

A STUDY ON THE INFLUENCE OF DISTRIBUTION CHANNELS ON THE PERFORMANCE OF TOURISM INDUSTRY IN NAIROBI COUNTY

Rose Omedo

Masters Student, Jomo Kenyatta University of Agriculture and Technology, Kenya

Dr. Gordon Karanja Ngugi

Jomo Kenyatta University of Agriculture and Technology, Kenya

CITATION: Omedo, R. & Ngugi, G. K. (2014). A study on the influence of distribution channels on the performance of tourism industry in Nairobi County. *International Journal of Social Sciences and Entrepreneurship*, 1 (11), 523-533.

ABSTRACT

This study sought to fill this gap in literature by determining the influence of distribution channels on the performance of the tourism industry in Nairobi County. The target populations was drawn from a population frame of three hundred and fifty (350) Tour and Travel firms who are members of Kenya Association of Tour Operators (KATO) located in Nairobi. From the target population of 350 a sample size of 10% was taken giving a respondent base of 35 respondents consisting of managers. Quantitative data was edited to eliminate inconsistencies, summarized and coded for easy classification in order to facilitate tabulation and interpretation descriptive statistics was used in describing the sample data in such a way as to portray the typical respondent and to reveal the general response pattern. The study found out that technology has transformed the tourism in Kenya and that that technology influences the choice of distribution channel by clients of your company, to a great extent. The study concludes that, technology has transformed the tourism in Kenya, the use of technology leads to greater Profitability to Suppliers of tourism products and that perceived usefulness of technology has led to its increased use as a distribution channel. The study also concludes that the existing social networks play a fundamental role as a medium for the spread of information on available/new distribution The study finally recommended that organizations should come up with effective HRM practices systems since it's a powerful reinforce that affects peoples' performance.

Key Words: *distribution channels, tourism industry, Nairobi County*

Introduction

As globalization of markets is going on around the world, the reduction of trade barriers and the development of information technology have contributed significantly to the internationalization of service industries (Javalgi& White 2002). In today`s world, the travel and tourism industry is

among the world's largest, key economic sectors, growing faster and predicted in the future to be one of the top super service industries apart from telecommunications and information technology (Wason,2001).

Tourism distribution is the way in which tourism, and tourism-related services and products, are delivered to consumers; the activities involved, and who participates in the channels used. This area has been increasingly receiving the attention of researchers in different countries. It's crucial role in businesses' marketing strategies is just one of the reasons it is attracting attention. Increasingly, it is being recognized as a critical source of competitive advantage for firms (Pearce & Taniguchi, 2007). Rosenbloom,Larsen & Smith. (2004) add that it is becoming too difficult to hold onto a competitive edge via product, pricing and promotional strategies alone. Further, Knowles and Grabowski (1999) argue that the importance of distribution as an element in the marketing mix has shifted over the last four decades. Previously considered as having the least importance, distribution is now of primary importance. Tan (2002) emphasizes the importance of distribution as a function of marketing; without it, a product cannot be made available for purchase in the market.

Tour operators play an important role in promoting safari packages, beach packages, and other Kenyan tour packages. The Tour operators distribute packages either directly to travelers or indirectly through travel agents locally or internationally and facilitate information exchange on prices, special promotions, facilities and services in tourism supply chain (Tepelus 2005). Generally, tour operators can influence the tourists' choice of destination, the strategies of supply chain partners and the development plans of destinations. Also, tour operators can add more value to satisfy travelers. Tour operators have a strong incentive to influence, plan, control, and support quality development and the customization of their tour package to individuals and groups of travelers according to their needs and wants (Seuring, Muller & Reiner, 2005).

Statement of the Problem

According to the 2005/6 annual report of destination tourism agency CTRU, South Africa's growth in the number of international visitors was almost double 51 that of the rest of the world in 2005 and the Western Cape experienced the highest-ever number of tourists in its traditionally off-season. Tourism worldwide is booming but South African tourism grew at three times the global average from 2005 to 2006 (Tourism Indaba, 2007). In the first quarter of 2005 South Africa received 1, 7 million foreign tourist arrivals, which was the highest in the history of South African tourism. This represented exceptional growth of more than 10% over the already-high figures of 2004. Even more important is the fact that foreign tourism spending jumped by more than 25% to R12, 9 billion. In spite of these successes however, there is no room for complacency.

According to the Kenya National Tourism Policy (KNTP), tourism in Kenya is regarded as a cornerstone of the country's Vision 2030 (MOT, 2009). As the third highest contributor to gross domestic product, Kenya's tourism is being promoted by the government as a source of economic growth and poverty alleviation. According to the Ministry of Tourism statistics, Kenya's direct GDP contribution from tourism in 2010 was US\$1.9 billion, which is approximately 4.2 percent of GDP (ROK, 2010). In 2011, travel and tourism contributed 13.7% of Kenya's GDP amounting to Ksh 403.7 Billion, which compared fairly with competing tourism destinations in Africa, including Tanzania, Uganda, and South Africa. Kenyan tourism industry occupies the 88th position in the global tourism industry. Contribution of Kenya tourism industry in the global economy is graded at the 74th position (WTTC, 2011).

Locally;Chege (2004) did a study on the factors influencing the choice of product distributions channels in Kenya while Kimani (2008) did a comparative study of three distribution channels of antimalaria drugs in Embu District, Kenya. No known study in Kenya has been carried out on choice of distribution channels in the tourism industry. This study, thus sought to fill this gap in literature by determining the factors influencing the distribution channel in the Kenyan tourism industry.

Conceptual Framework

Technology

Rapid technological progress and dynamic tourism developments have been going hand in hand for years (Sheldon, 1997). Since the 1980s, information communication technologies (ICTs) have been transforming tourism globally, creating applications and solutions that are often termed 'e-Tourism'. Developments in ICTs have undoubtedly changed business practices and strategies, as well as industry structures (Porter, 2001). The establishments of computer reservations systems (CRSs) in the 1970s and of global distribution systems (GDSs) in the late 1980s, followed by the development of the Internet in the late 1990s, have transformed best operational and strategic practices in the industry dramatically (Buhalis, 2003). If the past 20 years have seen an emphasis on technology, then since the year 2000 we have been witnessing the truly transformational effect of ICTs and the Internet in particular.

Social Networks

A social network — the graph of relationships and interactions within a group of individuals — plays a fundamental role as a medium for the spread of information, ideas, and influence among its members. An idea or innovation will appear — for example, the use of cell phones among college students, the adoption of a new drug within the medical profession, or the rise of a political movement in an unstable society — and it can either die out quickly or make significant inroads into the population. If we want to understand the extent to which such ideas are adopted,

it can be important to understand how the dynamics of adoption are likely to unfold within the underlying social network: the extent to which people are likely to be affected by decisions of their friends and colleagues, or the extent to which “word-of-mouth” effects will take hold (Keen, Wetzels, Ruyter and Feinberg, 2004).

Consumers typically rely on social or physical interaction to evaluate product quality. An important characteristic of online channel use is that consumers almost always do it alone. In contrast, the offline channel in traditional stores involves the presence of others. Raghunathan & Corfman (2004) found that the perception of congruity between one's own opinions and those of others lead to positive feelings. Kee, Wetzels, Ruyter and Feinberg, (2004) applied the social norm from the theory of reasoned action to study which factors determine consumer preferences between offline and online purchasing. Verhoef, Neslin and Vroomen. (2005) stated that consumers select the channel used depending on people who are similar to themselves. It seems that when consumers are likely to socialize, their personality may influence their channel choice and the offline channel could be preferable. Balasubramanian, Raghunathan and Mahajan (2005) argued that consumers who are particularly adverse to social interaction may prefer the online channel.

HRM practices

One of the major skills that determine consumer choice for a distribution channel is the information literacy skills. This is the ability "to recognize when information is needed and have the ability to locate, evaluate, and use effectively the needed information" (American Library Association Presidential Committee on Information Literacy, 1989). Julien (2002) observes that is the ability to make efficient and effective use of information sources, and that an information literate person today should possess specific online searching skills, which include the ability to select appropriate search terminology, construct a logical search strategy, and evaluate information appropriately.

Demographic Characteristics

Demographic differences are a likely influence on channel choice. It seems that consumers select a preferred channel based on their characteristics, including age, gender and geographic location. Verhoef & Donkers (2005) hypothesized that consumers attracted via different channels may differ in their socio-demographic, psychographic and other characteristics. Undoubtedly, young consumers are highly interested in the Internet. So, young consumers may select an online channel as a preferred channel. Ige (2004) studied the electronic shopping habit of young people as consumers and found that they use the Internet for entertainment and educational research, but also more importantly they use the Internet as a medium to browse and explore issues of interest. Montoya-Weiss, Voss & Grewal. (2003) found that greater knowledge and experience with the Internet can reduce the perceived uncertainty or risk associated with Internet use.

Novak, Hoffman and Peralta. (1999) added that consumer patterns of Internet use may affect their evaluation and use of a particular online channel. Some evidence suggests that security concerns about online transactions are lower for consumers with more education and more experience of using the Internet (Ernst & Young, 2000). These studies suggest that consumers who have more Internet expertise positively determine online use.

Research Methodology

Research Design

The study used survey research design as it was helpful in indicating trends in attitudes and behaviors and enable generalization of the findings of the research study to be done (Kuter&Yilmaz, 2001)..This design was considered appropriate for this study because it saves time, expenses and the amount of quality information yielded is considered valid, while interviewer bias is reduced because participants complete identically worded self-reported measures (Adèr, Mellenbergh& Hand, 2008).

Population Frame

This study's population frame consisted of tours and travel firms because according to Budeanu (1999) tour operators are the central link in the distribution chain managing accommodation, transportation, catering and entertainment providers.

Sample Size and Technique

From the target population of 350 a sample size of 10% was taken giving a respondent base of 35 respondents consisting of managers. This sample size is considered representative and comprehensive in the coverage of the study objectives and economical in terms of time and money. A simple random sample was used when a population is heterogeneous making it the most appropriate sample to come up with the target sample. In this study the stratum consisted of management of the selected tours and travel firms.

Data Collection Instruments and Procedure

Questionnaires, incorporating closed-ended questions items were used to gather the study's data. According to Cooper and Emory (2008), the questionnaire is conveniently used because it is cheaper and quicker to administer, it is above researcher's effect and variability, and is highly convenient for the respondents as they could fill them during free times or when workloads are manageable. The instruments incorporated Likert scales to measure perception, attitude, values and behavior. The questionnaires were self-administered.

Data Analysis and Presentation

Quantitative data was edited to eliminate inconsistencies, summarized and coded for easy classification in order to facilitate tabulation and interpretation descriptive statistics was used in describing the sample data in such a way as to portray the typical respondent and to reveal the general response pattern. These statistics was generated with an aid of the computer software, Statistical Package for Social Sciences (SPSS) which offers extensive data handling capability and numerous statistical analysis routines that can analyze small to very large data statistics. In addition, to determine the level of significance between the independent variables and the dependent variable, regression analysis will be carried out. In addition variables were regressed using a model and all coefficients interpreted.

Research Results

The researcher conducted a multiple regression analysis so as to determine the influence of distribution channels on the performance of tourism industry in Nairobi County. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Table 1: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897	.806	.233	.2764

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Distribution channel choice) that is explained by all the four independent variables (Technology, Demographic characteristics, HRM practices and Social Networks).

The four independent variables that were studied, explain only 80.6% of the Distribution channel choice as represented by the R². This therefore means that other factors not studied in this research contribute 19.4% of the Distribution channel choice. Therefore, further research should be conducted to investigate the other factors (19.4%) that affect Distribution channel choice.

Discussion

The study found out that World Wide Web is increasing the direct availability of information and purchase; that technology has transformed the tourism in Kenya; that Perceived usefulness of technology has led to its increased use as a distribution channel; and that use of technology leads

to greater Profitability to Suppliers of tourism products .Further respondents strongly agreed that Use of technology leads to additional Sales Opportunity of tourism products; that Perceived ease of use of technology has led to its increased use as a distribution channel The findings collates with literature review by Porter, 2001 who confirms that developments in technology have undoubtedly changed business practices and strategies, as well as tourism distribution channel availability. The establishments of computer reservations systems (CRSs) in the1970s and of global distribution systems (GDSs) in the late1980s, followed by the development of the Internet in the late 1990s, have transformed best operational and strategic practices in the industry dramatically (Buhalis, 2003).. Additionally Sheldon, 1997 argues that Rapid technological progress and dynamic tourism developments have been going hand in hand for years and that since 1980s, information communication technologies (ICTs) have been transforming tourism globally thereby improving distribution channels on the performance of tourism industry.

Additionally the study found out that Consumers select the channel used depending on people who are similar to themselves and that existing social networks play a fundamental role as a medium for the spread of information on available/new distribution channels; that People are likely to be affected by decisions of their friends and colleagues in choosing a distribution channel; and that When consumers are likely to socialize, their personality may influence their channel choice. The findings are in line with literature review by Keen 2004 who discusses social network as the graph of relationships and interactions within a group of individuals which plays a fundamental role as a medium for the spread of information, ideas, and influence among its members thereby enhancing distribution channels availability. Baum et al. (2003) on the other hand found in their study of sub-networks in Canadian banking, that past relationships work to shape future relationships between organizations and the way the network operates as a whole. Further Gulati&Gargiulo, (1999) argues that Networks and sub networks are often formed based on a firms' preoccupations with past partners and their partners' partners as a means of creating embedded relationships that foster cooperation which results to the performance of tourism industry.

Further the study found out that Information literacy skills (ability to recognize when information is needed and have the ability to locate, evaluate, and use effectively the needed information) determine consumer choice for a distribution channel ;that Possession of practical skills involved in effective use of IT and print/electronic information resources influences distribution channel decisions and that Clients' knowledge on existing channels influences their choices; and that Clients' previous experience with a distribution channel will influence their successive. This is in line with literature review by Foss, Laursen and Pedersen (2011) on best HRM practices that lead to effective channel distribution availability .American Library Association Presidential Committee on Information Literacy, 1989 further observes that an information literate person today should possess specific online searching skills, which include the ability to select appropriate search terminology, construct a logical search strategy, and

evaluate information appropriately. Further the committee argues that one of the major skills that determine consumer choice on the performance of tourism is the information literacy skills.

On the study on demographic characteristics and tourism channel distribution choice, the study found out that client determines distribution channel choice; that Geographic location of the client determines distribution channel choice; that education level of the client determines distribution channel choice and that gender of the client determines distribution channel choice. The study findings relates with literature review by Hallahan, Faff and McKenzie (2003: 499), who argues that there was a negative but non-linear relationship between age as Demographic Characteristics and distribution channel. In other words, risk tolerance declines with age until a certain point and then risk tolerance begins to rise again with age. Further Grable and Lytton argues that women tend to appear to be more conservative and more risk averse in distribution channel on the performance of tourism industry than men basing their argument on biological and evolutionary factors that is because of women's unique role as child bearers and mothers and having higher levels of the enzyme monoamine oxidase which retards sensation seeking, women are less sensation seeking and more averse to ambiguous situations.

Conclusions

The study concludes that the existing social networks play a fundamental role as a medium for the spread of information on available/new distribution channels and that people are likely to be affected by decisions of their friends and colleagues in choosing a distribution. Moreover, the study concludes that demographic characteristics influence the choice of distribution channel by clients of a company. The study also concludes that technology has transformed the tourism in Kenya, the use of technology leads to greater Profitability to Suppliers of tourism products and that perceived usefulness of technology has led to its increased use as a distribution channel. Further the study concludes that Geographic location of the client determines distribution channel choice; that education level of the client determines distribution channel choice and that gender of the client determines distribution channel choice. Finally, the study concludes that Consumers select the channel used depending on people who are similar to themselves and that existing social networks play a fundamental role as a medium for the spread of information on available/new distribution channels; that People are likely to be affected by decisions of their friends and colleagues in choosing a distribution channel; and that When consumers are likely to socialize, their personality may influence their channel choice.

Recommendations for Further Studies

The study was done established the influence of distribution channels on the performance of the tourism industry in Nairobi county. Further study should be carried out to investigate the challenges facing distribution channel in the Kenyan tourism industry.

References

- Ader, H. J., Mellenbergh, G. J. & Hand, D. J. (2008). *Advising on research methods: A consultant's companion*. Huizen, The Netherlands: Johannes van Kessel Publishing.
- Balasubramanian, S., Raghunathan, R., Mahajan, V. (2005), "Consumers in multichannel environments: product utility, process utility and channel choice", *Journal of Interactive Marketing*, Vol. 19 No.2, pp.13-30.
- Benckendorff, P. (2006) An exploratory analysis of traveler preferences for airline website content. *Information Technology and Tourism* 8, 149–159
- Budeanu Adriana, (2009). Environmental supply chain management in tourism: the case of large tour operators, *journal of cleaner production* vol. 17, 1385-1392.
- Buhalis, D. (2003). *eTourism: information technology for strategic tourism management*, Pearson (Financial Times/Prentice Hall),
- Chiang, C. and Jang, S.C. (2006), The effects of perceived price and brand image on value and purchase intention: leisure travelers' attitudes toward online hotel booking. *Journal of Hospitality and Leisure Marketing* 15(3), 49–69.
- Cooper, D. R., & Emory, C. W. (2008). *Business Research Methods* (5th edition). USA: Richard D. Irwin.
- Ernst & Young (2000), *Global Online Retailing*, Ernst & Young LLP, New York, NY, .
- Gretzel, U., Mitsche, N., Hwang, Y.H. and Fesenmaier, D. (2004) Tell me who you are and I will tell you where to go – use of travel personalities in destination recommendation systems. *Information Technology and Tourism* 7, 3–12.
- Ige, O. (2004), "Electronic shopping: young people as consumers", *International Journal of Consumer Studies*, Vol. 28 No.4, pp.412-27.
- Javalgi, RG & White, DS, 2002. "Strategic Challenges for the Marketing of Services Internationally", *International Marketing Review*, Volume 19, Issue 6 p. 563-81.
- Julien, H. (2002). Use of information. *Encyclopedia of Communication and Information* . USA: Macmillan Reference. p.1051-1056.
- Kuter, U., & Yilmaz, C., (2001), *Survey Methods: Questionnaires and Interviews*
- M., Ruyter, K., Feinberg, R. (2004), "E-tailers versus retailers: which factors determine consumer preferences?", *Journal of Business Research*, Vol. 57 pp.685-95.

- Minghetti, V., (2003). Building customer value in the hospitality industry: towards the definition of a customer-centric information system. *Information Technology and Tourism*, 6 (2), 141-153
- Montoya-Weiss, M.M., Voss, G.B., Grewal, D. (2003), "Determinants of online channel use and overall satisfaction with a relational multichannel service provider", *Journal of the Academy of Marketing Science*, Vol. 31 No.4, pp.448-58.
- Novak, T.P., Hoffman, D.L., Peralta, M. (1999), "Building consumer trust in online environments: the case for information privacy", *Communication of the ACM*, Vol. 42 No.4, pp.80-5.
- Pearce, D. G. and Sahli, M. (2007) "Surface transport distribution channels in New Zealand: a comparative analysis", *Journal of Travel and Tourism Marketing*, 22(2),pp.57-73
- Porter, M., (2001). Strategy and the Internet, *Harvard Business Review*,79(3), 63-78.
- Raghunathan, R., Corfman, K.P. (2004), "Is happiness shared doubled and sadness shared halved? Social influence on enjoyment of pleasant and unpleasant experiences", The University of Texas at Austin, Austin, TX, *working paper*
- Rosenbloom, B., T. Larsen, and B. Smith (2004). "The Effectiveness of Upstream Influence Attempts in High and Low Context Export marketing Channels." *Journal of Marketing Channels* 11 (4), pp.3-19.
- Seuring S, Muller M, Reiner G, (2005). *Conducting a literature review, the example of sustainability in supply chains*.Physica-Verlag HD; p. 91–106
- Sheldon, P. (1997), *Tourism Information Technologies*, CAB, Oxford.
- Tan, R. (2002). *Channels of distribution characterising Singapore holiday travel to New Zealand: Structure and Implications*, Master of Tourism Management Thesis, Victoria Management School, Victoria University of Wellington.
- Tepelus C M., 2005. Aiming for sustainability in the tour operating business.*Journal of Cleaner Production* 13:99–107
- Verhoef, P.C., Neslin, S.A., Vroomen, B. (2005), "Browsing versus buying: determinants of customer search and buy decisions in a multi-channel environment", University of Groningen, Groningen, *working paper*, .
- Wason Graham. Speech delivered on 22 nd-23rd February, 2001 at WTO / OMC *Tourism Symposium* in Geneva, www.wto.org/english/tratop_e/serv_e/wttc.doc Keen, C., Wetzels,