management is the key in the digital world, customer information is easy and inexpensive to gather store, and analyse. Managers can track marketing results as they are implemented, receiving play-by play reports. However, Turning huge data bases into meaningful knowledge to guide strategic decisions is a major challenge.

There is Interdisciplinary focus whereby markets must understand technology to harness its power. They do not have to personally develop the technologies, but they need to know enough to select appropriate suppliers and direct technology professionals. Finally, Intellectual capital rules through imagination, creativity, and entrepreneurship since they are more important resources than financial capital.

Challenges of on-line marketing

Although novel and exhilarating, on-line marketing has yet to carve out a central role in consumers’ lives. The web is a way frustrating for both marketers and the Internet users they wish to reach. Here are just some of the challenges that on-line marketers face, according to Deighton (2002);

- Limited consumer exposure and buying: Although expanding rapidly, on-line marketing still reaches only a limited market space. Moreover, web users appear to do more windows browsing than actual buying, only an estimated 18 percent of Web surfers actually use the Web regularly for shopping or to obtain commercial services such as travel information.
• Skewed user demographic and psychographies: Although the Web audience is broadening, on-line users still tend to be more upscale and technically oriented than the general population. This makes on-line marketing ideal for marketing computer hardware and software, consumer electronics, financial services, and certain other classes or products. However, it makes on-line marketing less effective for selling mainstream products.

• Chaos and clutter: The Internet offers up millions of Web sites and a staggering volume of information. Thus, navigating the Internet can be frustrating, confusing, and time consuming for consumers. In this chaotic and cluttered environment, may Web ads and sites go unnoticed or unopened? Even when noticed, marketers will find it difficult to hold consumer attention. One study found that a site must capture Web surfers’ attention within eight seconds or lose them to another site. That leaves very little time for marketers to promote and sell their goods.

• Security: Consumers worry that unscrupulous spooks will eavesdrop on their on-line transactions or intercept their credit card numbers and make authorized purchases. In turn, companies doing business on-line fear that others will use the Internet to invade their computer systems for the purposes of commercial espionage or even sabotage. On-line marketers are developing solutions to such security problems. However, there appears to be a never-ending competition between the technology of security systems and the sophistication of those seeking to thwart them.

• Ethical concerns: Privacy is a primary concern. Marketers can easily track Web site visitors, and many consumers who participate in Web site activities provide extensive personal information. This may leave consumers open to information abuse if companies make unauthorized use of the information in marketing their products or exchanging electronic lists with other companies. There are also concerns about segmentation and discrimination. The Internet currently serves upscale consumers well. However, poorer consumers have less access to the Net, leaving them increasingly less informed about products, services and prices.

Despite these challenges, companies large and small are quickly integrating on-line marketing into their marketing mixes. More than the latest fad, on-line marketing will prove to be a powerful tool for building customer relationships, improving sales,
communicating company and product information, and delivering products and services more efficiently and effectively.

2.4 SUMMARY AND GAPS
The Internet will transform every organization in the world. It will create winners and losers and force corporations to rethink strategies and directions. In the Internet world, companies either involve or get eliminated. As Lip Gersner of IBM said, “we’re not selling a web server or a 3-D engine for your PC. We’re selling ways for companies to make money.” The Internet offer a high degree of interaction and affords consumer unprecedented benefit, from convenience to bargain prices. Shopping is as easy as searching the web. Selling on the Internet affects two key areas of e-commerce: business-to-consumer, or B2C and business-to-business, or B2B. Both areas involve connecting people and processes to suppliers, customers, and business partners. The connection is the Internet or the information superhighway, and the process is reaching people to consummate a transaction or to deliver a product. Online marketing is direct marketing. It is securing transactions, paying for business services in a secure way, sales force automation, and having a proper network to finalize a sale.

The bottom line is reaching people, making money, growing with technology, and improving the corporate core process. Marketing is “the art of possible” it is the process of planning and implementing the conception, pricing, advertising, and distribution of goods and services to meet the demands of the market for which the product or service is intended. When it comes to reaching people online, the opportunity are virtually unlimited. It is important to know that online marketing is about business, not just technology. The goal is leveraging an existing investment, starting simple and growing fast, anticipating where you’re going with the product, understanding what is unique about the product attracting and promoting repeat customers base, and keeping the lines of communication with the customer or supplier open and operational around the clock. Internet marketing is unique in its approach, process, and protocols, but everything must work together in the interest of the corporation, its customers, and its suppliers.

Marketing on the Internet is Unique because it is personal. It is not enough for e-commerce to be fast and cheap. An online business must know its customers, their habits,
behaviours, and potential. Almost everything the customer does on the web site can be used for a profile. Unless the customer is studied and tracked carefully, it will be difficult for the business to know what to offer in the way of products and how such offerings will lead to growth and profitability.

In conclusion, E-commerce is a new modern concept in marketing and therefore little known research has been done to determine the efficacy and viability of E-commerce as a tool of marketing. However, some institution have adopted E-commerce to find the responses of clients to marketing through E-commerce, that is its advantages and disadvantages over traditional methods of marketing.

2.5 CONCEPTUAL FRAMEWORK

Figure 2.1 The relationship between the independent variable and dependent variables

E-Commerce  Has led to

- Increased Promotion
- Increased Sales and Revenue
- Improved Customer Service and satisfaction
- Improved Marketing Research and Relationship Marketing

(Independent variable)  (Dependent variables)  

Source: Author (2005).

E-commerce brings the universal access of the Internet to the core business processes of buying and selling of goods and services. Product or service promotion is one of the main uses of the Internet via web, which has been described as one huge shopping precinct. With no distribution costs, ease and speed of updating and modification, and potential market of millions of consumers, the web is ideally suited to advertising and promotion. It helps generate demand for products and services thus increasing sales and cutting on
expenses by reducing transactions costs and streamlining all kinds of processes. It also improved customer service and satisfaction since it is everywhere in everyday life. The Internet worldwide reach helps businesses discover new markets while increasing the speed of access and the speed of transaction. However, e-commerce help in customer relationship management which involves retaining and growing business and individual customers through strategies that ensure their satisfaction with the firm and its products. This seeks to keep customers for a long term and increase the number and frequency of their transactions with the firm. Moreover, companies use the Internet for their marketing research to seek information about their customers' tastes and preferences, to profile a customer base for new product, or to test a new concept to see if it is worth developing. All this can be done in a matter of days rather than the months it once took to get the same results.
CHAPTER THREE.
RESEARCH METHODOLOGY.

3.1 Research Design.

The study used a descriptive survey research design. The descriptive method is appropriate methods and is appropriate because it explores the relationship between variable in their natural setting, Mugenda (1999).

3.2 Target population

The population of interest in this study included the 32 five star hotels in Kenya as per Kenya Gazette No 62 and 64. The focus was on the 8 five star hotels in Nairobi since it's the area of study. The focus was on the staff of the marketing and front office departments which numbers 160 in all the hotels in Nairobi. This is as summarised in the following table.

Table 3.1

<table>
<thead>
<tr>
<th>Hotels</th>
<th>Population frequency of marketing and front office departments</th>
<th>Percentages of the total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Regency</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td>Hotel Intercontinental</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Hilton</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>Nairobi Serena</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>The Norfolk</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>The Stanley</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Safari Park</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Windsor golf country club</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>TOTAL</td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)
3.3 Sampling strategy

The research strategy that was used is that of purposive sampling. This is because the target population had the required information with respect to the objectives of the study. Random sampling was used to pick the respondents. However, from the above table, a sample of 20% of the population was obtained as indicated below.

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Population</th>
<th>Ratio</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand regency</td>
<td>24</td>
<td>0.2</td>
<td>5</td>
</tr>
<tr>
<td>Hotel intercontinental</td>
<td>20</td>
<td>0.2</td>
<td>4</td>
</tr>
<tr>
<td>Hilton</td>
<td>22</td>
<td>0.2</td>
<td>4</td>
</tr>
<tr>
<td>Nairobi Serena</td>
<td>16</td>
<td>0.2</td>
<td>3</td>
</tr>
<tr>
<td>The Stanley</td>
<td>20</td>
<td>0.2</td>
<td>4</td>
</tr>
<tr>
<td>The Norfolk</td>
<td>20</td>
<td>0.2</td>
<td>4</td>
</tr>
<tr>
<td>Safari park</td>
<td>18</td>
<td>0.2</td>
<td>4</td>
</tr>
<tr>
<td>Windsor golf country club</td>
<td>20</td>
<td>0.2</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>160</strong></td>
<td></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

A sample size of 32 respondents was identified in the 8 five star hotels and was used to provide the required information. Two respondents from each department was used in every hotel.

3.4 Data collection procedure.

Both primary and secondary data were used. Primary data was collected from the respondents and secondary data from official hotel publications and records. The survey method was used. Personal interview was also used to collect primary data. This was to help to eliminate the possible non-response rate of the respondents and facilitate clarification of issues.
The research instruments used to collect data were the questionnaires. To eliminate the possible non-response rate of the respondents and further clarification of issues, the questionnaire were personally administered. The questionnaire had both open-ended and structured questions.

3.5 Data analysis techniques.

The data collected was analysed by the use of descriptive statistics such as tabulation, cross tabulation, proportions, frequency, and percentages.
CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 Introduction

The purpose of this study was to investigate the impact of E-Commerce on the performance of marketing activities in the hotel industry. The target population was made up of 8 five star hotels in Nairobi and a total of 32 questionnaires were administered and 26 of them responded which is 81.25%. There were cases where interviews were conducted to verify data gathered as well as visiting the websites of the hotels to confirm they have one. The tables and figures in this chapter are derived from findings from the study.

4.2 Background Information

Out of the 8 five star hotel, 26 questionnaires were analysed and every hotel was represented. The respondents represented 81.25% of the target population and hence the conclusions made from this data should give an accurate view of the findings.

4.2.1 Concept of E-Commerce in relation to marketing activities

100% of the hotels in Nairobi have adopted to E-commerce as a way of doing business as reflected in the Table 4.1 below. This is attributed to the fact that E-commerce exposes the hotels to the global market and thus broadening their market base. However, as much as all the five star hotels have adopted to E-commerce, most of the hotels are not able to get the satisfactory number of clients they would expect.

Table 4.1 Adoption of E-Commerce in the hotel industry

<table>
<thead>
<tr>
<th>Response</th>
<th>Population Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)
The traffic generated by the web was not satisfactory since most of the hotel customers that came in through Internet were less than 10% in all the hotels. All the five star hotels in Nairobi have established themselves on the web, with their own website which are meant to link the hotel with the global market. Corporate websites typically offer a rich variety of information and other features in an effort to answer customers' questions, build closer customer relationships and generate excitement about the company.

75% of the hotels can be found through the main search engines like the Yahoo, Google etc as compared by 25% who have not register with the search engine. Almost 90% of Internet users today use search engines to find information they need. Thus its important for hotels to register with search engines since search engines have a capacity to drive traffic to organizations sites. This helps in easy search for their websites by potential and current clients.

Table 4.2 Table showing the 5 star hotels registered on search engines

<table>
<thead>
<tr>
<th>Response</th>
<th>Population Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>75</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author(2005)
Website designing qualities such as appearance and quality, consistency, security, performance, interactivity and navigation are well considered in making the website attractive and user-friendly. However, since every hotel has a website, the qualities that most of them concentrate on to attract clients are appearance and quality, security and interactivity and navigation, however performance and consistency rated poorly, meaning that they are not keenly considered. It must be noted that since a website is the gateway to doing business on the internet and is the primary interface between a business and its prospective customers, deciding how to design the site, what is to include in it, how to organize its contents, and what security measures to incorporate are critical aspects of building an e-commerce infrastructure.

Table 4.3 Indicates the focus of web qualities

<table>
<thead>
<tr>
<th>Web Qualities</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appearance and Quality</td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>Consistency</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Security</td>
<td>23</td>
<td>88</td>
</tr>
<tr>
<td>Performance</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Interactivity and Navigation</td>
<td>20</td>
<td>77</td>
</tr>
</tbody>
</table>

Source: Author (2005)
4.3 Marketing Activities performed through E-Commerce

Various marketing activities are carried out through the Internet in the hotel industry. However, their effectiveness and efficiency differ in terms of the consistency in use as reflected in the chart.

The marketing activities that were transacted through E-Commerce included promotion, selling, customer service, marketing research and relationship marketing. With regard to the proportion of transaction that are related to e-commerce, 27% of the respondents said that customer service rate highly or is a more popular marketing activity and a similar percentage for selling. 24% for promotion and 18% for relationship building.

Table 4.4 Proportion of marketing transactions related to E-Commerce

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Selling</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>Customer Service</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>Market Research</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Relationship Marketing</td>
<td>17</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Author(2005)
Marketing research was not a popular activity rating at a mere 4%. This proves that as much as the Internet has opened up avenues for gathering market intelligence, it is not widely used by the hotel industry. However, being a quick, and inexpensive way to tap marketing information, it does not give a representation of the whole market.

### 4.3.1 Promotion

However, some marketing communication activities seem to perform well through E-Commerce than others. This is well reflected in the table below.

#### Table 4.5  Marketing communication activities through E-Commerce

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Publicity</td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>Advertisement of your Services</td>
<td>17</td>
<td>65</td>
</tr>
<tr>
<td>On-line Selling</td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>Customer Support and Liaison</td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>Market Research</td>
<td>7</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Author(2005)
The main functions performed by websites for the promotion purposes include general publicity, service advertisement and customer support and liaison. However, of all the promotion functions carried out through E-Commerce, general publicity seem to be the main function that contributes the highest percentage in the marketing function of promotion. Customer service and liaison followed since it allows the hotel to interact more closely with its customers thus allowing personalization of communication, product, and services, which promotes better customer relation management and customer loyalty.

The major purpose of the website was the aspect of general publicity. This was attributed to the fact that a website allows a hotel to conduct a more targeted business 24 hours a day, 365 days in a year, with a potential audience world wide with connection access, irrespective of geography, time zone, or computer system. This makes the hotel products more accessible to the global market place.

**Table 4.6  Reasons for web promotion**

<table>
<thead>
<tr>
<th></th>
<th>Very High</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>11</td>
<td>11</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>3</td>
<td>10</td>
<td></td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>d</td>
<td>7</td>
<td>6</td>
<td></td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>3</td>
<td>3</td>
<td></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>3</td>
<td>11</td>
<td></td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>g</td>
<td>4</td>
<td>10</td>
<td></td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Author (2005)
All hotels organization are market focused, thus they should determine one or two clearly identified site goals. Typically these are education, customer awareness and customer service management. A site devoted to education will focus on promoting a better understanding of the product and or service. This site will also increase Hotels Company’s image as a premier provider of the good or service.

However, websites are used to meet potential clients or lead development for the purpose of increasing the clientele base. It provides sample information about a hotel products and service.
Internet advertising uses a wide specification of techniques, but on this study we limited it to the very common ones like banners, buttons, web advertising, classified ads and email listing.

<table>
<thead>
<tr>
<th>Table 4.7 On-line advertising techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>Banners</td>
</tr>
<tr>
<td>Buttons</td>
</tr>
<tr>
<td>Web Ads</td>
</tr>
<tr>
<td>Classified Ads</td>
</tr>
<tr>
<td>Email Listing</td>
</tr>
</tbody>
</table>

Source: Author (2005)

Banners are favorable and widely used by most of the hotels. Banners are the most popular as all respondents agreed that they are used. By clicking on the banner ad; users are taken to the hotels website where they can have more product information. Banners combined with buttons comprise about 60% of all on-line advertising. This is contributed by the fact that, banners ads familiarize products; improve loyalty to the advertised product/service and brand awareness. Banners ads attempts to establish presence and name recognition. Therefore, they can have other traditional functions alongside with traffic generation.
However, as much as promotion is not effective in all its aspects, it has resulted to increase in promotion activities through E-commerce as per the respondents. This is mainly so by the fact that the web exposes the hotel to a global market thus more information about the hotel can be accessed and facilities can be viewed through the net. However, promotion has been inhibited to high cost of connectivity of the web.

4.3.2 Customer service

Effectively, a website puts a hotel’s front office in front of the would be guests. E-commerce means better and quicker customer service. Service and customer relation websites are one of the fastest growing types of sites. The web offers an excellent way for a hotel to offer follow-up help. This can be frequently asked questions, a self-guided problem solver and a direct communication tool with e-mail. E-commerce improves the process of dealing with enquiries, reservations, bookings, billings and checkouts. It has a strong emphasis on accuracy and tidiness.

It is clearly evident that all the respondents were convinced that E-Commerce has led to increase to the number of customers seeking customer service over the Internet, it has also improved the quality of customer service. This can be attributed to its ease of use, accessibility and low cost moreover Internet empowers consumers and gives him/her sovereignty.

The respondents overwhelmingly agreed that Internet threatens all the intermediaries such as grouped tour operators, travel agents, hotel representatives, tourist information centers, etc. However, they all agreed that they cannot completely eliminate the intermediaries since some customers still need help from them and advice regarding hotels and destinations in general.

However as represented by the table and graph below, enquiries, reservations and booking rated highly meaning they are the customer service activities that are more favourable in the hotel industry. Billings and checkouts are also popular though their rating was not as high as the others. This implies that E-Commerce is recognized in improving the performance of customer services in the hotel industry. Most of the services were rated very high, high or moderate and only a small percentage in the lower category.
### Table 4.8 Impact of E-Commerce on Front Office Services

<table>
<thead>
<tr>
<th></th>
<th>Very High</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
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<tr>
<td>Bookings</td>
<td>4</td>
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<td></td>
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<tr>
<td>Reservations</td>
<td>10</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billings</td>
<td>7</td>
<td>17</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Check outs</td>
<td>21</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enquiries</td>
<td>16</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2005)

### Fig 4.8 Rating of Front Office services done on-line

![Customer Services Graph](image)

Source: Author (2005)

### 4.3.3 Market research

As much as market research is a key aspect in very organization, research through e-commerce has not picked up. As per the respondents, most hotels did not do market research through e-commerce. It was the wish of the respondents that research to be carried out on the Internet but due to the unsatisfactory traffic generation of clients through e-commerce this has not been smooth though some hotels have been trying as reflected by the graph below. It is clearly evident from the chart that market research is lagging behind in hotels as 87% felt so as compared to the 13%.
Table 4.9  Response on the extent of on-line market research

<table>
<thead>
<tr>
<th>Response</th>
<th>Population Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>No</td>
<td>22</td>
<td>87</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

However, most of the respondents suggested that further research on-line should be emphasized since research on the web is efficient, inexpensive and reliable. It is absolutely critical for any hotel to have good information if it is expected to connect to customers. Good information helps the marketing executives to make key marketing decisions in key areas of marketing planning, marketing mix decisions and performance monitoring. This is illustrated in Fig 4.9.

Fig 4.9  Extent of e-commerce contribution to market research

Source: Author (2005)

4.3.4 Selling

It is worth noting that all the hotels, indeed 100% of all respondents sell on-line with most of them starting by year 2000. However it is noted that, though e-commerce has not fully responded to the hotel expectations, it has notably become a major growth area for the hotel marketing.

E-commerce has considerable contributed to increase in sales and revenue due to exposing the hotels to the global audience.
However 62% of the respondents agreed that customers are willing to buy on-line and are ready to give their credit card details on-line. A clear indication however, shows that 38% of the respondents reflects that customers may be willing to buy on-line but are not ready to disclose their credit card details. Therefore, this reflects on the fact that the security on-line Internet transaction has been a source of some concern. This is an important aspect in the Hotels since it seek to guarantee them bookings by asking the customers for his/her credit card details. This means that the hotel has to receives payment whether or not the guest turn-up.

Until web transactions' can be proved to be absolutely safe, many customers will be understandably reluctant to divulge these. The problem affect web commerce as a whole and customers would expect to see various sophisticated designed to solve it. The aim is to make sure electronic payments as safe as handling ever cash. Moreover transaction or selling on line can evidently show that it has improved on speed, efficiency and to cost reduction to some extent with 100% agreement from the respondents.
4.3.5 Relationship Marketing

Fig 4.11 Rated response on relationship marketing

Source: Author (2005)

Every hotel thrives for long term relation building with the customer. As the graph above reflects, this is the case with the hotels in the study. E-commerce has boosted this with much greater degree of interactivity than other communication media. Websites can contain forms to fill out and hotels can use electronic mail (e-mails) to reply to customers. This is rewarding since it contributes towards the building of customer loyalty. The web can give access to a greater store of information than other traditional communication media, and provide visitors with the means to select and retrieve only that which appeals to them. This means that customized brochures, itineraries, guides could be produced on the touch of a key.

4.4 Gaps to be filled by the study

The study established that there is a significant relationship between E-commerce and all the variables considered. The study involved the analysis of data derived from 26 respondents out of the targeted 32. The study found out that the respondents agreed that the variables influenced E-commerce in the performance of marketing activities in the hotel industry.

E-commerce is a new modern concept in marketing and therefore little research has been done to determine efficacy and viability of E-commerce as a tool of marketing.
However, most hotels have adopted E-commerce to find the responses in the electronic market place. As much as hotels have adopted E-commerce as a way of transacting their business, it is not a popular tool in developing countries especially with the local clients.

As much as most hotels have websites, the web is visible to us in writing, advertisements and casual conversations, thus many hotel owners come to believe that a website is crucial to business growth. However, it should be remembered that a website alone will not guarantee an increase in sales. A website is but one of the tools available to the hotel owner.

### 4.4 Summary

The purpose of the study was to investigate the impact of E-commerce on the performance of marketing activities in 5 star hotels in Nairobi. The variables promotion, customer service, selling, market research and relationship marketing were all considered as categorical variables. To guide this study some objectives were formulated.

Adoption of E-commerce has mainly impacted on the marketing activities in the hotel industry positively, by giving them an opportunity to interact with customers both potential and current directly, without going through a second or third party which keeps the cost of products sold relatively lower than if they did not transact through the internet.

**NB:** However, it must be remembered that the time determinant is the willingness of customers to use the web to book hotel rooms and to search for the hotel information.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter gives the conclusions and recommendations arising from the study. This section focuses on the implications of E-commerce on the performance of marketing activities in the hotel industry, its constituent sectors and their value chains. It draws together evidence from the questionnaire survey carried out across the hotel industry in Nairobi concerning take up of E-commerce as a marketing tool.

5.2 Answers to Research Questions

Promotion via the web is one of the huge shopping precincts. From the research finding, the respondents agreed that online promotion led to reduced costs, improved service levels and ease and speed of updating and modification and was a potential market to millions of customers. Promotion via web creates awareness, demonstrates the products, provides information and projects favourable corporate image. However, poor performance of promotion was attributed to poor web design and they lack continual updates to maintain a fresh image.

Efficient customer service on the web is an added competitive advantage for hotels. Drawn from the study, the Internet was viewed as an efficient and cost effective way for hotels to provide customer service. Today’s E-commerce is available to anyone anywhere anytime in the world, therefore the hoteliers should encourage their clients to use the websites effectively to enhance customer service.

The Internet offers a high degree of interaction and affords consumers and unprecedented benefits from convenience to bargain prices. This is why it has been projected as an income generation medium in the millennium. Form the study it can be concluded that as much as selling on-line generates revenue, security issues must be addressed in areas of credit card details. Most clients were not willing to give credit card details as much as they want to transact via the web.

The Internet has opened up new avenues for gathering market intelligence about customer and competitors worldwide. It is without doubt one of the richest pool of
secondary data. However, since a small percentage of their clients were acquired through the web, web tracking for prospective customers was not possible as well as customer profiling procedures. Also in the findings, the respondents suggested that improvements should be done to encourage online marketing research.

Every hotel strives for long-term relationships. This was attributed to the fact that hotels that create relationships with customers were able to retain them for a long time and they cost less to service, though winning new customers is important as well.

5.3 Conclusions

This study strived to answer the research questions raised and conclusion, the findings reveal that all the hotels had adopted e-commerce as a way of doing business and above all as a marketing tool. It was a clear indication that the hotel industry understands the basic purpose of being on the Internet as communication offering information in an accessible manner for potential and present customers.

Through the open ended questions and personal interviews conducted, the following factors emerged as factors inhibiting the performance of marketing activities through E-Commerce; insecurity of web transactions, poor connectivity as far as telecommunication infrastructure is concerned, high cost of connectivity, high cost of innovations and resistance to change especially the local clients.

However, the primary motivations of engaging in E-commerce in most of the study subjects concern the enhancement of the efficiency of existing processes in the form of; reduce costs, improved service levels, improved relationship with customers, suppliers and the financial community and increased return on profit and owners equity

Therefore, the hotel industry shows very strong awareness for the potential for E-Commerce as a marketing tool. It seems reasonable to conclude that the society as a whole is becoming more familiar with technology; in particular with PC’s and the Internet hence this provides the hotel industry with the right opportunity to employ E-commerce as a marketing tool.
5.4 Recommendations

E-commerce should be seen as a very effective means of improving the hotel industry performance and commercial relationships. It offers many promises to international marketers like the hotels. It can be leveraged to save cost and time and to generate revenues. It offers great potential as a global interactive advertising channel.

A website is an important part of marketing plan in every hotel, therefore just like any other marketing tool, a website requires commitment on resources, it should be simple, attractive, new and updated and integrate your site with other marketing efforts.

NB Behind all these decisions is the delicate balance between man and machine. The cost savings and speed of the Internet are seductive, but online marketers must be careful that their technology is useful, understandable, and friendly. Consumer expectations are rising faster than technical capabilities. Bad uses of technology, such as poorly organized websites or losing the human touch in online customer service, can alienate some of the most valuable customers. However, one thing is for sure; the Internet is changing the very structure of many marketing organizations like the hotels. For every hotel/organization they should strive to ensure that the customer feel the trip to their site was worth it. The customer must feel like they are receiving value for their time and effort.

5.5 Suggestions for further research

There is need for continuous monitoring of the electronic marketplace. It is recommended that a case study be conducted to address the sectoral and market specificity of organizational impacts. Research on the evolving nature of the commercial environment will help policy makers on issues of commercial governance, which are critical to the development of electronic commerce.

A future research could also analyze the role of e-commerce players in different national contexts, as well as the scope for the governments to lead and encourage e-commerce solutions. One of the concepts examined in this study has potential for development of future research. Of critical relevance is the issue of trust and confidence, privacy and consumer protection in the electronic market place and how it can be addressed.
3.6 REFERENCES.


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O’Connor J (et al), *Creating value through E-commerce*, Financial times management London 1998


Porter M *Technology and Competition Advantage*, The Journal of business strategy, winter 60 – 70. 1985,


**Websites.**

http://www.acacia.org
http://ccoaik.net
http://cybercaptive.com
http://balancingact-africa.com
http://google.com
APPENDICES.

APPENDIX I: DIRECTORY OF FIVE STAR HOTELS IN NAIROBI

1. Hotel Intercontinental.
2. Grand Regency.
3. Hilton Hotel.
4. Nairobi Serena
5. The Norfolk Hotel.
7. The Stanley.
TO WHOM IT MAY CONCERN:

Dear Sir/Madam,

RE: RESEARCH PROJECT: DATA COLLECTION

NYAGUTHII SUSAN NYOKABI : D53/7586/2002

This is to confirm that the above named is an M.BA student in the School of Business, Kenyatta University, and she is embarking on her project this semester before she completes her degree programme.

Any assistance you may accord her will be highly appreciated.

DR. M. KHAYOTA
CO-ORDINATOR POSTGRADUATE PROGRAMMES
LETTER TO THE RESPONDENTS.

KENYATTA UNIVERSITY.
SCHOOL OF BUSINESS,
DEPARTMENT OF BUSINESS ADMINISTRATION.

Dear respondent,

I am an MBA student in the Department of Business Administration in the School of Business, Kenyatta University. I am carrying out a research: Assessing the impact of E-commerce on the performance of marketing activities in the hotel industry.

Attached herein, is a questionnaire that is aimed at eliciting information, which will be vital for the above research. You have been selected as one of the respondents in this study. Any information provided will be treated confidentially and used strictly for academic purposes only.

Your cooperation will be highly appreciated.

Thank you.

Yours faithfully,

NYAGUTHII SUSAN NYOKABI,
THE RESEARCHER.
1. Name of the Hotel __________________________

2. How many customers do you get on monthly basis? __________________________

3. Is the number satisfactory? YES [ ] NO [ ]

4. What percentages of your monthly customers get to know you through the Internet? __________________________

5. Do you have a website? YES [ ] NO [ ]

6. If yes, what is the website name? __________________________

7. Does it generate satisfactory traffic? YES [ ] NO [ ]

8. Has your hotel adopted E-commerce as a way of doing business?
   YES [ ] NO [ ]
   If yes, tick the marketing activities that are carried out through E-commerce in your hotel:
   - Promotion
   - Selling
   - Customer service
   - Marketing research
   - Relationship marketing

9. Do you advertise your website? YES [ ] NO [ ]

10. What qualities do you focus on to make you website attractive? Tick the appropriate.
    - Appearance and quality
    - Consistency
    - Security
    - Performance
    - Interactivity and navigation
    - Any other

(a) Do you have web designers or do you hire them from elsewhere? YES [ ] NO [ ]

11. Can your website be found through the main search engines like Yahoo, Google
    YES [ ] NO [ ]
12. What are the main purposes of your website? (Tick the appropriate)

- General publicity
- Advertisement of your services
- On-line selling
- Customer support and liaison
- Market research
- Any Other

13. Please rate the impact of the following factors on your web promotion efforts.

<table>
<thead>
<tr>
<th>Description</th>
<th>Very high</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
<th>Very low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inform your customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educate your client for your new service and products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase your clientele base</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assist your customer in understanding your existing services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhance entry to the market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enables differentiation of services from your competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helping build the hotel goodwill</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any Other</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

14. What technique do you use in on-line advertising (tick the appropriate ones)

- Banners
- Buttons
- Web advertising
- Classified ads
- Email listing

16. Has E-commerce in general led to increase in promotion?

- YES
- NO

17. If yes, to what extent
18 What are your suggestions on e-commerce that can improve promotion?

SELLING

19 Do you sell on-line?
   Yes ☐ No ☐

20 If yes, from which year did you start selling on-line? ____________

21 Has e-commerce contributed to increase of sales and revenue?
   YES ☐ NO ☐

22 Are the customers willing to buy on-line? YES ☐ NO ☐

23 Do you have mechanisms to generate a summary of the orders and printable receipts on transactions done on line?
   YES ☐ NO ☐

24 Has transacting or selling on line improved on the following?
   Speed and ease YES ☐ NO ☐
   Efficiency YES ☐ NO ☐
   Cost reductions YES ☐ NO ☐

25 Are customers willing to give their credit cards details on-line?
   YES ☐ NO ☐

   (a) Support you answer ________________________________

MARKET RESEARCH

26 Has e-commerce improved activities of research in customer requirement of the hotels?
   Yes ☐ No ☐

27 Do you web track your prospect customers to understand their buying behaviours?
   Yes ☐ No ☐

28 Has e-commerce improved the customers profiling procedures?
   Yes ☐ No ☐
29 Has marketing research on-line improved the speed and quality of management decisions?
   Yes ☐  No ☐
   a. Is there need to introduce further research due to E-commerce?
      Yes ☐  No ☐
   b. If yes, what are your recommendation on E-commerce and research?

________________________________________________________________________

________________________________________________________________________

CUSTOMER SERVICE

30 Do you serve your customers on-line?
   Yes ☐  No ☐

31 Is the number of customers seeking customer service over the Internet on the increase?
   Yes ☐  No ☐
   a. Has Internet eliminated or reduced the number of intermediaries?
      Yes ☐  No ☐
   b. Has E-commerce led to improvement in quality of the customer service of the hotel
      Yes ☐  No ☐

32 To what extent has E-Commerce impacted on the following services?

<table>
<thead>
<tr>
<th>Services</th>
<th>Very High</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
<th>Very Low</th>
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<td>Reservations</td>
<td></td>
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<td>Enquiries</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
33 What benefits do you find in e-commerce in meeting customer service and its satisfaction?

__________________________________________________________________________

__________________________________________________________________________

34 Has Internet improved the way your organization responds to questions, suggestions, complaints and compliments?

Yes  □  No  □

RELATIONSHIP MARKETING

35 Does your organization target long-term relationship building with your clients?

Yes □  No □

36 Has E-commerce boosted the relationship building? Yes □  No □

(a) In what ways?

__________________________________________________________________________

__________________________________________________________________________

37 Do you offer customised services to your loyal customers?

Yes □  No □

38 What are the benefits of undertaking relationship marketing on-line in your organization?

__________________________________________________________________________

__________________________________________________________________________

39 Is there any other recommendation you think can contribute to this study? Briefly explain

__________________________________________________________________________

__________________________________________________________________________

Thank you for taking the time to fill in this questionnaire.