Full Length Research Paper

The relationship between the marketing strategies and competitiveness of four and five star hotels

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Abstract

The objective of this study was to establish the relationship between the marketing strategies and competitiveness of four and five star hotels in Kenya. The results showed that the hotels adopted the 5 P's marketing concept which addressed the product, people, place, pricing and promotion strategies. These strategies also directly and indirectly affected customer satisfaction, market image and awareness, sales volumes, market penetration, market shares, competitive positions, competitive advantages, cash inflows, profits, return on investment, share prices and earnings per share

Key words: Marketing strategies, Competitiveness, Hotels

INTRODUCTION

Marketing strategies evidently play a crucial role in organizational performance, yet there are very few studies on the marketing strategies of hotels in Kenya. In Kenya, both domestic and international tourists are attracted by the beaches, conference facilities, wildlife, culture, nature, landscapes, cuisine, music, dance, literature and weather (Ministry of Tourism, Kenya, 2013). These tourists need accommodation thus the importance of lodging facilities such as hotels. In the year 2008, the hotel bed occupancy percentage in the country was 26.00% with 3,699,100 visitors having been accommodated. 2009 saw a rise in these figures to 6,243,000 guests and a bed occupancy percentage of 36.50% (Ministry of Tourism, Kenya, 2013).

However, in addition to providing accommodation, most hotels also offer dining, entertainment and conference facilities. This makes them invaluable to the country's economy. Consequently, the country has further invested in hotels of various star ratings (the Kenya Gazette, 2003). These facilities are spread across the country. For example, all four and five star hotels which have been gazetted are located at the coastal region and in the capital city, Nairobi.

Literature review

Marketing and the marketing mix models

Marketing is "communicating to and giving target market customers what they want, when they want it, where they want it and at a price they are willing and able to pay" (Shaw and Morris, 2000). Marketing should focus on customers. Despite marketing costs being a major expense for businesses, marketing enhances business performance and benefits the economy as a whole (Hult, Pride and Ferrel, 2012).

The marketing mix, first proposed by Borden in 1965, and derived from the concept of managers mixing ingredients when targeting customers, (Shaw and Jones, 2005) is a tool on which marketing plans are based. It was created for production companies and developed countries though it has been used in developing countries despite the different operating, economical, technological, socio-cultural and political environments. But various scholars have contributed to the evolution of the framework since its inception. The original marketing mix had twelve elements which included "product planning,

pricing, branding, place, personal selling, promotions, advertising, packaging, display, servicing, physical handling and fact finding and analysis" (Goi, 2009). The most studied mix, popularly referred to as the 4 P's, however has four elements which were extracted from the twelve elements. These four elements are the product, price, promotion and distribution (Vignali, 2001). The framework calls upon marketers to decide on the product and its price, distribution and promotion. Zineldin and Philipson (2007) asserted that the 4 P's can be used to meet the needs of the customer and obtain competitive advantages.

Due to the criticism that the four-p framework has received and because of the need to increase organizational competitiveness (Goi, 2009), the model has been modified in order to create the 7 P's. The 7 P's attempts to exhaustively address all elements of the services marketing mix. Its elements are the product, price, promotion, place, process, physical evidence and people (Rafiq and Ahmed, 1995). It has been advocated as being a "more standardized, comprehensive, detailed and refined model with a broader perspective than the four-p framework, since it clearly takes into account people and processes" (Rafiq and Ahmed as cited by Goi, 2009). This is despite it being more complicated than the four-P's.

Gummesson (1994) also mentioned Baumgartner (1981) who posited the 15 P's concept which included the product, service, price, promotion, place, people, politics, public relations (PR), probe, partition, prioritize, position, profit, plan and performance and positive implementations. But Bowie and Buttle (2004) and Shaw and Morris (2000) proposed a marketing mix for the hospitality industry whose elements included the product/service, location, presentation, pricing, distribution, process, people, physical environment and marketing communication.

Competitiveness

Competitiveness refers to one's position relative to competitors (Stoner, Freeman and Gilbert, 1995). Studies conducted outside the hospitality industry, for example Feurer and Chaharbaghi (1994) have however asserted that:

> Competitiveness means different things to different organizations. Some organizations view competitiveness as the ability to persuade customers to choose their offerings over alternatives while others view competitiveness as the ability to improve continuously process capabilities...............competitiveness is relative and not absolute. It depends on shareholder and customer values, financial strength which determines the ability to act and react within the competitive environment and the potential of people

and technology in implementing the necessary strategic changes. Competitiveness can only be sustained if an appropriate balance is maintained between these forces which can be of a conflicting nature.

The term competitiveness is also used to denote "the ability to persuade customers to choose their offerings over alternatives" (Feurer, 1994). Olmos (2012) clarified that competitiveness was about getting competitive advantages and resultant competitive positions. Every firm nevertheless strives to achieve competitive advantages (Mathews, 2000). Dube and Renaghah (1999), as quoted by Petzer, Steyn and Mostert (2008) referred to this competitive advantage as "the value an organization is able to create to differentiate itself from its competitors".

Singh, Garg and Deshmukh (2010) highlighted non industry specific strategies for firm's competiveness. These include cost reduction, quality improvement, competencies development, organization culture, information technology (IT) applications, supplier development, customer satisfaction, total production maintenance and development of human resources. Smith (1995) equally noted that excellent companies achieve world-class competitiveness by focusing and responding to customers' needs. Prior studies conducted in the hotel industry such as Tsai, Song and Wong (2008) and Olmos (2012) likewise acknowledged sales and marketing as critical tools for the competitiveness. This is because a large percentage of the hotel's budget could be attributed to marketing expenses predominantly via popular marketing efforts such as branding (Olmos, 2012). But, Kotler (1967) as quoted by Shaw and Jones (2005) already contended that an effective marketing mix contributes to increased sales and market shares.

Measuring marketing productivity

Rust, Ambler, Carpenter, Kumar and Srivastava (2004) developed the "chain of marketing productivity" illustrated in figure 1 below for assessing the effectiveness of marketing efforts. This chain outlines the trickling effect of marketing on business performance. It has been endorsed as being among the best tools for measuring and managing marketing performance by authors such as Gronholdt and Martensen (2006), Wierenga (2008) and Mone, Pop and Racolta-paina (2013). The chain starts by highlighting the impact of firm and marketing decisions and activities like strategies and tactics on the customer. These generate satisfaction and influence attitudes such as brand image and awareness. Customer impact consequently affects the market where emotions such as satisfaction and experiences increase market share and sales. Market impact subsequently influences the financial performance and position of the firm in terms of ROI, profits and cash flow, which ultimately has an impact on its value including share prices and earnings. Gronholdt and Martensen (2006)
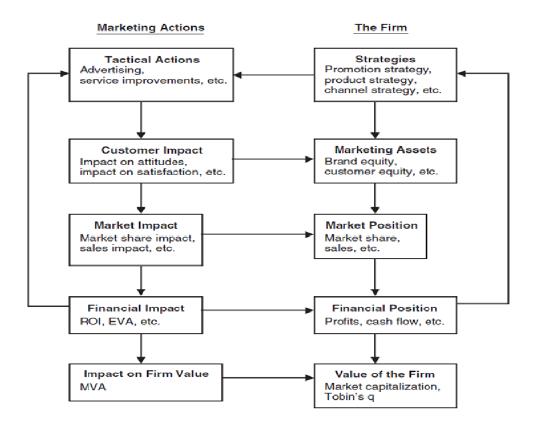
Figure 1: Rust's et al (2004) chain of marketing productivity

simply summarized it as: Tactical marketing actions->customer impact->market impact->financial impact->impact on firm value.

MATERIALS AND METHODS

Study population

The study focused on four and five star hotels in Kenya. It was postulated that most of them were either in the growth or mature stage of the tourist product life-cycle and therefore had structured marketing activities. Their managers and employees were consequently the best sources of information on the most competitive marketing strategies and tactics for hotels in the country. This is because marketing is the responsibility of all employees. Furthermore, front line employees are always in direct contact with guests and are therefore in a better position to inform on their decisions and so are managers who develop strategies. For this reason, the study involved all managers including the directors, general managers, assistant general managers, resident managers, operations managers, human resource managers, business development managers, public relations managers, guest services managers, guest relations officers, marketing executives, sales managers, marketing managers, communications managers, departmental heads and supervisors who felt that they were knowledgeable and informed enough to participate in the study.

Sampling technique

The Creative research systems formula (Creative research systems, 2013) was used to calculate the managers' sample size. This formula proved adequate when used by Fwaya, Odhuno, Kambona and Othuon (2012) in sampling managers when developing a performance measurement model for hotels. The actual sample size from the calculation was 94. Purposive sampling was subsequently used to select at least 94 managers who filled in self-administered questionnaires.

Research instrument

The questionnaire had 36 items which indicated the managers' perceptions of their hotels' marketing strategies. The items were the; "quality of rooms and meals, nutritional content of menu items, variety of menu,

food safety, cleanliness of restaurants and rooms, room amenities, business hours of operation of restaurants, room services, benefits given to guests, prices, value of meals and stay, service speed, level of automation of processes, the reliability, knowledge, skills and courtesy of staff, parking, accessibility, location, security, appearance of staff and the hotel's exterior, crowding, other customers, layout and decor and atmosphere". Promotion was represented by experiential marketing, relationship marketing, advertisement, internet marketing, corporate social responsibility, personal selling and public relations. The managers had to indicate the extent to which their marketing strategies addressed these factors on a scale of 1 to 7 (1=to no extent at all, 7=to a very large extent).

Data analysis

In order to prepare the data for analysis, skewness and kurtosis were computed as recommended by Bagozzi and Yi (1988). These are shape statistics (Larson, 2006) which indicate whether data is normally distributed by looking at the symmetry and peakedness of the distribution (DeCarlo, 1997; Ghasemi and Zahediasl, 2012). Positive skew indicates that most of the scores are below the mean while negative skew means most of the scores are above the mean; positive kurtosis on the other hand show heavier tails and a higher peak while negative kurtosis indicate portray tails and lower peaks (Kline, 2010). Skewness and kurtosis absolute values close to 0 highlight almost normal distributions (Simpson, Maylor, McConville, Stewart-knox, Meunier, Andriollo-Sanchez, Polito, Intorre, McCormack and Coudray, 2014). Skewness absolute values of <±2 and kurtosis absolute values of <10 are considered acceptable and thus do not call for data transformation (Kline, 2010).

Reliability, convergent and discriminant validity were further ascertained. Convergent validity confirms whether constructs which should relate actually relate; while discriminant validity checks whether constructs which should not relate do not actually relate. Relevant measures of reliability including individual items reliabilities (internal consistency reliability), reliability for the composite of measures of a latent variable (composite reliability or CR) and the average variance extracted (AVE) from a set of measures of a latent variable were computed. As a result, only items with confirmatory factor loadings greater than .70 (Lance, Butts and Michels, 2006), CR greater than .70 and AVE greater than .50 (Bagozzi and Yi, 1988; Fornell, 1988; Anderson and Gerbing, 1988) were retained in the analysis as these are the recommended cut offs.

The SEM models showed the relationships between the marketing strategies and competitiveness via the mediators customer satisfaction, market image and awareness, competitive advantages, competitive

positions, market penetration and sales volumes, cash inflow, ROI and profits. A mediator is a variable which "accounts for the relation between the predictor and the criterion" (Baron and Kenny, 1986). It "specifies how a given effect occurs" and portrays how the independent variable influences the dependent variable through it (Holmbeck, 1997). In order to identify the nature of the mediation, whether indirect, partial or full, the impact of the mediator on the direct effect between the strategy and competitiveness was first established. Then using bootstrapping with 200 samples, the significance of the indirect effects were determined, thus the significance and nature of mediator.

R^2 on the other hand shows the amount of variance explained by the exogenous variables. Chin (1998) as cited by Peng and Lai (2012) contended that R^2 scores of .67, .33 and .19 are substantial, moderate and weak respectively.

The marketing model was explored using covariance based structural equation modeling (CB-SEM). CB-SEM is a quantitative data analysis method that uses path analysis and confirmatory factor analysis (CFA) in order to test, fit and generate models (Fwaya et al., 2012). It gives an overall picture of the acceptability of an entire model unlike other statistical tools such as analysis of variance (ANOVA) and multiple regression (MR) while giving room for modifications (Kline, 2005). CFA was therefore used to develop individual models for each of the factors extracted. According to Garson (2010):

> CFA seeks to determine if the number of factors and the loadings of measured (indicator) variables on them conform to what is expected on the basis of pre-established theory. Indicator variables are selected on the basis of prior theory and factor analysis is used to see if they load as predicted on the expected number of factors. The researcher's assumption is that each factor (the number and labels of which may be specified) is associated with a specified subset of indicator variables.

Maximum likelihood estimation (ML) as suggested by Kline (2005) was used since the sample size was less than 200. Bagozzi and Yi (1988) stated that "sample sizes as low as 100 are often adequate for SEM with 200 or more sometimes recommended as safe". Bearden, Sharma and Bollen (1982), as quoted by Lacobucci (2010) however claimed that "if variables are reliable, and the effects are strong and the model not overly complex, smaller samples will suffice". Lacobucci (2010) too posited that SEM can be performed on small samples of 50 with the argument that the sample size be larger than 200 being "conservative and simplistic".

Lacobucci (2010) recommended that each construct in CFA should have 1 to 4 items since constructs that have more than 4 items are excessive. In order to generate the constituents models, sample moments including sample

covariance matrix, sample correlation matrix, model parameter estimates and fit statistics such as chi-square, Root Mean Square Error of Approximations (RMSEA), Comparative Fix Index (CFI) and Standardized Root Mean Residual (SRMR) (Bagozzi and Yi, 1988) were computed.

Bagozzi and Yi (1988) suggested looking at both the chi square ($X^{2)}$) values and the fit statistics since the chi square statistic is sensitive to sample size and could lead to acceptance or rejection of false and true models respectively. The X^2 goodness-of-fit statistic is the "product of the sample size minus one and the minimum fitting which assesses the magnitude of discrepancy between the sample and fitted covariance matrices" (Hu and Bentler, 1999). Large X^2 values indicate bad fit while small values indicate good fit (Joreskog and Sorbom, 1982). It is hard for X^2 to fit if sample size is above 50 (Lacobucci, 2010). Though, "analysts can evaluate exact model fit by comparing the chi-square (X^2) of the specified model to the critical value for chi-square for its degree of freedom" (McCoach, 2003). Consequently, the Wheaton's et al. (1977) relative/normed chi-square (X^2/df) is often used instead of X^2 since the effects of small samples are less with values between 2.00 and 5.00 (Hooper, Couglan and Mullen, 2008) or ≤3.00 (Lacobucci, 2010) being considered acceptable.

Bentler and Bonett (1980) similarly advocated for the use of fit indices in reporting SEM models since the effects of sample size are also small. Hu and Bentler (1999) explain that:

The fit indexes supplement the X^2 test. Fit indexes are absolute or incremental. An absolute fit index assesses how well an a priori model reproduces the sample data e.g. GFI, AGFI, CN, MC, SRMS and RMSEA. An incremental fit index on the other hand measures the proportionate improvement in fit by comparing a target model with a more restricted, nested baseline model e.g. NFI, TLI, RNI and CFI.

McCoach (2003) posited that more than one measure of fit should be used when evaluating fit. McDonald and Marsh (1990) likewise suggested comparing two absolute indices of fit. Absolute fit indices "demonstrate which proposed model has the most superior fit" (Hooper et al., 2008). "GFI is a measure of the relative amount of variances and covariances jointly accounted for by the model, is independent of sample size and relatively robust against departures from normality" (Joreskog and Sorbom, 1982).

Joreskog and Sorbom (1982) as cited by Bagozzi and Yi (1988) recommended reporting the adjusted goodness-of-fit index (AGFI) which indicates the relative amount of variance and covariances jointly accounted for by the hypothesized model. The AGFI increases with sample size and ranges from 0.00 to 1.00, with values ≥ .90 being considered acceptable.

NFI "assesses the model by comparing X^2 values of the model to the X^2 of the null model"; NFI values ≥.90 indicate a good fit (Hooper et al., 2008). Hooper et al. added that NFI is sensitive to sample size. NNFI and TLI were therefore introduced in order to prevent underestimation of samples which were smaller than 200, though NNFI may show poor fit in small samples and values may go beyond 1.00 therefore making interpretations difficult.

CFI (comparative fit index), which has a cut off of .90 and preferred values of .95, "is a revised version of NFI that takes into consideration the sample size" (Hooper et al., 2008). CFI "captures the goodness-of-fit and takes the fit of one model to the data, compares it to the fit of another model to the same data and adjusts or attempts to adjust for model complexity or parsimony" (Lacobucci, 2010).

Parsimony fit indices such as PGFI (parsimonious goodness-of-fit index) and PNFI (parsimonious normed-fit index), are affected by complex models which generate low values. They also do not have cut offs. They should therefore be used with other indices (Hooper et al., 2008). Hooper et al. added that other information criteria parsimony indices such as the akaike information criterion (AIC) and consistent version of AIC (CAIC) need sample sizes of 200.

Lance et al., (2006) reported that "GFI of over .90 indicates well fitting SEM models, NNFI, IFI and CFI above .90 depict adequate fit and NFI, which is a summary index of overall model fit, above .90 show excellent fit. However TLI and NFI indexes with values less than .90 can be improved and should therefore be rejected".

The root mean square residual (RMR) and SRMR (standardized root mean squared residual) are the "square root of the difference between the residuals of the sample covariance matrix and the hypothesized covariance model" (Hooper et al., 2008). RMR shows "the average of the residual variances and covariances and can be used to compare the fits of different models to the same data" with the rule of thumb being ≤ 0.10 (Bagozzi and Yi, 1988).

SRMR represents a standardized summary measure of the model implied covariance residuals" with values ≤ .08 giving relatively good fit (McCoach, 2003). SRMR tends to be high with larger numbers of parameters in the model and with larger samples (Hooper et al., 2008) and low when the factor loadings are high (Lacobucci, 2010).

Steiger (2004) developed the root-mean-square error of approximation (RMSEA) which is used to assess how good or bad a model fit is with a confidence interval. RMSEA "tells us how well the model, with unknown but potentially chosen parameter estimates would fit the population's covariance matrix" (Byrne as cited by Hooper et al., 2008). A RMSEA value of .07 is considered the cut off (Hooper et al., 2008). Mac Callum, Browne and Sugawara (1996) similarly explained that RMSEA with

Table 1: Reliability and validity of constructs

	CR	AVE	MSV	ASV	Place	Promotion	People	Price	Product
Place	0.76	0.62	0.59	0.35	0.78				
Promotion	0.87	0.70	0.19	0.10	0.24	0.83			
People	0.87	0.78	0.49	0.33	0.65	0.28	0.88		
Price	0.93	0.87	0.49	0.28	0.58	0.29	0.70	0.93	
Product	0.77	0.64	0.59	0.33	0.77	0.44	0.58	0.47	0.80

"values of less than .05 show a close fit, values of .05 to .08 indicate fair fit while values above .10 indicate poor fit". Hu and Bentler (1999) found that:

For the ML method, a cut-off value close to .95 for TLI, CFI, RNI and Gamma hat, a cut off value close to .08 for SRMR and a cut off value close to .06 for RMSEA are needed before we can conclude that there is relatively good fit between the hypothesised model and the observed data. However ML based TLI, MC and RMSEA tend to over reject true-population models at small sample size and they are less preferable when sample size is small.

Suggestions have thus been forwarded with regards to reporting SEM fit indices. Hu and Bentler (1999) recommended the two-index presentation reporting strategy of either, NNFI (TLI) and SRMR, RMSEA and SRMR or CFI and SRMR with the NNFI (TLI), SRMR, RMSEA and CFI with the cut offs of each being CFI ≥.96, SRMR ≤.09, RMSEA ≤.06 and TLI ≥.96. Kline (2005) posited reporting the chi-square test, RMSEA, CFI and SRMR. But Hooper *et al.* (1998) suggested reporting chi-square, degrees of freedom, p value, RMSEA and associated confidence interval, SRMR, CFI and one parsimony fit index.

RESULTS

A total of 120 self administered questionnaires were distributed to managers. However, only 102 usable questionnaires were returned thus giving a usable response rate of 85.00%. 58 (56.90%) managers worked in four star hotels while the other 44 (43.10%) were employed in five star hotels. The hotels had been in operation in Kenya for an average of 64.45 years. 21 (20.58%) managers worked in hotels which had been in operation in the country for less than 25 years, 49 (48.03%) were employed in hotels which had been in operation for between 26 and 70 years while 32 (31.37%) were in hotels which had been operating for over 70 years.

The hotels had an average of 165.30 guest rooms. 12 (11.80%) managers worked in hotels which had between 51 and 100 guest rooms, 19 (18.60%) were employed in hotels which had between 101 and 150 guest rooms, 47 (46.10%) worked in hotels which had between 151 and 200 guest rooms, 19 (18.60%) were employed in hotels which had between 201 and 250 guest rooms while 4 (3.90%) worked in hotels which had between 251 and 300 guest rooms.

The values ranged from .18 to 5.20 for kurtosis and -.93 to -.2.20 for skewness showing that the data was normally distributed. The data was subjected to CFA in order to explore the marketing model adopted. CFA revealed that the hotels applied the 5 P's concept by pursuing the place, promotion, people, pricing and product strategies. As shown in table 1 below, the CR ranged from .76 to .94 and all the items had significant factor loadings above the recommended cut off of .70 indicating that they were reliable. The AVE was above the suggested cut off of .50 and greater than the average shared variance among the constructs thus confirming convergent and discriminant validity respectively. The CFA model which reflected the relationships among the strategies had the following acceptable fit statistics; x^2=41.61, x^2/df=1.22, p=.17, df=34, NFI=.94, RFI=.90, IFI=.98, TLI=.98, CFI=.98, GFI=.93, AGFI=.87, PGFI=.48, RMR=.03, SRMR=.03, RMSEA=.04.

Two variables successfully loaded onto the place strategy; "accessibility" and "location" of the hotel. These items had factor loadings of .81 and .75 respectively. Three items loaded onto the promotion strategy; "personal selling", "public relations" and "sales promotion" and they had factor loadings of .85, .92 and .72 respectively. The people strategy had two indicators; "courtesy" and "reliability" of staff, each with factor loadings of .87 and .89 respectively. The pricing strategy was reflected by the "value of the meal" and "value of the stay" and they had factor loadings of .91 and .95 respectively. The product strategy on the other hand had two variables loading onto it; "quality of food and beverage" and "quality of rooms", and they had factor loadings of .93 and .70 respectively.

In order to establish the relationship between the marketing strategies and competitiveness, path analysis
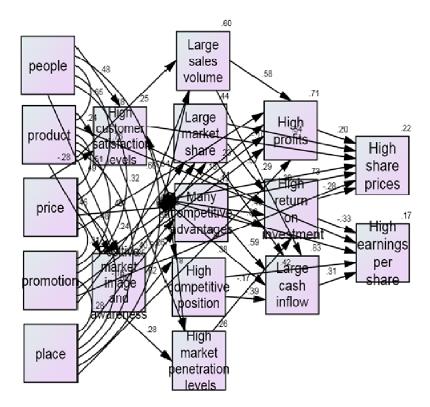
Figure 2: Standardized regression weights on the impact of the 5 P's marketing strategies on the competitiveness of four and five star hotels in Kenya

was performed. Using Rust's *et al.* (2004) marketing productivity model as a guide, the relationships between the 5 P's and competitiveness were established. The SEM model presented in figure 2 below reflected the significant relationships and had the following acceptable fit statistics; x^2=75.11, x^2/df=1.04, p=.37, df=72, NFI=.95, RFI=.92, IFI=.99, TLI=.99, CFI=.99, GFI=.92, AGFI=.84, PGFI=.43, RMR=.07, SRMR=.05, RMSEA=.02.

Tables 2, 3 and 4 below show the path coefficients, direct effects, indirect effects and their significance. As reflected in figure 2, the product strategy directly reduced earnings per share (β=-.12, p=.009). However, market image and awareness partially mediated the relationship between the product strategy and market penetration (β=.12, p=.010), indirectly mediated the relationship between the product strategy and competitive advantages (β=.26, p=.005) and competitive positions (β=.28, p=.007) and fully mediated the relationships between the product strategy and sales volume (β=.30, p=.007) and market share (β=.25, p=.006). Customer satisfaction too partially mediated the relationships between the product strategy and market penetration (β=.05, p=.010), ROI (β=.03, p=.006) and share prices (β=-.02, p=.010). Sales volume also partially mediated the relationship between the product strategy and cash inflow (β=.04, p=.004).

The pricing strategy (β=-.34, p=.000) directly reduced profits. But, market image and awareness partially mediated the relationship between the strategy and market penetration (β=-.13, p=.014), indirectly mediated the relationship between the pricing strategy and market share (β=-.26, p=.013) and fully mediated the relationships between the pricing strategy and competitive advantages (β=-.26, p=.009), competitive positions (β=-.28, p=.011) and sales volume (β=-.31, p=.011). Customer satisfaction likewise partially mediated the relationships between the pricing strategy and market penetration (β=-.07, p=.014), ROI (β=-.04, p=.048) and share prices (β=.02, p=.018). Competitive advantages moreover partially mediated the relationships between the pricing strategy and ROI (β=.08, p=.048), profits (β=.05, p=.007) and share prices (β=.06, p=.018) while profits partially mediated the relationship between the pricing strategy and share prices (β=-.06, p=.018).

Market image and awareness partially mediated the relationship between the people strategy and market penetration (β=.13, p=.005) and competitive positions (β=.29, p=.011) and fully mediated the relationships between the people strategy and competitive advantages (β=.27, p=.009), sales volume (β=.32, p=.007) and market share (β=.27, p=.009). Meanwhile customer satisfaction partially mediated the relationships between

Table 2: Path coefficients-direct effects

Path coefficients	Unstandardized regression weights	Standardized regression weights	P value
People--->Customer satisfaction	.65	.48	.001
Product--->Customer satisfaction	.31	.23	.036
Price--->Customer satisfaction	-.26	-.27	.036
People--->Market image	.60	.49	.000
Product--->Market image	.53	.46	.000
Price--->Market image	-.40	-.47	.000
Customer satisfaction--->Market penetration	.30	.26	.017
Market image--->Sales volume	.83	.66	.000
Market image--->Market share	.74	.56	.000
Market image--->Competitive advantage	.65	.57	.000
Market image--->Competitive position	.70	.61	.000
Price--->Competitive advantage	.23	.23	.000
Place--->Competitive advantage	-.27	-.16	.010
Promotion--->Market share	.24	.24	.000
Product--->Sales volume	.26	.17	.003
Market image--->Market penetration	.36	.28	.018
Sales volume--->Profits	.54	.58	.000
Competitive advantages--->Profits	.23	.22	.003
Market share--->ROI	.53	.56	.000
Competitive advantage--->ROI	.40	.37	.000
Sales volume--->Cash inflow	.32	.29	.000
Market share--->Cash inflow	.51	.48	.000
Competitive advantage--->Cash inflow	.70	.58	.000
Competitive position--->Cash inflow	-.47	-.39	.000
Price--->Profits	-.34	-.34	.000
Promotion--->Profits	.12	.14	.009
Market penetration--->ROI	-.16	-.17	.003
Customer satisfaction--->ROI	.16	.15	.006
Place--->Profits	.31	.18	.016
Profits--->Share prices	.37	.19	.001
ROI--->Share prices	-.51	-.28	.031
ROI--->Earnings per share	-.65	-.33	.019
Cash inflow--->Earnings per share	.54	.30	.001
Product--->Earnings per share	-.36	-.12	.009
Market share--->Share prices	.59	.34	.000
Competitive advantages--->Share prices	.58	.29	.000
Customer satisfaction--->Share prices	-.20	-.09	.036
Competitive position--->Earnings per share	.90	.42	.000
Promotion--->Share prices	-.28	-.16	.000

the people strategy and market penetration (β=.12, p=.005) and ROI (β=.07, p=.009).

The place strategy (β=.18, p=.016) directly increased profits. Though, competitive advantages partially mediated the relationship between the place strategy and profits (β=-.003, p=.037). The promotion strategy nonetheless directly increased profits (β=.14, p=.009) but reduced share prices (β=-.16, p=.000). Market share also fully mediated the relationships between the promotion strategy and cash inflow (β=.11, p=.005) and ROI (β=.13, p=.005) and partially mediated the relationship between the promotion strategy and share prices (β=.08, p=.003). Besides profits partially mediated the relationship between the promotion strategy and share prices (β=.02, p=.003).

Market penetration partially mediated the relationships between customer satisfaction and ROI (β=-.04, p=.006), and market image and awareness (β=-.04, p=.005) and

Table 3: Indirect effects

	Price	Product	People	Place	Promotion	Market image and awareness	Customer satisfaction	Competitive position	Competitive advantage	Market share	Sales volume	Market penetration	Cash inflow	ROI	Profit
Market image and awareness	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Customer satisfaction	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Competitive position	-.29	.28	.30	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Competitive advantage	-.27	.26	.28	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Market share	-.26	.25	.27	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Sales volume	-.31	.30	.32	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Market penetration	-.20	.19	.26	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Cash inflow	-.12	.31	.27	-.09	.11	.56	.00	.00	.00	.00	.00	.00	.00	.00	.00
ROI	-.17	.25	.29	-.06	.13	.48	-.04	.00	.00	.00	.00	.00	.00	.00	.00
Profit	-.19	.34	.25	-.03	.00	.51	.00	.00	.00	.00	.00	.00	.00	.00	.00
Earnings per share	-.10	.13	.11	-.009	-.00	.27	-.03	-.12	.05	-.03	.09	.05	.00	.00	.00
Share prices	-.13	.14	.10	-.002	.07	.32	-.03	.00	-.06	-.15	.11	.04	.00	.00	.00

ROI. Market share (β=.26, p=.007), sales volume (β=.19, p=.007) and competitive positions (β=-.23, p=.007) too partially mediated the relationships between market image and awareness and cash inflow, market share (β=.31, p=.005) partially mediated the relationship between market image and awareness and ROI while competitive advantages (β=.12, p=.009) and sales volume (β=.38, p=.009) partially mediated the relationship between market image and awareness and profits.

Market share directly increased ROI (β=.56, p=.000) and share prices (β=.34, p=.000), competitive advantages directly increased ROI (β=.37, p=.000) and share prices (β=.29, p=.000), while market penetration directly reduced ROI (β=-.17, p=.003). Sales volume (β=.29, p=.000), competitive advantages (β=.58, p=.000) and market shares (β=.48, p=.000) even so directly increased cash inflow while competitive positions reduced this inflow (β=-.39, p=.000) but increased earnings per share (β=.42, p=.000). Sales volume

(β=.58, p=.000) and competitive advantages (β=.22, p=.003) increased profits. ROI reduced (β=-.28, p=.031) share prices and their earnings (β=-.33, p=.019), profits increased share prices (β=.19, p=.001) whereas cash inflow increased earnings per share (β=.30, p=.001). ROI was hence a partial mediator in the relationship between market penetration and share prices (β=.04, p=.040) and cash inflow was a partial mediator in the relationship between competitive positions and earnings (β=.12, p=.010)

Table 4: P values of indirect effects

	Price	Product	People	Place	Promotion	Market image and awareness	Customer satisfaction	Competitive position	Competitive advantage	Market share	Sales volume	Market penetration
Competitive position	.011	.007	.011									
Competitive advantage	.009	.005	.009									
Market share	.013	.006	.009									
Sales volume	.011	.007	.007									
Market penetration	.014	.010	.005									
Cash inflow	.148	.004	.006	.054	.005	.007						
ROI	.048	.006	.009	.098	.005	.005	.006					
Profit	.007	.009	.005	.037		.009						
Earnings per share	.007	.009	.011	.350	.489	.010	.066	.010	.618	.632	.012	.051
Share prices	.018	.010	.069	.918	.003	.009	.062		.231	.107	.006	.040

The R^2 of market image and awareness was .40, customer satisfaction .25, sales volumes .60, market share .44, competitive advantages .31, competitive positions .38, market penetration .26, cash inflow .83, profits .71, ROI .73, share prices .22 and earnings per share .17.

DISCUSSION

Only top, middle and lower level managers filled in the managers' questionnaires. Approximately 56% of them worked in four star hotels whereas the rest were employed in five star hotels. The managers worked in either town, vacation, beach, leisure or business hotels some of which were either local, foreign, privately owned, state owned, independent or chain hotels. But a majority worked in chain and town hotels which were privately owned. The hotels had been in operation in Kenya for an average of 64.45 years though most managers were in hotels which had been in operation in the country for between 26 and 70 years. Each hotel had 165 rooms on average.

However a majority of the managers worked in hotels which had between 151 and 200 rooms. The hotels targeted local, national, regional and international guests, although a number concentrated on one or two of these markets. Marketing, covering research, pricing and publicity, is one of the pillars of a hotel's success and competitiveness (Olmos, 2012). Doyle and Wong (1998) posited that marketing strategies positively contribute to business performance. Poon and Low (2005) equally argued that effective marketing strategies can increase market share while Petzer *et al.* (2008) stated that "marketing strategies impact on competitiveness and

customer retention". Fifield (1998) nonetheless explained that marketing strategies should be evaluated by looking at their impact on performance through analyzing both financial and non financial measures such as profit, profitability, shareholder return, cash flow, liquidity, share price, earnings per share, return on net assets, market share, growth, competitive advantage, competitive positions, sales volume, market penetration levels, new product development, customer satisfaction, customer franchise and market image and awareness levels.

The findings revealed that the hotels adopted the 5 P's marketing mix model which focused on the place (location and accessibility), people (courtesy and reliability of employees), product (quality of rooms and meals), pricing (value of meals and stay) and promotion (personal selling, public relations and sales promotion).

The results showed that the product strategy directly reduced earnings per share meaning that meeting and exceeding guests' expectations by investing in exceptional food, rooms and amenities may have reduced dividends. However, market image and awareness partially mediated the relationship between the product strategy and market penetration meaning that quality products including meals, rooms, accommodation and amenities may have produced many advantages including favourable perceptions and high esteem among stakeholders particularly customers hence enabling the hotels to retain a large percentage of their existing clients. Market image and awareness too indirectly mediated the relationships between the product strategy and competitive advantages and positions meaning that exceptional food, beverages, rooms and facilities may have improved the hotels' reputations though this may have been the only way for them to stay ahead of competitors. Market image and awareness as well fully

mediated the relationships between the product strategy and sales volume and market share meaning that excellent food, rooms and amenities won the trust of consumers although this too may have been the only way for the hotels to grow their customers' bases and spending. Customer satisfaction partially mediated the relationships between the product strategy and market penetration and share prices meaning that exceptional food, drinks, rooms and facilities generated advantages such as positive market image and awareness which also increased business from existing customers though the resultant satisfaction may have had little impact on stakeholders' perceptions of value. Sales volume partially mediated the relationship between the product strategy and cash inflow showing that exceptional products gave several advantages including more guest consumption. Claver, Tari and Pereira (2006) similarly felt that quality can generate higher sales, positive images, larger market shares, better competitive positions and customer satisfaction for hospitality firms. Oliver (1981) as cited by Choi and Chu (2000) regarded this satisfaction as "a customers' emotional response to the use of a product or service".

Market image and awareness partially mediated the relationships between the people strategy and market penetration and competitive positions confirming that investing in competent employees was one way for the hotels to attract positive publicity, increase the number of guests and achieve market leadership. Market image and awareness too fully mediated the relationships between the people strategy and competitive advantages, sales volume and market share showing that skilled and hospitable employees generated positive word of mouth (PWOM) which enabled the hotels to stay ahead of competitors, increase client base and guest consumption. This builds on Kandampully's (2006) idea that quality service can give a hospitality firm positive image and uniqueness among competitors thus generating competitive advantages, value in the eyes of the customer and ultimately customer satisfaction.

Customer satisfaction partially mediated the relationships between the people strategy and market penetration and ROI showing that investing in qualified employees not only created a favourable picture but further delighted customers thus increasing repeat patronage and earnings. Kandampully (2006) moreover contended that the modern hospitality environment calls for customer and service focused competitive platforms for market leadership in the industry since service aspects of the hospitality offer are a basis of competition and can be a source of competitive advantages.

The place strategy directly increased profits meaning that having attractive, accessible and convenient locations increased guest spending. But, competitive advantages partially mediated the relationship between the place strategy and profits implying that the location and its accessibility may not have been the best tools for

business leadership and preferences among the hotels since most tend to be situated in the same locality such as the central business district (CBD) in Nairobi and its close environs and along the Northern and Southern coasts in Mombasa. Yet, other measures acted as mediators. But Kotler *et al.* (2003) highlighted that location can be a competitive advantage for hospitality firms.

The pricing strategy directly reduced profits meaning that tactics such as value for money (VFM), special room rates, slashed prices and discounts especially during the off peak seasons may have directly reduced earnings. Suttle and Akpabio (1988) similarly concluded that "reduced prices reduce profits" unless more guests are attracted. However, the hotels may have also faced stiff competition from competing facilities including fine dining facilities, pubs and restaurants whose prices may have been lower.

Market image and awareness partially mediated the relationship between the pricing strategy and market penetration showing that prestige pricing may have led to negative perceptions among customers, but this did not affect loyal ones who may have been attracted by other factors. Dortyol, Varinli and Kitapci *(*2014) equally found that prices including affordability affect guests.

Market image and awareness indirectly mediated the relationship between the pricing strategy and market share meaning that the high prices may have reduced purchase and spending from market segments that could not afford. Yet, the other segments which were comfortable with these prices may have been large enough to sustain the businesses. Tung, Cheng and Wu (2009) found that "business travelers who have high incomes are less sensitive to price". Besides, Claver *et al.* (2006) felt that tourists opt for enhanced service quality with little regards of price. Karadag and Kim (2006) similarly held that the pareto principle, whereby a handful contribute to the largest share of profits, may apply to the hotel industry when determining the profitability of customers.

Market image and awareness fully mediated the relationships between the pricing strategy and competitive advantages, competitive positions and sales volume showing that the clients that the hotels were able to attract with their pricing strategy may have increased transactions and produced industry leadership. Customer satisfaction on the other hand partially mediated the relationships between the pricing strategy and market penetration and share prices showing that prestige pricing may have dissatisfied some customers, but this did not affect the loyal market or the investors' perceptions of value. But Doyle and Wong (1998) felt that value produces competitiveness because customer focused firms generate customer satisfaction and competitive advantages.

Competitive advantages partially mediated the relationship between the pricing strategy and ROI, profits

and share prices implying that prestige pricing and value addition may have attracted guests who were willing to spend and pay the high prices in order to receive value thus keeping the hotels way ahead of competitors. Petzer *et al.* (2008) likewise believed that developing unique value strategies through distinctive offers could create competitive advantages especially when measures are kept to ensure that competitors do not imitate them. But profits partially mediated the relationship between the pricing strategy and share prices showing that less revenue due to untapped markets may have reduced stakeholders' confidence.

The promotion strategy directly increased profits although it reduced share prices meaning that investing in guest' communication, awareness and education may have improved revenue but at the cost of investors' perceptions of value. Market share also partially mediated the relationships between the promotion strategy and cash inflow and ROI implying that informing guests of the hotels' activities, products and services may have increased their turnover, spending and consequently the hotels' earnings. Non hospitality studies such as Williams, Babatunde and Jeleel (2012) likewise concluded that sales promotion is linked to higher sales and eventually profits whereas Sunday and Bayode (2011) established that communication enhances sales volume, market image and awareness, market share, competitive advantages and positions.

Market share partially mediated the relationship between the promotion strategy and share prices meaning that keeping in touch with guests increased their spending and generated other benefits which boosted investor confidence. Meanwhile, profits partially mediated the relationship between the promotion strategy and share prices showing that in addition to improving market share, the returns from promotional efforts may have also attracted shareholders. Market penetration all the same partially mediated the relationships between customer satisfaction and market image and awareness and ROI meaning that delighting customers and building good public images may have enhanced guest loyalty; however this loyalty reduced ROI probably because repeat patronage alone was not sufficient for financial growth. In addition, market share, sales volume and competitive positions partially mediated the relationship between market image and awareness and cash inflow showing that embracing positive publicity as one of the many marketing strategies may have attracted more guests relative to competitors and that the large turnover and spending may have raised ROI though market leadership may have done little to grow returns perhaps because staying ahead of competitors may have needed reinvestment. Market share partially mediated the relationship between market image and awareness and ROI implying that positive images may have increased the influx of existing and potential guests from competitors thus improving earnings. Even so,

competitive advantages and sales volume partially mediated the relationship between market image and awareness and profits meaning that generating perceptions of value and increasing business by creating favorable images was another way for the hotels to increase revenue. Prasad and Dev (2000) too thought that positive market image and awareness as reflected by brand equity led to more market penetration, market shares, profits and shareholder value.

ROI was a partial mediator in the relationship between market penetration and share prices meaning that retaining loyal customers may have reduced the value of the hotels. But since cash inflow partially mediated the relationship between competitive positions and earnings per share, the hotels may have performed better than competitors thus improving this worth.

The findings showed the trickling effects of the strategies and their impact on the customer, market, financial performance and value. For hotels which did not have shares in any stock exchange market, ROI, profits and cash inflow were the final measures of competitiveness and financial performance. The results showed that the product, pricing and people strategies each influenced customer satisfaction, market penetration and ROI. The three strategies too contributed to market image and awareness, market penetration, competitive advantages, market share and sales volume, ROI, cash inflow and profits.

Various relationships were also observed. For example, the pricing strategy directly increased competitive advantages, profits and ROI meaning that customer impact as reflected by market image and awareness and customer satisfaction were not the only mediators. The pricing strategy also increased customer satisfaction and ROI meaning that there were other indicators of market impact other than sales volume, market share, market penetration, competitive advantage and competitive positions.

For hotels with shares in the stock exchange market, the product, pricing and people strategies each affected customer satisfaction, market penetration, ROI, share prices and earnings per share. These three strategies also contributed to market image and awareness, competitive positions, competitive advantages, sales volumes, cash inflows, profits, share prices and earnings per share. However, other relationships showed that there were additional mediators which were not reflected in the model. For instance, the product strategy increased sales volume, cash inflow and earnings per share meaning that customer impact was not reflected by either market image and awareness or customer satisfaction.

The product strategy contributed to market image and awareness, competitive positions and earnings per share. The pricing strategy as well reduced market image and awareness, generated competitive positions and increased earnings per share. The people strategy nevertheless improved market image and awareness,

market shares, and share prices. These four relationships consequently revealed that there were other mediators and measures of financial impact other than ROI, profits and cash inflow.

The product strategy also increased customer satisfaction, ROI and earnings per share. The pricing strategy moreover improved competitive advantages, profits and share prices. The pricing strategy also reduced customer satisfaction, which nevertheless raised ROI, share prices and earnings per share. The people strategy improved market image and awareness, cash inflow and earnings per share. These four relationships hence implied that there were other measures of market impact other than sales volume, competitive advantages, competitive positions, market share and market penetration.

The people strategy increased customer satisfaction which directly reduced share prices showing that the model represented other measures of market and financial impact. Furthermore, the pricing strategy increased competitive advantages, which directly increased share prices meaning that there were other measures of customer and financial impact.

The findings showed that the 5 P's directly and indirectly contributed to up to 40.00% of market image and awareness, 25.00% of customer satisfaction, 60.00% of sales volumes, 44.00% of market share, 31.00% of competitive advantages, 38.00% of competitive positions, 26.00% of market penetration, 83.00% of cash inflow, 71.00% of profits, 73.00% of ROI, 22.00% of share prices and 17.00% of earnings per share.

CONCLUSION

A comprehensive view of the marketing strategies of the hotels was provided by mapping out the place, product, pricing, people and promotion strategies. Clear links were also established between these strategies and the hotels' competitiveness. Being confirmatory in nature, the study documented for the first time the relationship between the marketing strategies and competitiveness of the hotels. Thus, an overview of the marketing productivity and business performance of the hotel industry in the country was presented. Though as pointed out by Sin, Tse, Chan, Heung and Yim (2006), long term time series analysis for individual hotels may be needed given that they can produce the exact impact of the strategies on the performance of each hotel.

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