

**FACTORS INFLUENCING SALES PERFORMANCE IN THE HOTEL INDUSTRY:
A CASE OF THREE STAR HOTELS IN NAKURU MUNICIPALITY**

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**A Research Project submitted to the Graduate School in partial fulfillment of the
requirements for the award of the degree of Masters in Business Administration of
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DECLARATION AND APPROVAL

Declaration

This Research project is my original work and has not been presented in this or any other university for the award of a degree.

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DEDICATION

I would like to dedicate this work to my entire family for their encouragement during my studies. Their unlimited love and support were my strength to completion of this thesis.

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ABSTRACT

The hotel industry is one of the most dynamic industries and one of the largest employers in the world today as well as contributing economic development of many countries. In Kenya, it has been identified as one of the main sectors that can lead to the achievement of the country's Vision 2030 goals. Quality of service has been taken as the measure of performance in the hotel industry. However, few studies have considered the factors that influence the quality of service. This project aimed at assessing the factors influencing the sales performance of the three-star hotels in Nakuru municipality in order to offer some insights in the creation of quality among hotels in Kenya. The hotels include Bontana, Midlands, Kunste, Agricultural resource centre (ARC), and Lake Nakuru Hotel and Lodge. A pilot study was done and data for 2008 to 2012 was obtained from all the five three-star hotels in Nakuru which showed that sales figures were lower than expected, but factors that influence sales performance were not identified or documented. Primary and secondary data obtained were analyzed using descriptive statistics and panel fixed effect regression model to address three key objectives of the study: examine the trends of three-star hotels' sales performance in the study area; assess the perception of guests on the quality of service; and finally to determine the factors that affect the sales performance of three-star hotels. The results of the analysis indicated that most of the three-star hotels had fluctuating trends in their sales throughout the period under study. Analysis of the respondents' perception on the services offered by the three-star hotels indicated that majority of them had fair prices, enjoyed spacious rooms with courteous staff, clean restaurant and convenient hotel locations. Majority of the hotels were rated highly in terms of attractive exterior and excursions. The panel fixed effect regression results indicated that, the number of staff, and expenditure on equipment were negatively significant at ten (10) percent and five (5) percent respectively on sales performance of the hotels. On the other hand, the expenditure on staff training and suppliers were positively significant at five (5) percent with effects on sales performance of the hotels. As Kenya strives to be an industrialized nation by 2030, the growth and development of the hotel industry should be given much attention as it is seen to significantly contribute to this realization. The results of the study affirm that policy and management/institutional changes, along with increased investments in quality of service, have significant influence on sales performance of the three-star hotels.

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LIST OF ABBREVIATIONS AND ACRONYMS

ARC:	Agriculture Resources Centre Hotel
GoK:	Government of Kenya
RATER:	Reliability, Assurances, Tangibles, Empathy, Responsiveness
SERVQUAL:	Service Quality
SMART:	Specific, measurable, achievable, replicable, time bound
SPSS:	Statistical package for Social Sciences
3Ps:	People, Physical evidence, Processes
4Ps:	Product/service, price, place, promotion

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The hotel industry has continued to grow all over the world and like any other business the hotel industry aims at improving revenues through value addition to guarantee repeated visits. The expectation is that the hotel management should embrace the marketing concept, which entails total customer focus. According to, Neil and Alison (1994), organizations which are customer forecast endeavor to become obsessed with the desire to meet customers' needs. The service industry, and in particular the hotel industry exhibits tight competition within, thereby motivating individual firms to offer services of high quality so as to build and retain that competitive edge that results in sustained sales growth of its products and services offered to customers. A firm can use this knowledge to create marketing strategies that take advantage of its competitors' weaknesses, and improve its own business performance. Hospitality businesses must deal with such complex factors as globalization, terrorism threats, ecotourism, internet commerce, new business and financial models, and rapidly changing consumer demands (Morrison *et al.*, 1999).

Businesses endeavor to outperform each other in the competitive world due to the proposition made by Saleemi (2009) who showed that, companies are now shifting from product and sales philosophy to marketing philosophy, where, the customer has become the centre of the business culture. Strategies for improved sales and customer satisfaction include reliability of the business; assurance that employees have the knowledge and courtesy to give trust and confidence to customers; among others, the physical facilities available that can influence the sales performance. Generally, the customer gets satisfaction depending on the service performance in relation to their respective personal expectations. This is because the building of success in today's businesses is on the firm's ability to raise customer expectations and delivering performances to match those expectations. Such organizations maintain a high level of performance across all of the selling and sales management activities required to support the sales process. There is no easy answer to solve every sales performance issue, but

taking a strategic and deliberate approach to how to address the challenges of a given organization can provide a roadmap to improvement of sales. One of the main objectives of every firm is to achieve and sustain a competitive advantage. In the hotel industry, most rivals are determined according to similarity of price, segment, service and proximity. Everyone is working overtime to grab the guests.

It is stated in Ministry of Tourism and Wildlife (GoK 2006), that after impressive growth in the 1960's to 1980's, Kenya's tourism sector experienced an unprecedented decline in the 1990's due to both internal and external factors, exacerbated by security concerns. Both the number of visitor arrivals and earnings peaked in 1994 and since then, the trend has been steadily downward, with arrivals falling in 2002. The downturn accelerated sharply in early 2003 because of negative travel advisories against travel to Kenya and imposition of flight bans by some countries. The decline has resulted in low bed occupancy and a sharp fall in revenues, leading to partial or full closure of hotels and other tourist accommodation establishments, especially at the Kenyan Coast, resulting in loss of jobs in both the formal and informal sectors. However, with aggressive marketing, the trend has been reversed and 2004 recorded arrivals as before with some of the reasons for the downtrend of visitors in hotels highlighted. This includes; first the deterioration and near collapse of infrastructure in some parts of Kenya which has affected access to tourist attractions sites. Secondly, the lack of a system to ensure equitable sharing of benefits and opportunities of tourism with local communities and thirdly is the unplanned expansion of the accommodation sector compared to the demand. Lack of affordable finance for upgrading accommodation and other facilities has also been cited as the fourth reason where the inadequate funding for sustained tourism marketing and promotion is the fifth. In addition, lack of market diversification (over-reliance of certain products and excluding other potentially viable products) and lack of adequate training, examination, control and licensing has been highlighted. Finally, the relatively high cost and erratic supply of utilities such as electricity and telecommunication services as well as the cumbersomeness of visitors' entry formalities topped the list (GoK, 2006).

Tourism as an international industry and as the biggest provider of jobs on the planet boasts a greater array of heterogeneous stakeholders than many other industries. In the International Labour Organizations (2010), Tourism industry accounted for more than 235 million jobs

globally, an equivalent to 8% of the overall number of direct and indirect jobs. Tourism has also helped in providing employment to a large number of people in Kenya, and according to the Economic Survey (2012), the tourism earnings in Kenya rose by 32.8 percent, from 73.7 billion in 2010 to 97.9 billion in 2011. The hotel industry is seen to shift towards highly competitive, integrated and customer oriented market framework, supported by the progressive career path evident from the fact that more and more universities are now offering hotel management courses, a phenomenon that was rare some ten years ago, even in Kenya. Based on the aforementioned benefits, the Kenya Vision 2030 aims at taking the country to an industrialized status, and the hotel industry has been identified as one of the sectors that will contribute greatly to these achievements (Schulz, 2012). The hotel industry on the other hand has seen customer satisfaction as a key marketing tactic in differentiating itself from its competitors and therefore a heightened understanding of a guest preference and total worth will enhance a guest experience and maximize hotel revenues. Customer satisfaction, according to World Trade Organization (1985) is a psychological concept that involves the feelings of well-being and pleasure resulting from gaining what a person hopes for and expects from a product and/or service. It is the customer's fulfillment response to consumption experience, a highly personal assessment that is greatly affected by customer expectations and experience. This can be linked to both the personal interaction with the service provider and the outcome experienced by the service users, it is a psychological effect on their choice when they choose a particular hotel or resort to visit and stay in. Dominici *et al.* (2010) observed that in order to achieve customer satisfaction, it is important to recognize and to anticipate customers' needs and to be able to satisfy them, consequently, the attractiveness of a touristic destination is influenced by the standards of the services provided by the local hotels in the region. Generally, the hotel industry has experienced enormous growth in business volume thereby making them larger and more complex to manage and meet challenges of customer demands. This is further aggravated by the modern communications technology (e-mail, telemarketing, television advertising) which has simply created too much "white noise" in the marketing airwaves (Onyango *et al.*, 2012).

1.2 Statement of the Problem

Customer service in the tourism sector has never been as exciting as it is today because customers are more connected and knowledgeable than ever before. The social media, online customer reviews, messages forums and the power of internet search are tipping and shifting the balance of power in their favour. Despite this, the social media too has flooded customers with mixed information on reviews of the hotel industry where a hotel may be rated very high in some services but very poor in others. Therefore, providing high quality services and improving customer satisfaction are fundamental factors for boosting the performance of companies in the hotel and tourism industry. In Nakuru Municipality, the three-star hotels sales performance has become a major concern to their managements. This is because the performance trends as well as the critical factors that influence the hotel performance is not evident. It is against this backdrop that this study aimed to timely identify and document the effect of some of these factors on the sales performance of the three-star hotels in Nakuru municipality.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of the study was to assess factors that influence the sales performance of three-star hotels.

1.3.2 Specific Objectives

The specific objectives were:

- i) To determine the difference in Sales performance of three-star hotels in Nakuru Municipality;
- ii) To evaluate the perception of guests on the sales performance of the three-star hotels in Nakuru Municipality;
- iii) To analyze the factors that influence sales performance in Nakuru Municipality during the period 2008-2012 Nakuru municipality.

1.4 Hypotheses

The following hypotheses were tested:

- i) **H₀**: There is no significant difference in sales performance between three-star hotels in Nakuru municipality.
H_A: There is a significant difference in sales performance between three-star hotels in Nakuru municipality.
- ii) **H₀**: Customers perception has no significant effect on the sales performance at three-star hotels in Nakuru municipality.
H_A: Customers perception has a significant effect on sales performance at three-star hotels in Nakuru municipality.
- iii) **H₀**: Internal and external factors do not have influence in sales performance at three star hotels in Nakuru municipality.
H_A: Internal and external factors have influence on sales performance at three-star hotels in Nakuru municipality.

1.5 Justification of the study

The future success of organizations depends on the ability of managers to make long-term decisions based not only on long-standing rules and regulations but thorough scanning of internal and external environments (Pearce, 2011). To ensure that hotels provide services of high quality, managers need the right information so that right decisions can be made to improve current situation. Since the environment has become more and more complex, organizations require adaptation of changes. With favourable internal and external environment, the hotels' sales should be measurable with their status but on the contrary, the hotels in Kenya have over the years faced constraints or impediments in improving sales performance (Onyango *et al.*, 2012). There is no study that has been done to evaluate the factors influencing sales performance of the three-star hotels in Nakuru municipality. Therefore, this study aimed at assessing the internal and external factors that influence sales performance at the three-star hotels. It also aimed at documenting the performance of the three-star hotels for the five years (2008-2012) and provided a comparison of sales performance among three-star hotels in Nakuru municipality. It was also aimed at determining

the perception and effect of guests' perception on the hotels. In addition, it was expected to benefit the management and other stakeholders by identifying the key factors that influence sales performance and thus enabling the management to forecast its performance pegged on the likely changes in these factors. The study findings would further suggest strategies likely to bring the hotels to the sales growth path because if sales performance improved, funds generated could be re-invested in other ventures of the hotels. On the overall, the study would add to the body of knowledge on performance and strategies important to improve sales performance in the hotel industry in Kenya and possibly find measures in creation of new market opportunities.

1.6 Scope of the Study

The study covered Three-star hotels and focused on the assessment of sales as a measure of performance. It utilized sales data for the period 2008-2012 from the field. Benchmarking involved a comparison of sales performance of the three-star hotels in Nakuru municipality across a period of five years. The study involved assessment of customer perception with a view to understanding their effect on sales performance of the hotels. The hotel employees comprised of supervisors, sales and marketing personnel and front office workers. The target respondents included managers and resident customers from outside and within the municipality.

1.7 Limitation of the Study

The success of the study was limited due to access of required data and people in the target hotels. The study adopted the Ministry of Tourism and Kenya Hotels and Accommodation Association hotel ratings and hence, many other hotels across the county could not be involved. In addition, the study limited its work to cover only one class of hotels i.e. three-star hotels in the study area.

1.8 Operational Definition of Terms

For the purpose of this study, the following terms have been used. It is however important to note that these definitions have been used to fit the purpose of the study and may differ from the normal definitions.

Benchmarking: This is a comparative measurement of sales figures against other hotels over time.

Customer care: This is the provision of service to customers before, during and after. These activities enhance the level of customer satisfaction and the feeling that the service has met the customer satisfaction.

Environmental factors: These factors can affect sales realization either positively or negatively. They include demographic, economic, physical forces, technological, political & legal forces, and social & cultural forces.

External marketing factors: These are factors beyond the control of the hotel and success depends largely on its adaptability to the environment.

Internal marketing factors: These are factors within the hotel and controllable by management

Leadership: This is the style of management of service by top managers.

Location: Is the proximity and accessibility by customers, which needs convenient and attractive to customers.

People: This includes right staff, customers who make judgment about the service as an essential ingredient in service provision.

Physical evidence: Is the existence of the service and if it is physically visible.

Place: This is the location at which the hotel services are provided

Pricing: it is the method adopted by the hotels to set selling price which depends on the average costs and on the customer's perceived value.

Processes: these are the systems and procedures used to deliver the service efficiently.

Promotion: This is the procedure of communication with the public in an attempt to influence them toward buying services. It includes all the ways available to make a service known to and purchased by customer and clients.

Sales performance: This is the feedback to show improvements or failures in revenue compared to previous sales patterns.

Services: Is the interaction between customers, and what they receive as outcome when they visit hotels

Staff size: Is the number of employees who serve in the hotel if adequate or not.

Suppliers: Are firms and individuals who provide resources needed by the hotels to provide the services.

Three-star hotels: These are the kind of hotels that have been rated and evaluated by Catering Levy Trustees.

CHAPTER TWO

LITERATURE REVIEW

2.1 Nature of Hotel Services

Services are all around us as consumers since we use services every day. There is growth and a wide recognition of service industry since it contributes to the economic development of our country and many regions. A service business is one where the perceived value of the offering to a buyer is determined more by the service rendered than the product offered. The nature and scope of services pose different challenges in service business. According to Kotler (2003), services are the sincere efforts of the organization to provide intangible benefits to the customers. Kotler defines service as: “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything”. A service is the seeking and receipt of a specific outcome of a customer across a range of interactions and touch-point over time. It is intangible, open, yet time-bound, and a mix of things, feelings and goals. Fisk *et al.* (1993) suggested that, the major output from the services marketing literature up to 1980 was the delineation of four characteristics: intangibility, inseparability, heterogeneity and perishability. These characteristics underpinned the case for services marketing and made services a field of marketing that was distinct from the marketing of products.

Services are said to be intangible and it is often difficult for the consumer to measure service, value and quality. However, consumers tend to look for evidence of quality and other attributes that include activities, benefits or satisfactions, which are offered for sale, or are provided in connection with the sale of goods (Regan, 1963). The degree of intangibility has been proposed as a means of distinguishing between products and services and highlights the fact that it has implications for ease with which consumers can evaluate services and products. The hotel industry provide services which cannot be owned by the customer but the nature of how these services are provided give benefits that can ensure continued or repeated use of the services (Levitt, 1981). On the other hand, inseparability can be taken to reflect the simultaneous delivery and consumption of services and is believed to enable consumers to affect or shape the performance and quality of the services. According to Bitner (1997), services are produced and

consumed at the same time, unlike goods that may be manufactured, and then stored for later distribution. The waiters in the hotel, or the cashier in the bank, are an inseparable part of the service offering. The client also participates to some extent in the service and can affect the outcome of the service. People can be part of the service itself, and this can be an advantage for service marketers.

Heterogeneity reflects the potential for high variability in services delivery and is a particular problem for services with a high labour content; as the service performance is delivered by different people and can vary from day to day (Zeithaml *et al.*, 1985). It can be introduced as a benefit and point of differentiation because a service is produced and consumed simultaneously. In addition, a service is always unique; it only exists once, and is never exactly repeated hence can give rise to concern about service quality and uniformity issues. Constant personnel training and careful monitoring of customer satisfaction and feedback can help to maintain high standards particularly in the hotel industry (Wyekham, 1975). Finally, perishability on the other hand highlights in general that services cannot be stored and carried forward to a future time period (Zeithaml *et al.*, 1985). This is because services are time dependent and time important which make them very perishable. For example, an empty seat on a plane, is a lost opportunity forever. Restaurants are now charging for reservations, which are not kept, while charges may be made for missed appointments at the dental clinic. Perishability does not pose too much of a problem when demand for a service is steady, but in times of unusually high or low demand, service organizations can have severe difficulties. Therefore, the issue of perishability is primarily the concern of the service producer and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service. Different services are provided differently each time hence services are time bound and therefore change with people and time (Onkvisit and Shaw, 1991).

Top management can build high-performance cultures by their efforts to create organizational climate devoted to quality and their active involvement in promoting quality by engaging the workforce and establishing lasting relationships with customers (James, 2011). The issues of employee involvement which entails continuous improvement programs, employee training and functioning of teams acts as critical success factors for service industries including hotels and restaurants. Under such conditions and systems, overall staff turnover rate decreases well below

the industry average and overall staff satisfaction increases. Hotels ranked highly for sustained excellence in terms of provision of superior services and financial performances have a culture focused on quality performance and meeting customer needs and other stakeholders. Successful companies have quality plans characterized with high quality goals and specific methods for implementation. They are customer and market focused and addresses ways of collecting relevant information through a variety of tools such as market surveys and focus groups (Kotler and Amstrong, 2008). The hotel focuses on the principal concern of its main customers and strives to provide them with personalized services. Attention to employee performance and information technology is the main strength that helps it achieve its superior quality (Evans and Lindsay, 2011).

2.2 Marketing Hotel Industry Services

As in the case of a product, services also start at the point of understanding the marketing dynamics, which is the want and satisfaction of the customers. It is an important aspect to identify the particular want(s), which the service is fulfilling since this will provide the clue for designing the most appropriate marketing strategy. Kotler reiterates that the aim of marketing is to meet and satisfy target customers' needs and wants better than competitors. Businesses all over the world survive by making offers to their customers. The hotel Industry in particular, creates, communicates and delivers products, which are services in nature to its customers. As such, it is important that managers in this industry have a clear understanding of the nature of services that differentiate them from other outputs from a business. Marketing of services pose special challenges to managers, but it can be a source of competitive advantage when well managed. The hotel industry has various categories ranging from one-star (tourist) hotel, two-star (standard) hotel, three-star (comfort), four-star (first-class) hotel, five-star (luxury) hotel. A three-star hotel is expected to offer in addition to the usual hotel services, reception open 14 hours and accessible on phone 24 hours by guests, luggage service, beverage offer in the room, room telephone, internet access in the room, heating facility in bathroom. These services ought to be provided on 24-hour clock basis and is classified as comfort level of hotel and staffs are expected to be the best with a high ratio of staff to guests (GoK 1972). Service marketing requires not only external marketing but also internal and interactive marketing, which form the three main components (marketing service triangle) of the service delivery process.

Benchmarking is also a useful approach in marketing of services as it is used to identify 'who is best' and what makes them so successful. According to Karl (2002), benchmarking is usually positioned as being an extension of total quality programmes and a way in which to establish new, more relevant and efficient standards of performance. It is a systematic procedure of comparative measurement with the objective to achieve continuous improvement and encourages managers and their staff to think in terms of performance measures and practices to increase profitability. Competition today is increasing fast, and customers are becoming more demanding every day. The tourism and hospitality industry uses benchmarking as a methodology for assessing the internal strengths and weaknesses to evaluate the comparative advantages of leading competitors in managing productivity. It helps in identifying and selecting benchmarking partners, which eventually assists in the improvement of business activities, processes and management.

2.2.1 External Marketing for Hotel Services

The 4Ps of marketing comprising of product/service, price, place, and promotion form an important component of sales improvement in business. However, marketing a service is dynamic and requires specific, measurable, achievable, replicable and time bound (SMART) strategies and the use of extra 3Ps i.e. people, physical evidence and processes which were suggested by Booms and Bitner (1981). Interactions that take place between the company and its customers constitute external marketing through which the company promises to deliver quality service to customers. The company communicates information about its services to external customers by means of marketing communication mix comprising advertisements, sales promotion, personal selling, direct marketing and public relations. Services offered in hotels play a role in enhanced or declined sales performance. Hotel service consists of the three core requirements of food, drink, accommodation at an appropriate level, within a physical and social environment that caters for consumers physiological, psychological and social needs. When it comes to marketing a service, it can at times be more challenging than marketing a product. A service is intangible and in fact invisible. When selling a service, the customer experience is extremely important to closing the deal and marketing effectively. The customer experience has an impact on the perceived value of the service. It is therefore important for the hotel to provide excellent service to all hotel guests.

A study by Sharbani (2001) on strategic planning practices within hotels and restaurants in Nairobi concluded that indeed strategic planning is practiced in the hotel industry in Kenya. In his research, he found that managers should empower employees with customer-employee relation skills through training. Quality of service is assumed to be a function of employee-customer interaction where variations in customer contact with employee performance lead to differences in quality service. Management should direct both human and financial resources in maintenance of physical facilities in order to meet customers' expectations. Price is the one element of the marketing mix that produces revenue. The other elements produce costs. Pricing of hotel services is the easiest marketing-mix element to adjust. Price also communicates to the market the hotel's intended value positioning of its product or brand. Many consumers use price as an indicator of quality since when receiving a particular service, they carry in their minds a reference price formed by noticing current prices and past prices.

According to Kangu (2006), marketers in the tourism industry need to focus on factors influencing consumption of domestic tourism products through provision of subsidies and discounts, good and affordable accommodation, making attraction sites for guests, and improvement of customer care departments. These factors should be bundled together into attractive packages for ease and effectiveness of marketing them and provision of satisfactory treatment to guests. Hotel services require an effective advertising campaign for promotion purposes considering the competition in the field. Like promotion of products, the service industry needs to allocate the promotion budget over the five promotional tools i.e. advertising, sales promotion, public relations and publicity, personal marketing and direct marketing. Advertising can be used to build up a long-term image for a service and has an effect on sales performance. It can efficiently reach geographically dispersed buyers. Certain forms of advertising can require a large budget while others do not. Sales promotion tools offer distinctive benefits. Hotels can use sales promotion tools to draw a stronger and quicker consumer response. Public relations and publicity is underused in the service industry while it plays a considerable role in sales performance when used with other promotion mix elements. Personal selling is the most effective tool. Personal confrontation gives an immediate and interactive relationship while it cultivates a personal relationship between interested parties. This brings about responses, which eventually raise sales. Direct marketing which involves

direct mail, telemarketing, internet marketing is yet another way of promoting services in the hotel industry and has an effective response on sales. The use of the internet by the hotel industry has had an overall positive effect in relation to service quality for both the customer and the hotelier. It allows hotels to expand their marketing and reach a larger market. It also creates easy access and a wider level of choice for the customer and creates awareness of the various levels of service quality available in the sector.

Top management formulate policies and middle managers implement them, thus there is a relationship between communication and empowerment. Clear guidelines should be provided to ensure employees know how much latitude is given to them. Employees should be encouraged to give honest feedback about matters concerning their work and the management should tolerate dissent. Kartinah (2010) in his research found that there is a relationship also between coaching and empowerment and managers play an important role of being a coach, giving guidance and facilitation, rather than the use of control and technique. They should provide regular feedback to employees about work related issues in order to continuously improve. Employees' participation is important and acknowledged by management. Managers should encourage employees to contribute ideas. The hotel industry like any other business needs to ensure both direct and indirect compensation are provided to employees in return of the services they provide. There is a relationship between reward and empowerment and employees who contribute ideas that benefit the organization should be given rewards, either monetary or non-monetary. These include basic salary, house rent, conveyance, leave/travel, medical, bonus and other special allowances such as insurance, retirement and flexible timings. Organizations endeavour to retain employees for various reasons: It helps to reduce the turnover costs and the need to retain talented employees from getting poached. Retention assists the organization in reducing turnover rates which in turn reduces the company's expenses of hiring; company knowledge is retained; relationships build are severed and might lead to potential customer loss; maintenance of goodwill of the company to motivate potential employees. This contributes in realizing improvement in sales performance. Mistakes should be viewed as experiences or opportunities to learn rather than just as an outlet for management to lay blame. Training has significant relationship with empowerment. Employees should be exposed to different aspects of customer service training not only when they join the hotel but also

continuously in their career. Experienced employees also should be given chances to conduct training courses for their peers.

Njuguna (2006) revealed that there was a positive relationship between marketing communication and growth of schools influenced by financial strength and level of competition. It is important to undertake effective marketing communication to a target market. He suggested further research to determine environmental influencers and other factors apart from level of competition that would appeal to the target market. He further recommended internet and electronic media advertising to guarantee wider reach and more frequency to enhance sales performance. He used a marketing communication-planning framework that would realize high profits. This model however did not bring about all the communication tools and it was for the sake of firms' growth thus the need to diversify to an appropriate model widely used and adequate to enhance sales performance. In addition, the location of a hotel is a critical consideration because it affects the needs of the customers. It is important that the site is visible, accessible, convenient and attractive to the market. It is critical that a site be chosen based on market factors. Its proximity to sources of demand, accessibility by customers, surrounding neighbourhood, parking availability, its visibility from the main road, landscaping and environmental issues are aspects that need thorough analysis in hotel operations (Ryan and Chrysler 2003). According to Gilmore (2003), the general location of the hotel is important in the first place in attracting visitors to that region or part of town. The convenience of finding the hotel is important when the guest is actually travelling to the hotel. For example, the ease of finding the hotel the convenience of parking facilities, the effectiveness and visibility of signage to the hotel, security, the range of types of transport links and ease of access to the building are all important aspects of this service dimension.

The service delivery process in hotels is very important when completed on a successful note. Customer friendly processes and procedures in all customer interfaces need to be followed keenly. Procedure and flow of activities on how services are consumed is an essential element to a hotel strategy in marketing services. Service encounters are critical incidents directly responsible for customer satisfaction or dissatisfaction. Everything must run smoothly to keep the trust of customers. The management business processes in a hotel are essential which include: the management of the hotel, planning of activities, marketing, quality management,

environment and social responsibility management not forgetting security and safety. The most important processes in the hotel industry are the core business processes i.e. food and beverage production, meals and beverage services, reception and accommodation of guests, equipment and all other production processes. Other support processes in the hotel include human resource, financial, and information management, infrastructure maintenance, purchases and sales activities. Hotel managers need to be keen on these processes to enable them realize profits thereby increasing sales performance in the hotel.

The way services are delivered needs to be communicated. Services are intangible, so communication and documentation is the only physical evidence it has to share with consumers. Physical evidence is one of the fundamental aspects in ensuring successful competitive advantage in transforming business. The exterior and interior appearance is a consideration including the general atmosphere, cleanliness and general appearance of the hotel are part of the criteria used by customers to choose the hotel. The physical evidence can be in any form, like television advertisements, newspaper advertisements, hoardings, public relations, media relations, events, brochures, employees' uniform, the ambience of customer service centres, corporate social responsibility activities among others. All people involved either directly or indirectly on the consumption of a service are important. People can add a significant value to a service offering. People sell the service and either make or break the marketing of the service offer. Managers need to evaluate the services on offer and ensure relationships with customers are cordial. The people who visit the hotel or have a direct relationship with the hotel form importance in luring the clientele. There are various influences that make people visit a hotel that includes culture, socio-economic levels, reference groups and household (Gilmore, 2003).

2.2.2 Internal Marketing for Hotel Services

In the realization of sales in the hotel, internal marketing is crucial. Internal marketing is the process of communicating information about the company's service to employees. In order to achieve marketing objectives, a company has first to communicate with its internal staff and convince them of the quality of its services. It should also take feedback from staff on regular basis to improve the service offering. Internal marketing makes use of newsletters, video shows, staff forums, training, webinars, presentations to communicate information on company

services to its employees. Internal marketing is similar to external marketing except the company has to market its services to its own employees. Thorough knowledge of the company's services, competitors' strategies and market conditions gives confidence to employees to market the services. The way staff management is undertaken is vital in sales realization. Motivation, compensation, training and development of staff create a high level of responsibility among staff, which can result in making high profits in the hotel setting. This motivation drives the staff to provide customer care commensurate to guests' expectation. Leadership is another aspect that can motivate staff to give their best at the place of work. A leader/manager, who shows good example to workers, encourages them to provide their full skills at work. Leadership factors play a vital role therefore, in enhancing work, which eventually ensures high yields in terms of profits and sales. Whatever physical facilities are available in the hotel need to be kept up to customer standards. Both inside and outside hotel facilities capture the interest of consumers. It is therefore important to ensure that physical facilities are adequate and enticing to the customers (Valdani, 2009).

The workforce is an especially critical service element in hospitality. Understanding the needs of staff, sharpening recruitment, retention and assessment of staff performance can help maximize the value of services by balancing spending in marketing and sales and in staffing and fulfillment. Cook (2004) summarizes that when developing a quality programme, successful businesses remember not only to create the right environment to encourage service improvements but also to market and sell the strategy to employees who are part of service providers. Employees are the first market of the organization. If customers tell employees about new products or services before being informed by management, they will have little faith in what managers say. So, for employees to believe in and act by the principles of a service philosophy, they need to understand not only the reasons for the programme but what is expected of them. A service philosophy must be marketed and sold internally before it can be presented to the external customer.

According to Armstrong (2003), it is not enough to have employees happy and engaged; they have to understand the specific actions that will lead to satisfied, profitable customers. Many people who are not motivated keep their performance to an acceptable level by expending 20-30% of their ability but managers who know how to motivate their employees can achieve 80-

90% ability levels and consequently higher levels of performance. Compensation and reward systems play a vital role in a business organization. An ideal compensation system will have positive impact on the efficiency and results produced by employees. It encourages the employees to perform better and achieve standards fixed (Dessler, 2003). In addition, training and development involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviours to enhance the performance of employees. It helps in optimizing the utilization of human resource that further encourages the employee to achieve the organizational goals as well as their individual goals. It provides an opportunity and broad structure for the development of human resource technical and behavioural skills in an organization and ensures attainment of personal growth. Armstrong (2003) continues to indicate that workers expect to be treated equally, within the company and as others in similar companies, they expect to get a certain reward for a certain effort; and they expect to get promoted if they undergo training. Training plays a major role in tapping the amount of effort and ability people are prepared to put in. Suppliers on the other hand play a vital role in a business microenvironment. As many other businesses have realized, suppliers can often do more for the benefits of the business than customers can. The relationship between suppliers and organizations are built on a solid foundation of value. The growth and the vision of the business depend heavily on the values that the suppliers can offer. The extent to which organizations and suppliers work together toward their respective or common goals is mutual. The suppliers contribute significantly in providing sources of competitive advantages towards the organization against other competitors as well as save cost and achieve efficiency for an organization. Supplier and business are interdependent on each other. This relationship develops and nurture strong business ties which assist in achieving desired goals.

The study of factors influencing the growth of small-scale restaurants in Nakuru by Nyoike (2003) found out that the growth of restaurants is mainly influenced by both internal and external factors like cleanliness, fresh food, location and availability of Kenyan dishes. This was not adequate to measure sales performance but growth of restaurants. She suggested further research on factors influencing growth of restaurants and hotels. According to Churchill and Suprenant (1982), consumers have grown more active in demanding services from hospitality and entertainment vendors in areas ranging from hotels and travel to events, theme

parks and cruise lines. One key tool available is to understand demand and tailor services in response to understand the voice of the consumers. Hospitality companies need to know more about customers and their wants and to understand how to respond. It must deliver the experience the customer expects while managing its workforce to meet quality-of-service requirements and its finances to reach profitability goals. To improve performance, the hospitality industry must understand what the voice of the customer is saying, which today includes staying on top of consumers comments about services.

According to a study by Baker and Crompton (2000), customer service and customer relationship management has build a sustainable and successful relationship with customers and will have a direct impact on many core operational processes from product development to accounts. It is based on providing good customer service and is not purely a technical issue since it is about the interactions of the entire business with its customers, and that takes some tracking and managing. One way that a business can increase sales is by offering good customer service because a customer might come in and not really like the price of food but, if the staff are friendly and accommodating, the customer may be more inclined to come back. People will prefer to shop where they feel welcomed, and customer service is one way to ensure that the customer is going to come back. Another way in which a business can increase sales is to be loyal to the customer. It might seem like customers being loyal to the business will help increase sales, but the company being loyal to the customer is a great way for a business to retain those customers. For instance, being gracious with returns, willing to bend on price disputes and offering great financial incentives to those who spend the most will allow a business to increase sales. Customer care is often seen as an activity, performance measurement and a philosophy thus generally speaking, one single customer service definition does not exist. It is a process for providing competitive advantage and adding benefits in order to maximize the total value to the customer. It can also be defined as the commitment to providing value added services to external and internal customers, including proactive attitude knowledge, technical support and quality of service in a timely manner. Customer care involves putting the organization out for the customer, communicating with customers through face-to-face and language and customer's perceptions. Customer care recognizes the way customers are handled,

their complaints and looks at ways to maintain positive attitude to customers, concentrating upon listening skills, problem solving, communication, language and monitoring performance.

Cole (2002) states that leadership is less about ones needs but more about the needs of the people and the organization, one is leading. Leadership style is the manner and approach of providing direction, implementing plans, and motivating people. It is not something to be tried, rather it should be adopted according to the one that meets the needs of the moment. The top management is responsible for framing broad policies taking into account the integration of the entire business functions. The general success of the firm depends on how well the various departmental activities are coordinated. Synergy is very important in the achievement of goals and profits of the firm. The choice of leadership style is important in ensuring that sales are realized in the organization. Leadership style could be visionary, coaching, affiliation, democratic, pacesetting, or commanding. Each of these leadership traits have their advantages and disadvantages but each one of them aims at a similar goal of moving people towards a unified goal of ensuring that the objectives of the business are met (Wehrich and Kootz, 2005).

2.3 Customer Satisfaction and Retention

Customer satisfaction is a business philosophy that leads to the creation of value for customers, anticipating and managing their expectations, and demonstrating ability and responsibility to satisfy their needs. Quality of service and customer satisfaction, are critical factors for success of any business (Gronoos, 1990; Parasuraman, 1988). Service quality and customer satisfaction are key factors in the battle to obtain competitive advantage and customer retention. Customer satisfaction is the outcome of customers' perception of the value received in a transaction or relationship, where value equals perceived service quality, compared to the value expected from transactions or relationships with competing vendors. In order to achieve customer satisfaction, it is important to recognize, and anticipate customers' needs and to be able to satisfy them. Enterprises, which are able to rapidly understand and satisfy customers' needs to make greater profits than those that fail to understand and satisfy their customers (Barsky and Nash, 2003). In order to be successful, hotel managers must concentrate on retaining existing customers by implementing effective policies of customer satisfaction and loyalty because, the cost of attracting new customers is higher than the cost of retaining the existing ones. Dominici and

Guzzo (2010) in their study on marketing found out that it is not sufficient to attract new customers and therefore, managers must concentrate on retaining existing customers implementing effective policies of customer satisfaction and loyalty. In hotel industry customer satisfaction is largely hooked upon quality service. A management approach focused on customer satisfaction can improve customer loyalty, thus increasing the positive image of the touristic destination.

In a study by Cook (2004), it is indicated that, food retailers recognize that customer satisfaction plays a key role in a successful business strategy that ultimately leads to higher sales. A firm should examine its costs and performance in each value-creating activity and look for ways to improve it. Furthermore, they should estimate its competitors' costs and performances as benchmarks against which to compare its own costs and performances. It should go further and study the best of class practices of the world's best companies. This is because; customer makes conscious and unconscious comparisons and therefore the retention of customers entails caring for existing ones, developing long-term relationships with them, preparing loyalty schemes, and creating goodwill. Cook (2004) further states that, buyer's satisfaction is a function of the product's perceived performance and the buyer's expectation. Recognizing that high satisfaction leads to high customer loyalty, many companies today are aiming for total customer satisfaction. For such companies, customer satisfaction is both a goal and a marketing tool. Customers will buy from the firm that they see as offering the highest perceived value which include the bundle of economic, functional, and psychological benefits customers expect from a given market offering. Customer perception is an important component of our relationship with our customers. Given that 90% plus of orders at some point involve the telephone, thus how we handle the telephone is essential to creating a perception for our customer that aligns with the company mission of service. Schiffman and Kanuk (2002) indicate that, perception has strategy implications because consumers make decisions based on what they perceive, rather than on the basis of objective reality. People usually perceive things they need or want and block the perception of unnecessary, unfavourable stimuli. In the absence of direct experience or other information, consumers often rely on price as an indicator of quality. How a consumer perceives a price has a strong influence on purchase intentions and satisfaction. Consumers rely on both internal and external reference prices when assessing the

fairness of the price. Consumers' previous experience and their motives at the time, affects their expectations.

2.4 Factors Affecting Sales Performance of a Hotel

Service quality assessment depends on customers' perception of what they have received and extent to which it has fulfilled or exceeded expectations (Robert, 1995). By delivering the basic service, firms meet expectations and by developing a holistic view of the service, being responsive, empathetic, courteous, and competent and understanding such firms exceed expectations of customers. According to Barry *et al.* (2006), organizations need to assess users' satisfaction levels and attitudes towards their service delivery by querying them. Research findings show that satisfied customers may not remain loyal but dissatisfied customers certainly will not remain loyal if they have a choice. Nearly all research studies indicate that dissatisfied customers tell more people about their bad experience with a company than satisfied customers with good experience (John and Elsevier, 2004). There is a relationship between customer satisfaction and loyalty and a relationship between customer loyalty and company performance. Studies indicate profits increase with the length a customer remains in the relationship. Additional studies across industries have to be conducted before accepting the relationship. Service industries such as airlines, restaurants and hotels may have a different loyalty/profit profile than telephone and insurance companies (Barry, 2008).

According to Obonyo (2013) on his study on strategies adopted by supermarkets for competitive edge, he argues that price management rarely attracts customers and he further argues that the image of the business is one of the main elements of customer satisfaction and high stock turn over which translates to high profits. This image can be created by good customer service. Service delivery cannot be separated from the service providers and therefore provider-client relationship should be maintained (Kotler *et al.*, 2009). Recruiting right employees and providing them with excellent training will ensure competent, reliable, responsive and credible workforce for the organization and quality customer service. A company must emphasize rewarding people for accomplishing results related to creating value for its customers and not just dutifully performing assigned duties and tasks to create a work environment which is result oriented. It is flawed management to tie incentives and rewards to

satisfactory performance of duties instead of desired business outcome and company achievements. It is important for organizations and individuals to align motivation and reward system with strategic priorities and be committed to executing the strategies (Cole, 2009).

The only value an organization will ever create is the value that comes from customers; the ones that the organization has now, and the ones in future. Businesses succeed by getting, keeping and growing customers (Don Peppers and Martha, 2005) as cited by (Kotler, 2003). Obonyo (2013) suggests that in a hypercompetitive economy with increasingly rational buyers faced with abundant choices, a business can only win by fine-tuning the value delivery process and choosing, providing and communicating superior value. The challenge in creating high performance cultures is to reinforce, inspire high loyalty and dedication on the part of employees so that they are energized to do their best and to do things right. Managers need to reinforce positive behaviors by rewarding top performers and noting their weakness and strengths so as to match talent and ability. One of the least explored areas of human management is psychological contract, which is a high-level contract that is non-visible and consists of unspoken expectation at the work place of employees and how they are met and satisfied. Most people will be motivated if most of their expectations are well met to some extent and hence great managers spend a lot of their effort to understand and provide for those needs that satisfy their employees at the work place (Cole, 2009). Managing visible contract is the minimum that employers can do to their employees as they need to do more by managing the invisible contract. They are to ensure that employees are not let down at emotional level, otherwise those who feel let down by employer will also let down the employer or company.

Dominici (2010) in his study pointed out that the search for a new location is certainly the most important factor for many tourists. However, the choice of repeat holiday destination depends on their loyalty, which is guided by; desire to reduce risk of making a mistake, chance to meet the same people again, emotional affection to a specific place, and to explore the place better. Kapiki (2012) observed that excellent services quality by hoteliers' results in better customer satisfaction and loyalty. In addition, Cvent (2013) pointed out that word of mouth is a non-official way of communication between people regarding a product of service. On the other hand, the findings by Natuhwera (2011) showed that a satisfied customer is the one whose expectations are met, and that the benefit from positive word of mouth is an important factor in

the hotel industry. This is because with excellent customer satisfaction, customers are more likely to recommend such high services to their friends, relatives and colleagues and this will consequently make the hotel business thrive on credible and positive image. However, according to Litrin (2006), negative word of mouth can have an overwhelming impact upon a hotel image, since dissatisfied visitors spread unflattering comments related to their experience, hence negative sales and performance of the hotel.

2.5 Theoretical Review

Management is a complex process with many elements and comprises of a series of actions that lead to accomplishment of objectives. Managers are resources in an organization that requires technical, human and conceptual skills to be effective and efficient (Boone and Kurtz, 1995). Management is not a personal talent but a skill that can be taught and learnt (Daft, 1994). Development of managerial knowledge in general and strategic management of people and material resources can have a revolutionary impact on society. Nations with high standards of living have high business management skills and knowledge. Management has been practiced by mankind from ancient times exemplified by historical records but it was only in the late 19th century that large business organizations requiring systematic administration started emerging. Classical Management theory includes scientific management theory advocated by Fredrick Taylor (1856-1917) which is the application of scientific methods of study and analysis to problem solving in organization (Boone *et al.*, 1995). Efficiency of workers was viewed as the main cause of inefficiency in production. This is in relation to existing property relationships between workers and owners of organizations. He emphasized planning and greater control by managers and adoption of scientific approach, which will lead to prosperity for both managers and workers, therefore, the focus should be working itself not the person doing the job.

Administration theory advocated by Henry Fayol also held that sound managerial practice fell into patterns that could be identified and analyzed. He also believed that management is not a personal talent but a skill that can be taught and learned. Fayol listed fourteen principals of management based on his experience. Neo-Classical Theory of management was concerned more with people and their relationship with the organization, fellow workers and the job. Managers operate on two levels Theory X and Theory Y (Mullins, 2007), and attitudes and behaviors towards other people are a reflection of the assumptions we make about people.

Managers must consider practices such as flexibility in working time, job enrichment, performance appraisal, and participation as sources of motivation. A company's success depends increasingly on the knowledge, skill and motivation of its workforce, which also depends increasingly on having opportunities to learn and practice new skills, McGregor's theory X, (Boone and Kurtz, 1995). Engagement is manifested by empowerment whereby people have authority to make decisions based on what is best and right, have control over their work, take risks and learn through mistakes and promote change. Armstrong (2001) argues that, empowerment requires sincere belief and trust in people by management, therefore, an understanding of key factors that drive work such as motivation and performance is necessary for a company to thrive and succeed. Organizational cultures designed in a way that promotes efficiency, cooperation, skill sharing, innovation, a performance-based competition recognizing rewards and incentives supports a high performance motivated workforce.

The Rater Model for Service Delivery is appropriate for measuring performance particularly in the hotel industry. Zeithamal *et al.* (1990) states that key areas that a company needs in improving the levels of the service provided include Responsiveness, Assurance, Tangibles, Empathy and Reliability (RATER). This is because responsiveness is the promptness of service and willingness to help customers and readiness to respond to their requests. Workers can go out of their way to make customers happy to ensure that sales performance improves by standards. It is also important for customers to have assurance and feel confident and safe in business transactions. Employees need to be consistently courteous and knowledgeable in answering customer questions. Customer service quality may improve through tangible means like modern equipment, appealing facilities, uniforms, neat and professional appearance of employees who are capable of working within convenient customer hours. Empathy is also a source of improvement in customer service quality since those employees who care, understand and have customers interest at heart and will ensure that customers get satisfaction from service. Reliability is an asset in keeping customer service quality, especially in the hotel industry where employees have to give a first service impression to win dependability by customers and providing services on time.

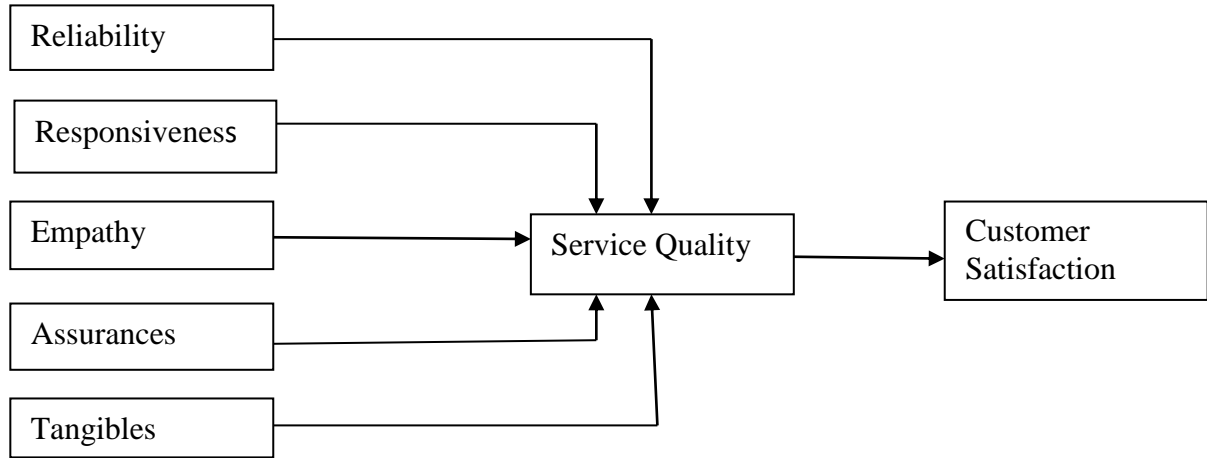


Figure 1: Rater Model of Service Delivery

Source: Adapted from Zeithamal *et al.* (1990)

Boom and Britner (1981), in their study on marketing strategies and organizational structures for service firms, indicate that the RATER framework has been widely used to consider sales performance in the hotel industry in Malaysia, Singapore, Indonesia and other significant hotels which have shown considerable results in terms of sales improvement in the hotels. This is because it is a business model which is a better predictor of financial performance than industry classification and indeed performs better. It consists of what the business does and how the business makes money doing these things. It is for this reason that the RATER model has been adapted and modified for suitability and adequacy for this study.

2.6 Conceptual Framework

The success of a hotel company depends on a number of external and internal factors. External factors include several macro-environments such as demographic, economic, natural, technological, etc., and, therefore, companies have little or no control over these factors (Gursoy and Swanger, 2007). The internal factors include various kinds of knowledge, production equipment, buildings, personnel, capital, marketing capabilities, and other company resources that can influence the company level of success (Harmsen *et al.*, 2000). The term “resources” include competencies, assets, capabilities, resources, information

and knowledge (Kim and Oh, 2004). Core competencies are those processes, skills and assets within the firm that it relies on to achieve competitive advantages (Olsen *et al.*, 1998). Therefore, hotel managers should focus on identifying, creating or developing competitive advantages that can be utilized in order to enhance the company's economic performance and bottom line.

The major competitive methods of the hotel firms include: new product development; strategic alliances; brand repositioning; technological innovation; data base marketing; pricing tactics; diversification; service quality management; employees as important assets; in-room sales and entertainment; conservation/ecology programs; and management information systems (Olsen *et al.*, 1998). Some companies are successful because of the identification of the right success factors and implementation of new competitive methods, while others fail because of their inability to identify and implement the proper strategies. Among the internal strategic factors, the human resources, product development, innovation, technology, customer service, and marketing strategies are considered to have a significant impact on a company's financial success (Gursoy and Swanger, 2007). According to Sharma and Upneja (2005), low volume and low prices of rentable rooms; high cost of goods sold, and sales percentages of controllable expenses; limited investment in technology and equipment; lack of product and service variety and quality; and lack of formal training and education opportunities to employees influenced sales performance of hotel industry. Another study by Morrison and Teixeira (2004) shows the internal and external contextual factors that were found to impact on performance in the small tourism businesses. The internal factors include the owner's/manager's management capabilities; ownership and organizational structure; involvement in a range of business activities; and, staff and skills. On the other hand, Gu (2005) pointed out that size, occupancy, and ownership are not the only factors that may affect the profitability of hotels. Other factors, such as branding, management systems, service quality, franchise status, guest demographics, etc., may also have impacts on their profitability. The study concluded that economies of scale are the key to profitability. The research results of a study by Ottenbacher *et al.* (2006) revealed that out of 23 factors that had been identified as potentially determining success in new services development, seven factors were found to play a distinctive role: market attractiveness, strategic human resource management, market responsiveness, employees training, empowerment, employee commitment and marketing synergy.

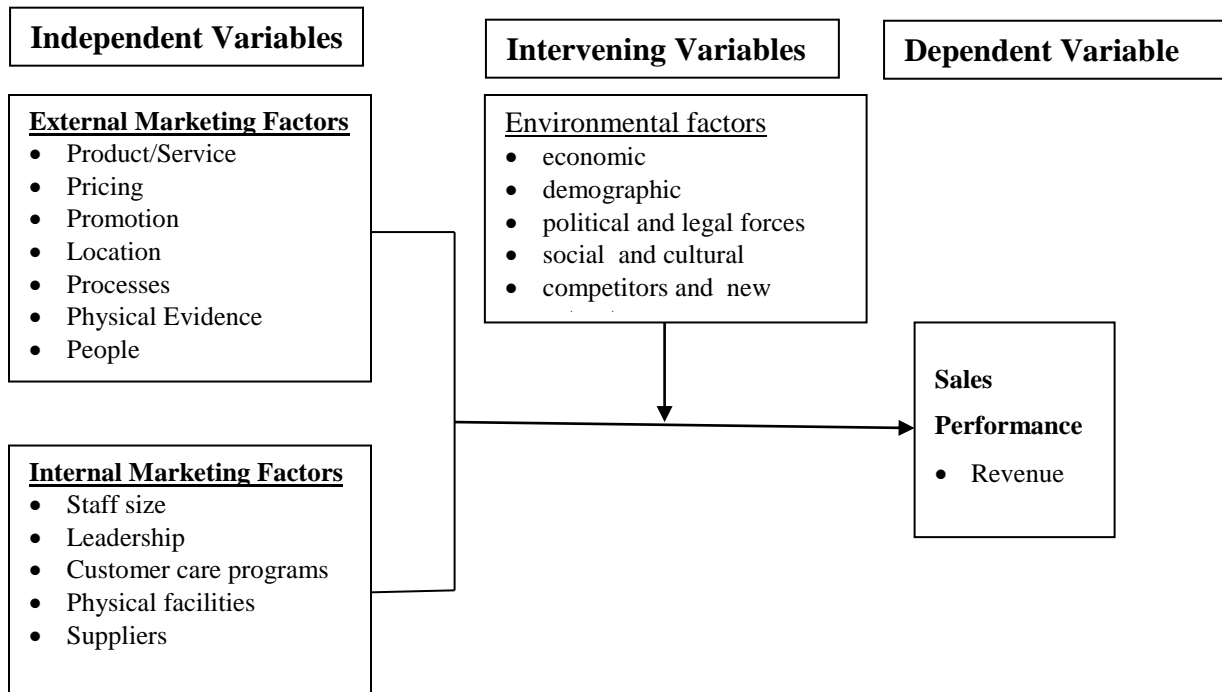


Figure 2: Conceptual framework on Factors influencing Sales Performance

Source: Own Compilation

Both internal and external marketing factors are expected to affect the sales performance of the hotel industry or any other related business because the external environment may hinder the realization of sales and/or affect the sales performance of a business. These are the factors that the hotel needs to look into so as to be able to capture customers for the benefit of the hotels' sales. Therefore, the research that has been widely done are on the general performance of hotels and other businesses based on customer numbers, service quality and delivery, customer satisfaction. Sales performance has not been used as a measure of improvement in the hotel industry and seven Ps combined have not been used in earlier studies for realization of sales performance of hotels.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the research design, study area, population of study, sampling procedures, validity and reliability, data collection and analysis procedures.

3.2 Research Design

A descriptive research design involving a mixed method approach was adopted in the study. The design was suitable for conducting a survey since it allowed obtaining the same kind of data from a large group of people in a standard and systematic way (Mugenda, 1999). Using this design, patterns of data were investigated, and generalized to a large population. The first two objectives of this study were descriptive in nature whereby the characteristics of various variables studied were analyzed, described and relationships established. On the other hand, the third objective used regression analysis to establish the critical factors that affect the sales performance of the three-star hotels in Nakuru municipality.

3.3 Study Area

The study was done in Nakuru municipality, which is one of the major towns in Kenya. It is situated along the main highway on the Mombasa-Busia road. The town has a variety of hotels i.e. one-star, two-star, three-star, four-star and five-star hotels, which are rated by Ministry of Tourism and Wildlife that are situated in various areas within the municipality.

3.4 Target Population

All the five managers from the five three-star hotels in Nakuru municipality formed part of the population to be studied. The resident customers to these three-star hotels from within and from outside the municipality formed another group of respondents of the target population. The sample for the research study was drawn from this population from the hotels for the period 2008-2012.

3.5 Sampling Frame

The sampling technique chosen was to ensure that the sample statistics such as sample mean, standard deviation and variance were fairly close to the population parameters. The study adopted a census sampling method to contact all the five managers of the three-star hotels for their sales figures and other vital information. Given the infinite population of customers and the descriptive nature of the study, a random sample selection of 5% of the customers/respondents formed the sample (Mugenda and Mugenda, 2003; and Gay, 1987). The technique gave a population of 385 respondents which corresponded with $n = \frac{Z^2 pq}{e^2}$ (Mugenda, 1999). This was done with the assistance of the hotel receptionists who identified the resident customers and gave questionnaires at each arrival for a period of six months (March to August 2012). The five three-star hotels were surveyed and related data analyzed.

Table 1: Sample size procedure

Name of Hotel	Average no. of customers p.a.	5% of customer population
Bontana Hotel	1800	90
Midlands Hotel	1300	65
Hotel Kunste	1100	55
Agriculture Resources Centre Hotel	1500	75
Lake Nakuru Hotel and Lodge	2000	100
Total number of customers	7700	385

Source: Three-star hotels in Nakuru municipality 2012

3.6 Validity and Reliability

Reliability test was used to determine the internal consistency of the data collected from the financial statements of the target population among hotels in Nakuru Municipality. This was aimed at establishing the consistence of the measuring instrument for the concepts in this study without any bias or error overtime, and across the various items in the instruments. In addition, inter item reliability was also used to measure the consistence of respondents' answers. In order

to be certain that a valid concept was measured, content validity, which ensured a representative set of items and adequate items were included in the instruments. According to Frankfort and Nachmias (1996), the more the scale items to represent the items of the concept being measured the greater the content validity. Criterion-Related validity was established when the measure differentiated the respondents on a criterion it was expected to predict and individuals known to be different scored differently on the instrument.

3.7 Data Collection

Primary data was collected using a questionnaire administered to the five managers of the three-star hotels and customers of the hotel through a drop and pick system. The questionnaires were in two parts where the first part was designed to collect information from managers of the hotels, relating to hotel's information and overall performance of the hotel over the five-year period. This was expected to provide information about the trends in their numbers of clients and revenue realized. The second part consisted of questionnaires to hotel customers to gauge their general perception of the hotels and ways to improve and enhance sales performance using likert scales in the questionnaires. The study used secondary data that was extracted from the hotel accounts records for a five-year period (2008-2012).

3.8 Analytical Methods

3.8.1 Descriptive Analysis

Data analysis in this study was both qualitative and quantitative, thus various data analytical methods were used. Descriptive analysis using trends, means, standard deviations and mode, were used to analyze the first two objectives of the study. Trend Analysis was done using Microsoft excel computer software to examine the three-star hotel sales performance during 2008 to 2012. This analysis helped to inform the panel regression analysis that was later carried out to investigate the determinants of three-star hotel performance measured by annual sales of the individual hotel. This study used charts and graphs to understand the trends in performance of the individual three-star hotels.

3.8.2 Model Specification

Panel data analysis has been used widely in recent empirical studies that seek to address various challenges on economic development and policy analysis (Biwott, 2011; Githuku, 2010; Thairu, 2010; Hsiao, 2007). This is because it provides a rich environment for the development of estimation techniques and theoretical results. Furthermore, panel data has the strength of accommodating more observations hence increases the degrees of freedom. In addition, it reduces the problem of collinearity of regressors and modelling flexibility of behavior differences within and between countries and/or groups or institutions (Biwott, 2011; Hsiao, 2007). However, it has a setback of having a cumbersome collection of long term primary data particularly on the selected variables. Panel data has fixed effect model (FEM), random effects model (REM), and instrumental variables (IV). Nevertheless, REM and IV were not used in the study because there were no dummy variables and selection biasness in the data that were used, hence ruling out the problem of heterogeneity. Based on the reviewed literature, this study assumed that seven variables affect the performance of three-star hotel in Nakuru municipality. This includes number of staff, expenditure on; promotions, staff training, customer care, suppliers, equipments, and maintenance. Empirically, taking the above factors into consideration, the panel fixed effect regression model in this study follows the works of San and Heng, (2011), Saeedi and Mahmoodi, (2011), Thairu, (2010), and Hsiao, (2007)) where the model assume a lagged form and is specified as:

$$H_{it}^p = \beta_1 + \beta_2 STAFF_{it-1} + \beta_3 PROM_{it-1} + \beta_4 TRAIN_{it-1} + \beta_5 CSTCR_{it-1} + \beta_6 SUPL_{it-1} + \beta_7 EQUIP_{it-1} + \beta_8 MAINT_{it-1} + \varepsilon_{it-1} \dots \dots \dots (3)$$

Where: H_{it}^p = Three-star hotel performance level measured by annual sales.

$STAFF_{it-1}$ = Number of staff

$PROM_{it-1}$ = Expenditure on Promotions

$TRAIN_{it-1}$ = Expenditure on Staff training

$CSTCR_{it-1}$ = Expenditure on Customer care

$SUPL_{it-1}$ = Expenditure on Suppliers

$EQUIP_{it-1}$ = Expenditure on Equipments

$MAINT_{it-1}$ = Expenditure on maintenance

ε_{it-1} = Regression disturbance term

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the results of the study. It is divided into three sections where the first one deals with the profile of the level of Three-star hotel performance trends. Secondly, the in-depth assessments of the perception of guests on the quality of services, and finally the evaluation of factors affecting sales performance three-star hotels in Nakuru municipality.

4.2 Descriptive Statistics

The study results on the characteristics of the respondents revealed that in terms of gender, age, and occupation (Table 2). The results indicated that the majority of the clients received by the sampled hotels in the study area were females with ARC receiving the largest proportions of female to male clients. This is due to the findings of the study that shows ARC receiving client at the following ratios (64.30 % to 35.7%) followed by Midlands (56.7% to 43.3%), Kunste (52.1% to 47.9%), Bontana (51.7% to 48.3%), and Lake Nakuru (45.10% to 54.9%). The results revealed that majority of the customers were of the age of above 40 years. This implies that the visit to the hotels is based on resource endowment because at the age of 40 years, one could have accumulated enough wealth that can enable him/her to go leisure. Furthermore, in regards to the occupation of the customers, the results shows that most of the hotels in the study area receive customers who are employed as compared with those who are self-employed as well as those who are students.

Table 2: Summary statistics of the respondents

<i>Variable</i>	<i>Midlands</i>		<i>ARC</i>		<i>Lake Nakuru</i>		<i>Bontana</i>		<i>Kunste</i>	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<u>Sex</u>										
Male	26	43.30	15	35.70	50	54.90	43	48.30	23	47.90
Female	34	56.70	27	64.30	41	45.10	46	51.70	25	52.10
<u>Age</u>										
Below 18 Years	2	3.00	0	0.00	3	3.40	12	13.80	4	8.30
19 to 29 Years	25	41.70	4	9.50	32	36.40	31	35.60	21	43.80
30 to 39 Years	23	38.30	9	21.40	33	37.50	27	31.00	17	35.40
Above 40 Years	10	16.70	29	69.00	20	22.70	17	19.50	6	12.50
<u>Occupation</u>										
Self-employed	17	28.30	13	31.00	22	23.90	24	27.00	11	22.90
Employed	28	46.70	19	45.20	50	54.30	47	52.80	28	58.30
Student	15	25.00	10	23.80	20	21.70	18	20.20	9	18.80

Source: Field Survey, 2013

4.3 Assessment of Sales Performance Trends of Three-Star Hotels

The study aimed at unfolding the trends in three-star hotels performance in Nakuru municipality. In this section, the performance was achieved through an assessment of the amount of sales in every three-star hotel for each year of the study period. Conventionally, annual sales have been used as a measure of performance in most of the studies in the hotel industry. As depicted by the results (Figure 3), the general performance of three-star hotels has been fluctuating in various hotels in the period 2008 to 2012. However, for the period 2008 to 2009 there was a sale decline in all the hotels. This could be attributed to the effects of the post election violence that led to a drastic decline in the number of tourists who are the main guest to most of this hotel category. Between the period 2009 and 2012, there was a steady rate of hotel sales in all three-star hotels in Nakuru municipality. This could be attributed to an increase in the number of guests due to the fact that the country experienced a stable economy as well as the political stability in this period. Additionally in the year 2010, the results indicate that the hotel industry in general, and three-star hotels in Nakuru municipality made a lot of sales, with Midlands hotel getting up to Kshs 80 million per year followed by Lake Nakuru lodge,

Bontana, ARC, and Kunste with an annual sales of Kshs 61, 54, 40, and 10 million each respectively. This was in line with the huge investment and the implementation of the first medium term plan of the Kenyan Vision 2030 blueprint that has envisaged an annual economic growth of 10 percent. This is because the tourism sector has been identified to be one of the sectors that can significantly contribute towards those achievements of the Vision 2030 of being an industrialized and middle-income country with high quality of life.

Most of the three-star hotels started showing steady and positive trends in 2011 to 2012 and this could be due to the effects of the currency exchange rates which has since left the Kenyan currency versus dollar at a value above KShs. 85. This leads to higher revenues collected from the hotel services coupled with the increase on the guest numbers. Furthermore, it could be because of the adoption of the digital systems of management that enhances communication and feedback mechanism in the hotel industry.

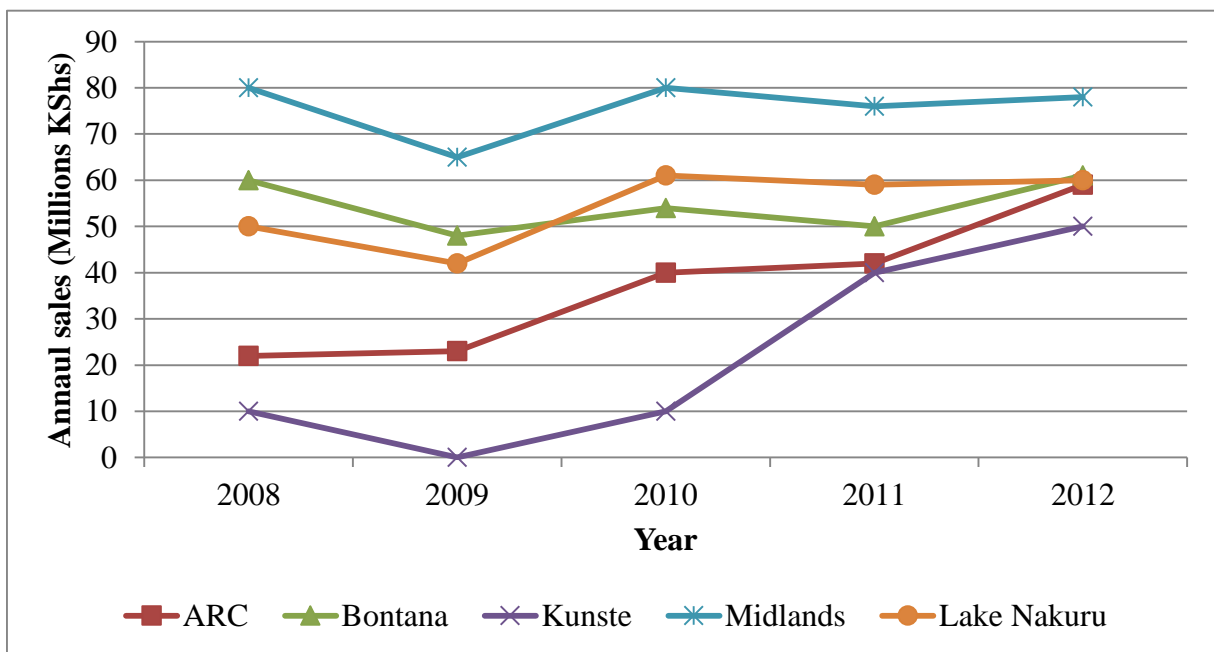


Figure 3: Trends in three-star hotel sale performance in Nakuru municipality.

Source: Field Survey, 2013

4.4 Assessment of Perception of Guests on Quality of Services Offered

Objective two of the study sought to assess the perception of the guests on the quality of services at the three-star hotels in Nakuru municipality. This was achieved through the use of a

5-point Likert Scale to determine the extent to which the guests perceived and/or agreed with effects of the various selected hotel services. In a scale of 1 – 5, level 1 represented strongly disagree; 2 - disagree; 3 - neutral; 4 - agree; and 5 - strongly agree. The respondents were asked to indicate the extent to which they agreed with a set of statements regarding several factors. According to the results in Table 3, majority of the respondents (37.8 percent) indicated that three-star hotels in the study area gave them a great deal of fair prices. This could be attributed to the fact that, pricing can be a means of promotion. The strategies that are adopted by business organization for competitive edge that include price management, rarely attract customers, and that the image of the business is one of the main elements of customer satisfaction and high stock turn-over which translates to high profits (Obonyo, 2013). The respondents (39.6 percent) also stated that they strongly enjoy spacious rooms of the three-star hotels hence a repeat visit is evident. According to Kotler and Armstrong (2006), customers' loyalty is won through delivery of consistent superior customer service, which means providing customers with real good services so that there is little chance of not meeting their expectations and requirements.

Further, the respondents (41.1, 49.6, and 35.6 percent) also confirmed that the hotels have courteous staff, clean restaurant and convenient location respectively. Therefore, superior human skills and capital resources can influence the sales performance of three-star hotels by providing satisfactory services to the customers. This finding concurs with the conclusions of Arthur *et al.* (2008) who argued that competent, trained and well-informed staff with the right attitude to offer prompt and reliable services, with the help of modern equipments and information technology could be a source of competitive advantage and success to organizations.

Moreover, 45.6 percent of respondents also stated that they strongly have privacy while 38.7 percent feel that the three-star hotels have excellent services that have provided prospects for good business development in the tourism industry. This result supports the argument that, offering superior services acts as a competitive advantage for some hotels and by emphasizing customer services, and building strong relationship, the business can widen its market share and profits (Brand, 2006). This is because a relationship exists between customer's satisfaction levels, loyalty and company profits, which increase with the length a customer remains in a relationship. In addition, lower relative costs can also be a source of competitive advantage either by focusing on a particular group of buyers or geographical market that can make a

business gain cost advantage in the target market, Gurley *et al.* (2008). Regarding the attractiveness of exterior as well as the availability of excursions, 40.2 and 26.0 percent of the respondents stated that they strongly feel that the three-star hotels in Nakuru municipality have gained a sense of control over what they require and that good quality service is one of their goals. This result agrees with the conclusion of Dominici *et al.* (2010), who revealed that, it is important to recognize and to anticipate customers' needs, and to be able to satisfy them in order to achieve customer satisfaction. Consequently, the attractiveness of a hotel environment is influenced by the standards of the services being provided. Therefore, long- term quality plans, tactics, programs and systems that have been implemented can maximize the competitive advantage of hotels and enable them to achieve their objectives (Gurley *et al.*, 2008). According to Schultz (2012), for a hotel to lead in customer retention and loyalty, they have to offer superior quality service as compared to its competitors.

Table 3: Summary of guest perception on quality of three-star hotels services

<i>Services</i>	<i>Strongly disagree</i>		<i>Disagree</i>		<i>Neutral</i>		<i>Agree</i>		<i>Strongly agree</i>	
	<i>Freq.</i>	<i>%</i>	<i>Freq.</i>	<i>%</i>	<i>Freq.</i>	<i>%</i>	<i>Freq.</i>	<i>%</i>	<i>Freq.</i>	<i>%</i>
Price fairs	5	1.5	24	7.3	7.7	23.3	125	37.8	100	30.2
Spacious rooms	5	1.5	20	6.0	79	23.9	131	39.6	96	29.0
Courteous staff	5	1.5	9	6.3	63	19.0	118	35.6	136	41.1
Clean restaurants	4	1.2	11	3.3	52	15.7	99	29.9	165	49.6
Convenient location	20	6.0	33	10.0	59	17.8	101	30.5	118	35.6
Privacy	4	1.2	15	4.5	46	13.9	115	34.7	157	45.6
Excellent services	9	2.7	11	3.3	67	20.2	128	38.7	116	35.0
Attractive exterior	10	3.0	26	7.9	65	19.6	97	29.3	133	40.2
Available excursions	62	18.7	52	15.7	64	19.3	67	20.2	86	26.0

Source: Field survey, 2013

4.5 Evaluation of Factors Affecting Sales Performance of Three-Star Hotels

Objective three of this study aimed at identifying the factors that affect the performance of three-star hotels in Nakuru municipality. Since panel data was used, the study performed a Durbin-Wu-Hausman (DWH) test in order to determine whether the estimates of the

coefficients, taken as a group, are significantly different in the two regressions (fixed or random) and select the one to be adopted using the two methods. In the first case, the data was balanced (Appendix II), and the results of the DWH test suggests that fixed effect exist between the three-star hotels. This leads to the adoption of the panel Fixed Effect Model (FEM) since its results were significant as indicated by the P-value of 0.0023 for DWH test for annual three-star hotel sales with efficient and consistence estimates.

The variables that were perceived in chapter three to affect the performance of three star hotels in Nakuru municipality were estimated using a panel fixed effects regression model (Table 4). The result indicates that, the number of staff, and expenditure on equipments was significant at 10 percent, and 5 percent respectively. On the contrary, the expenditure on staff training, and the expenditure on suppliers were found in this study to be both significant at 5 percent level. This therefore conforms to prior expectations. The result further indicates that, number of staff was significant with negative effects on the annual sale of the three-star hotels in the study area. This implies that, an increase in the number of staff decreases the probability of the three-star hotels to perform better in its annual sales and hence jeopardizes the future prospects of the hotel. The findings of this study are consistent with the findings of Armstrong (2001) who argued that, empowerment requires sincere belief and trust in people by management, therefore, an understanding of key factors that drive work such as motivation and performance is necessary for a company to thrive and succeed. Therefore, organizational cultures that are designed in a way that promotes efficiency, cooperation, skill sharing, innovation, and a performance-based competition recognizing rewards and incentives supports a high performance motivated minimum workforce.

In terms of the expenditure on equipments, the results indicates that, there is a negative effect and hence an increase in the equipment expenditure, decreases that performance of the three-star hotels in terms of their annual sales. This is attributed to the fact that most of the hotel industry equipments are capital intensive and have a lower rate of return, therefore, adversely affects the sales performance. This is because the sectors sales performance is not directly linked to these equipments but to actual customers experience and marketing efforts by the management. The findings of this study concur with the conclusions of Nyheim *et al.* (2004) and Siguaw *et al.* (2000), who revealed that despite the heavy initial investment in the hotel

technology equipments, it represents an important strategic asset in obtaining competitiveness. In addition, along with innovation, technology allows hotel chains to improve their performance and competitiveness especially on a global scale, where the role of technology in strengthening the competitive advantage of a hotel is fully recognized, hence its contribution to the hotels' success. Therefore, the negative relationship might be due to these initial costs and hence a short-term effect but in the long-term, the effect could be on the contrary leading to positive hotel sales performance. The managers of the three-star hotels should market and sell their strategy when developing a quality programme, in line with the creation of the right environment to encourage service improvements (Cook, 2004).

In terms of the three-star hotels' expenditure on the staff training in the study area, the results indicates that there is a positive effect and hence an increase in the staff training, increases the probability of the three-star hotels to perform better in its annual sales and hence maximizes its' revenues. This implies that, the larger the expenditure on staff training, the better the chances to reap from various short-term and long-term investments as they improve on their performance. The findings of this study concur with the conclusions of Dominici *et al.* (2010), who observed that in order to achieve higher sales levels through customer satisfaction, it is important to recognize and to anticipate customers' needs. In addition, there is need for hotel management to be able to train their staff in order to satisfy their customers, consequently, the attractiveness of a hotel's environment is influenced by the standards of the services provided. In addition, Kapiki (2012) observed that excellent services quality by hoteliers' results in better customer satisfaction and loyalty.

A well-trained staff would handle customers' complaints soberly as concluded by Yeji (2012) who revealed that service attitude of the staff plays a critical role in maximizing customer satisfaction; therefore, staff ability to solve problems efficiently and accurately is the most important factor in maintaining customer satisfaction level. Therefore, hotel establishments need to provide customers with the tools to be heard, because their concerns will be used to avoid recurrence of similar experience to other clients. The hotel staff on the other hand, need to be courteous at the earliest time possible to customers, in doing this; hotels can stimulate word of mouth through addressing complaints effectively hence can turn a client into a supporter who will tell others about the good experience offered. It is arguable that customer satisfaction is not enough anymore, and that customer loyalty is the key (Michael, 2013), yet without the right

attitude of service, the customer will not feel valued or welcome. Therefore, hotel staff members need to keep their passion for the customer alive. Further, this study supports the arguments of Zeithamal *et al.* (1990) who stated that, service quality leaders understand that the little things matter and that if left unattended will turn into more complex issues, that will negatively affect service quality, and ultimately the performance.

The study results further indicates that the expenditure on the hotel suppliers have positive effect on the annual sale performance of the three-star hotels in the study area. This implies that, an increase in the amount paid to the hotel suppliers due to the services offered to the hotel, would increase the probability of the three-star hotel to perform better and hence higher amount of revenues. The suppliers contribute significantly in providing sources of competitive advantages towards the organization against other competitors as well as save cost and achieve efficiency for an organization. Supplier and business entities are interdependent on each other. This relationship develops and nurture strong business ties, which assist in achieving desired goals that include customer' satisfaction and loyalty. Customer loyalty is the degree to which customers experience positive feelings for and exhibit positive behaviour towards a hotels or service brand. The findings of this study concur with the conclusions of Kotler and Armstrong (2006), who indicated that loyalty is won through delivery of consistent superior customer service, it means providing them with services that are acceptable such that there is little chance of not meeting their expectations and requirements. Retaining loyal customers for hoteliers is essential and a core factor in keeping the industry in shape and competitive enough to measure itself up to the changing trends of the industry (Schulz, 2012). Achieving the desired results of customer loyalty is frequently a customer action, and that loyal customers do not leave for any attractive offer elsewhere, but rather give the organization a chance to beat the others. Kotler and Armstrong (2006) saw loyalty as a factor of consistent superior customer service, they found out that 5 percent increase in customer retention yielded 75 percent increase in the net present value of a firm. Furthermore, Rousan *et al.* (2010) found out that loyal customers are not swayed by price inducement from the competitors, but continue as loyal customers. Kohlmayr (2012) concludes that to inspire long term loyalty among guests, hoteliers must not only identify who their most valuable guest is, but also put strategies in place to make them feel welcome and most valued at all times.

Table 4: Summary of Factors Affecting Three-Star Hotel Sale Performance

<u>Variables</u>	<u>Coefficient</u>	<u>Standard error</u>	<u>P-value</u>
Number of Staff	-24.066710	3.23404	0.070***
Expenditure on Promotions	-26.490840	25.50218	0.318
Expenditure on Staff training	59.069430	37.07480	0.035**
Expenditure on Customer care	-7.557223	15.81197	0.641
Expenditure on Suppliers	5.853457	2.21928	0.020**
Expenditure on Equipments	1.525799	0.99562	0.049**
Expenditure on Maintenance	-3.530664	4.65919	0.462
Constant term	1.17e+07	1.57e+07	0.000
Diagnostic statistics			
Corr (u_i, xb)	-0.5026		
Sigma_u	28170345		
Sigma_e	8204387.2		
Rho	0.9218103		
Number of Observations	25		
Number of groups	5		
F(4,13)	11.03		
Prob > chi2	0.0000		

** (p<0.05), *** (p<0.1), Summarized from computer output (STATA), (**Appendix II**)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This chapter aimed at presenting a summary of the study objectives, research methodology and findings. Conclusions were drawn on all the study objectives. Recommendations for policy and those for further research are also included.

This study aimed at assessing the factors influencing the sales performance of the three-star hotels in Nakuru municipality in order to offers some insights in Kenya, based on the data that was obtained from all the five three-star hotels for the study period. It also examined the trends of three-star hotels' sales performance in the study area and finally determined the perception of guests on the quality of service and its effect on sales performance of three-star hotels. The results indicated that the majority of the clients received by the sampled hotels in the study area were females with ARC receiving the largest proportions of female to male clients. In addition, majority of the customers were of the age of above 40 years while the occupations of the customers were mostly employed as compared with those who are self-employed as well as those who are students. The results of the study analysis further indicate that most of the three-star hotels had fluctuating trends in their sale performance throughout the period 2008 to 2012. With respect to the guests' perception on the services being offered by the three-star hotels, majority of the respondents indicated that they got a great deal of fair prices, enjoyed spacious rooms with courteous staff, clean restaurants and convenient hotel location.

From the study findings, the customers felt that the three-star hotels had excellent services that have provided prospects for good business development in the tourism industry. This was because a relationship existed between customer's satisfaction levels, loyalty and company profits, which increase with the length a customer remains in a relationship. Finally, they strongly felt that the three-star hotels in Nakuru municipality had attractive exterior and excursions. Finally, the results indicated that, the number of staff, and expenditure on equipments was significant at 10 percent and 5 percent respectively with negative effects on the three-star hotel sales performance. On the other hand, the expenditure on staff training as

well as the expenditure on suppliers was both significant at 5 percent with positive effects respectively. This therefore conforms to prior expectations. The negative relationship between number of staff and the sales performance of three-star hotels meant that employing more staff did not lead to increased sales. Moreover, positive relationship depicted by staff training and suppliers expenditure with sales performance of the three-star hotels indicated that as the hotels increased expenditure, they generated high earnings through sales.

5.2 Conclusions

The results of the study therefore, affirmed that policy and management/institutional changes, along with increased investments in quality of service as well as the hotel infrastructure, had markedly influenced sales performance of the three-star hotels. This was due to the study results, which showed that, for intervention in three-star hotels performance in terms of its annual sales levels and/or trends, the expenditures on; staff training, and suppliers are important factors since they lead to better performance. On the other hand, a critical consideration needed to be made when dealing with the number of staff and the expenditure on equipments in any hotel as it is negatively related to the sales performance of the three-star hotels. Superior human skills and capital resources could influence the sales performance of three-star hotels by providing satisfactory services to customers. Therefore, the implementation of long-term quality plans, tactics, programs and systems can maximize the competitive advantage of hotels and enable them to achieve their objectives.

5.3 Recommendations

Based on the results, the study recommends that, the three-star hotels must consider using an optimal level of the required resources, which in turn, will minimize the cost of capital and hence the cost of financing the hotel service operations. In addition, the maximum use of all marketing tools can make positive sales performance in the hotel industry. As Kenya strives to be an industrialized nation by 2030, the growth and development of the hotel industry cannot be underestimated as it is seen to contribute to this realization.

5.4 Recommendation on Areas of Further Research

This study was limited to the sample from three-star hotels in Nakuru municipality and therefore, future research can investigate on the evaluation of factors affecting sales performance of three-star hotels at county and national level. It was also revealed that critical factors were not identified or documented, therefore assessment of strategies that enhance customer satisfaction in the hotel industry in Kenya can also be studied.

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APPENDICES

Appendix I: Survey Questionnaire

Questionnaire A1

(As Head of the Hotel please answer the following questions)

1. State your position at the hotel:
2. Please indicate your gender:
Male ()
Female ()
3. Age:
19-29 ()
30-39 ()
40-49 ()
50+ ()
4. Education level:
Primary ()
Secondary ()
College ()
University ()
Other
5. How long have you worked at the Hotel (in years)?
.....
6. How often do head of sections hold meetings with members of staff?
Weekly ()
Monthly ()
Twice a year ()
Other
7. Does the management hold evaluations and appraisals for members of staff?
Yes ()
No ()

8. If yes how often?

Monthly

Twice a year

Weekly

Other

9. To what extent do the following staff factors influence sales performance at the Hotel?

Staff factor	Not at all (1)	Little extent (2)	Reasonable extent (3)	Large extent (4)	Very large extent (5)
Motivation					
Remuneration					
Retention					
Training					
Refresher courses					

10. To what extent does style of leadership influence sales performance (tick the appropriate)

Very much

Much

Do not know

Not much

Not very much

11. Kindly provide the number of staff members in the hotel for the following period:

Year	Total number of staff members
2008	
2009	
2010	
2011	
2012	

12. What promotion tool does the hotel use for marketing purposes? (tick as appropriate)

Advertisement

Direct marketing

Public Relations

- Sales promotion ()
- Website ()
- Visitors ' views ()

13. To what extent do the following environmental factors affect sales performance of the hotel?

Environmental Factors	Very much (5)	Much (4)	Do not know (3)	Not much (2)	Not very much (1)
Economic					
Demographic					
Political/legal					
Socio-cultural					
Competition					

14. Please provide the sales figures (in Kenya shillings) for the period 2008-2012 below:

Name of Hotel						
	Year	2008	2009	2010	2011	2012
Sales						

15. Please indicate your expenditure (in Kenya shillings) on the following factors annually.

Factor	Year				
	2008	2009	2010	2011	2012
Promotion					
Staff training					
Customer care					
Suppliers					
Equipment					
Maintenance					

Questionnaire A2

(As a guest at the hotel, please answer the following questions)

1. Please indicate your gender:

male

female

2. Age:

below 18

19-29

30-39

40+

3. Occupation:

4. How often do you visit this hotel?

every day

once a week

twice a week

other

5. How did you know about the Hotel?

brochure

friends

newspaper

hotel staff

other

6. Please indicate by ticking (✓) the most appropriate perception of hotel services from the following statements:

	strongly agree (5)	agree (4)	neutral (3)	disagree (2)	strongly disagree (1)
a. Prices are fair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Rooms are spacious	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Staff are courteous	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Restaurant is clean	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Location is convenient	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- f. There is privacy () () () () ()
- g. Service is excellent () () () () ()
- h. Hotel exterior is attractive () () () () ()
- i. Excursions are available () () () () ()

7. Are you satisfied with the services at the Hotel?

yes ()

no ()

8. If no, please give your reasons:

.....

9. To what extent do the following customer-care initiatives influence your patronage?

Customer care initiatives	Very much (5)	Much (4)	Do not know (3)	Not much (2)	Not very much (1)
Menu preferences					
Loyalty to customers					
Pricing practices					
Restaurant service style					
Speed of service					
Food production methods					
Extra services offered					

10. Would you do a repeat visit if the opportunity occurs?

yes ()

no ()

11. Would you recommend the hotel to others?

yes ()

no ()

Table 5: List of three star hotels in Nakuru town and its environs

	Name of Hotel	Location
1	Lake Nakuru Lodge	Lake Nakuru National Park
2	Bontana Hotel	Tom Mboya Street, Nakuru
3	Hotel Kunste	Nakuru-Nairobi Highway, Solai road junction
4	Midland Hotel	Nakuru-Nairobi Highway, Nakuru Town
5	Agriculture Resources Centre Hotel	Egerton University, Egerton

Source: GoK (2011)

Appendix II: Panel Regression Results

```
. xtset hotel year
      panel variable:  hotel (strongly balanced)
      time variable:  year, 2008 to 2012
      delta: 1 unit

. xtreg annualsales noofstaff exponpromotion exponstafftraining exponcustomercare
  expnonsuppliers exponequipments exponmaintenance,
> fe
```

```
Fixed-effects (within) regression              Number of obs   =       25
Group variable: hotel                          Number of groups =        5

R-sq:  within = 0.9039                          Obs per group:  min =        5
      between = 0.1899                             avg =       5.0
      overall = 0.0014                             max =        5

corr(u_i, Xb) = -0.5026                          F(7,13)         =       4.42
                                          Prob > F        =     0.0000
```

annualsales	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
noofstaff	-24.06671	3.23404	-0.74	0.070	-939339	45.80048
exponpromo~n	-26.49084	25.50218	-1.04	0.318	-81.58496	28.60328
exponstaff~g	59.06943	3.70748	1.59	0.035	-21.02581	139.1647
exponcusto~e	-7.557223	15.81197	-0.48	0.641	-41.71691	26.60246
expnonsuppl~s	5.853457	2.21928	2.64	0.020	1.058995	10.64792
exponequip~s	1.525799	.9956221	1.53	0.049	-.6251117	3.67671
exponmaint~e	-3.530664	4.659198	-0.76	0.462	-13.59625	6.534921
_cons	1.17e+07	1.57e+07	0.74	0.000	-2.23e+07	4.57e+07
sigma_u	28170345					
sigma_e	8204387.2					
rho	.9218103	(fraction of variance due to u_i)				

```
F test that all u_i=0:      F(4, 13) = 11.03          Prob > F = 0.0004
```

```
. estimates store fixed
```

```
. xtreg annualsales noofstaff exponpromotion exponstafftraining exponcustomercare
  expnonsuppliers exponequipments exponmaintenance,
> re
```

```
Random-effects GLS regression              Number of obs   =       25
Group variable: hotel                          Number of groups =        5

R-sq:  within = 0.4230                          Obs per group:  min =        5
      between = 0.8347                             avg =       5.0
      overall = 0.6986                             max =        5

Random effects u_i ~ Gaussian              Wald chi2(7)    =       39.40
corr(u_i, X) = 0 (assumed)                Prob > chi2     =     0.0000
```

annualsales	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
noofstaff	-1261354	465237.4	-2.71	0.007	-2173203	-349505.8
exponpromo~n	-88.17783	31.24956	-2.82	0.005	-149.4258	-26.92983
exponstaff~g	156.0029	45.85892	3.40	0.001	66.12104	245.8847
exponcusto~e	8.126343	22.57107	0.36	0.719	-36.11215	52.36483
expnonsuppl~s	-.184013	2.452153	-0.08	0.940	-4.990144	4.622118
exponequip~s	3.41674	1.687048	2.03	0.043	.1101867	6.723294
exponmaint~e	-9.76782	3.017446	-3.24	0.001	-15.6819	-3.853735
_cons	6.49e+07	1.70e+07	3.82	0.000	3.16e+07	9.82e+07

```

sigma_u |      0
sigma_e | 8204387.2
rho     |      0 (fraction of variance due to u_i)

```

```

-----
. estimates store random
. hausman random fixed

```

Note: the rank of the differenced variance matrix (1) does not equal the number of coefficients being tested (7); be sure this is what you expect, or there may be problems computing the test. Examine the output of your estimators for anything unexpected and possibly consider scaling your variables so that the coefficients are on a similar scale.

```

----- Coefficients -----

```

	(b) random	(B) fixed	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
noofstaff	-1261354	-240667.1	-1020687	334448.4
exponpromo~n	-88.17783	-26.49084	-61.68699	18.06027
exponstaff~g	156.0029	59.06943	96.93345	26.99074
exponcusto~e	8.126343	-7.557223	15.68357	16.10698
exponsuppl~s	-.184013	5.853457	-6.03747	1.043001
exponequip~s	3.41674	1.525799	1.890941	1.361935
exponmaint~e	-9.76782	-3.530664	-6.237155	.

```

-----
b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

```

Test: Ho: difference in coefficients not systematic

```

chi2(1) = (b-B)'[(V_b-V_B)^(-1)](b-B)
          = 9.31
Prob>chi2 = 0.0023
(V_b-V_B is not positive definite)

```