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EFFECTS OF MARKETING CHANNELS ON ACCOUNTS RECEIVABLES MANAGEMENT IN THE HOTEL INDUSTRY IN KENYA

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Abstract

Purpose*:* The purpose of the study was to establish the effects of marketing channels in accounts receivables management in the hotel industry in Kenya.

Methodology*:* The target population of the study was 47 hotels and lodges in Kenya. A sample of 141 respondents was selected using stratified random sampling in each hotel and lodge to group respondents into three strata. The strata were that of top management, finance staff and credit control staff. This study used both primary and secondary data. Data collection methods used included: questionnaires and secondary data collection guide**.** Secondary data was collected for all variables for a period of three years (2007 to 2010). Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of graphs, tables, descriptive statistics and inferential statistics. In particular, means, standard deviations, and frequencies. Inferential statistics such as factor analysis and odd ratio regression were also used.

Results*:* Based on the findings, the study concluded that marketing channels had a positive effect on accounts receivables management. It can therefore be concluded that competition was the major reason for granting trade credit in hotels and receivables help in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors.

Unique contribution to theory, practice and policy: Based on the findings, the study recommends that the hotel management should ensure that staff offers high quality of service so as to attract and retain their customers.

Keywords: *marketing channels, accounts receivables management, hotel industry in Kenya*

1.0 INTRODUCTION

1.1 Background of the Study

The hotel industry constitutes an idiomorphic (having its own characteristics) tourist product, offering some of the most fundamental services in the tourism industry (Mihail, 2011).Trade credit occurs when there is a delay between the delivery of goods or the provision of services by a supplier and their payment. For the seller this represents an investment in accounts receivables, while for the buyer it is a source of financing that is classified under current liabilities on the balance sheet (Pedro & Martínez, 2010). When goods and services are sold under an agreement permitting the customer to pay for them at a later date, the amount due from the customer is recorded as accounts receivables (Joy, 1978); Receivables are asset accounts representing amounts owed to the firm as a result of the credit sale of goods and services in the ordinary course of business. The value of these claims is carried on to the assets side of the balance sheet under titles such as accounts receivables or customer receivables. This term can be defined as debt owed to the firm by customers arising from sale of goods or services in ordinary course of business (Joy, 1978).

According to Robert (2001), accounts receivables are amounts owed to the business enterprise, usually by its customers. Managing accounts receivables involves five steps: determining to whom to extend credit, establishing a payment period, monitoring collections, evaluating the liquidity of receivables accelerating, and eventually cash receipts from accounts receivables holders. A critical part of managing accounts receivables is determining to whom credit should be extended and to whom it should not. Many companies increase sales by being generous with their credit policy, but they may end up extending credit to risky customers who do not pay. If the credit policy is too tight, sales will be lost. Particularly risky customers might be required to pay cash on delivery. In addition, companies should ask potential customers for references from banks and suppliers, to determine their payment history. It is important to check these references on potential new customers as well as periodically check the financial health of continuing customers (McKesson, 2011).

For many companies, accounts receivables are also one of the largest assets. For example, receivables represented 11% of the current assets of pharmacy giant Rite Aid in 2007. Receivables as a company percentage of total assets of General Electric was 52%, Ford Motor Company 42%, Minnesota Mining and Manufacturing Company, (3M) 14%, DuPont Co. 17%, and Intel Corporation 5% (Kimmel, Weygandt & Kieso, 2008). The relative significance of a company's receivables as a percentage of its assets depends on various factors: its industry, the time of year, whether it extends long-term financing, and its credit policies (Kimmel et al., 2008). A review of literature reveals that little research has been done in the hospitality business and even less on their role in the hotel industry, compared to surveys of traditional manufacturing industries (Burgess, 2006 and 2007; Drury & Tayles, 2006; Mattimoe, 2008).

According to recent figures from the American Bankruptcy Institute, business failures are raising throughout the country in every major industry sectors. Accounts receivables represent a large portion of firms' assets worldwide. Using 1986 Compustat data, Mian & Smith (1992) reported that accounts receivables account for 21% of U.S. corporations' assets. More recently, Molina & Preve (2009) used a sample from Compustat that covered the 1978–2000 periods and found that, on average, the ratio of accounts receivables to assets is 18%, which corresponds to 55 days of sales financing. Note that these studies focus on large corporations. Petersen & Rajan (1997), in contrast, used a dataset from the 1987 National Survey of Small Business Finance and reported that whereas large firms show accounts receivables to sales ratio of about 18.5%, the same figure for small firms is lower, at 7.3%. According to Petersen & Rajan (1997), small firms provide less commercial credit to their customers than do large firms in the United States.

Such a large amount of money invested in providing client financing presents an interesting puzzle. Why would a firm that is not in the business of lending money be interested in extending financing to other firms? Moreover, why would clients be willing to obtain financing from these non-financial institutions, particularly if banks are known to have clear scale and information advantages in lending money? This puzzle has triggered an interesting body of research that seeks to explain the existence and main patterns of trade credit. The use of trade credit can help firms fight for market share - a firm that seeks to grow at the expense of another firm's business may seek to increase its sales by increasing the financing it offers clients. Similarly, firms facing profitability problems may seek to increase sales or market share by increasing the provision of commercial credit to clients (Petersen & Rajan, 1997; Molina & Preve, 2009)

The hotel industry has gone through turmoil between 1996 during the Likoni clashes and 2008 during the Post-Election Violence (PEV). Various other events have occurred in between these events including the bombing of the American Embassy in Kenya and the Global Economic crisis in 2006 (ROK, 2011). All these events have negatively impacted on the hotel industry in Kenya which remains very volatile and susceptible to such events. The Kenyan hotel industry has also suffered heavily from negative advisories originating from various countries like USA and Britain. These advisories are intended to warn citizens of the countries issuing them, from visiting Kenya. Kenya, as a tourist destination traditionally enjoys the patronage of USA and Europe, which regions contribute nearly 70% of the total tourist arrivals (ROK, 2011). Once such advisories are issued, tourist numbers decline and therefore hotels tend to employ marketing strategies geared to ensure survival rather than long term sustainability.

Inspite of the foregoing, the Kenyan hotel industry has recorded growth in the number of beds available. Investors have resorted into this sector which has profitability potential despite its culpability. This has not helped the industry since the growth in the tourism arrivals has not matched the growth in the number of beds. Due to the sluggish economic growth of the country, the growth in the domestic tourism has not been encouraging. The middle class, which would be the potential domestic tourists, have been declining in numbers and more citizens in Kenya tend towards below the poverty line. Domestic tourism has therefore not grown as it should have (ROK, 2011).

1.2 Problem Statement

Accounts receivables management is important to the profitability of an organization. Hotels in Africa and more so in Kenya, have limited access to capital markets. There are five hotel groups listed in the Johannesburg Stock Exchange, four hotel groups listed in Nigeria Stock Exchange and one hotel group listed in Nairobi Stock Exchange (NSE, 2013). This shows the limitation of financing from the capital markets and therefore hotels tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance their operations.

An analysis of groups of hotels in Kenya shows that total debtor's portfolio represents 13% of the balance sheet size of the firm. The analysis also shows that the average value of debtors is 50% of the total borrowing. As shown in appendix VII, the average borrowing as per the analysis, is sh 1,291 million mainly to finance accounts receivables (57%) among other industry requirements. The profitability of the groups would have improved by 23% if the groups had not incurred the cost of borrowing. Teruel and Solan (2005) suggested that managers can create value by reducing their firm's number of days of accounts receivables. The hotel industry has huge accounts receivables and would have been more profitable if they were to be reduced significantly and the funds applied towards other cash flow requirements. According to Kwansa and Parsa (1991) quoted in a study by Gu and Gao (2000), loan default was found to be one of the events unique to bankrupt companies.

According to Upneja and Dalbor (2001), the reliance on debt financing by the hotel industry in the United States was significant. Due to poor management of accounts receivables, hotels in Kenya, suffer financial distress resulting to change of ownership of various hotels or hotel chains as a measure to prevent the foreclosure from heavy indebtedness. The study research gap is demonstrated by the scarcity of empirical studies on determinants of account receivable management. Empirical studies (Kwansa and Parsa, 1991; Gu and Gao, 2000; Upneja and Dalbor, 2001 and Teruel and Solan, 2005) were inadequate as they concentrated on other industries in developed and emerging economies. None of these studies focused on developing economies such as Kenya. Therefore, this study sought to establish the effects of marketing channels on accounts receivables management in the hotel industry in Kenya

1.3 Research Objectives

To establish the effects of marketing channels on accounts receivables management in the hotel industry in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Commercial Motives Theory

According to the commercial motive, trade credit improves product marketability (Nadiri, 1969) by making it easier for firms to sell. Trade credit can be used as a form of price discrimination by firms, according to whether delays in payment are allowed or not (Brennan, Maksimovic & Zechner, 1988; Mian & Smith, 1992). In this respect, Smith (1987) pointed out that suppliers can transmit information about the quality of their products by agreeing credit terms that allow their customers a period of evaluation. Lee & Stowe (1993) argued that trade credit is the best way of guaranteeing products. Long, Malitz & Ravid (1993) found that smaller and younger firms grant more trade credit than firms with a more consolidated reputation in the market. Firms use trade credit to signal the quality of their products. More recently, Pike, Cheng, Cravens (2005) demonstrated that, in the US, UK and Australia, trade credit can be used to reduce information asymmetries between buyers and sellers. Payment on delivery is an extremely inefficient practice for most firms, particularly when deliveries are frequent. Many firms operate Just-in-Time stock policies, sometimes requiring twice daily deliveries. Operating inefficiencies would arise, particularly for larger firms, were the buyer to make separate payment transactions for each delivery rather than deal with the whole month's delivery in a single payment transaction.

2.2 Empirical Review

Dong and Su (2010) examined working capital management effects on firms' profitability of listed Vietnamese firms from 2006-2008. The authors find that, a significantly negative relationship exists between profitability, measured as gross operating profit and the components of cash conversion cycle (inventory days, and receivable days). Furthermore, the study also observes a statistically significant positive association between profitability and accounts payable days. These findings imply that increasing firms' inventory and receivable days lead to a decreasing profit while significant financial success can be attained with increased payable days.

Gill, Nahum and Neil (2010) also studied the relationship between working capital management and profitability of 88 US firms listed on the New York Stock Exchange. Using data from 2005-2007, the authors find no statistically significant relationship between average payable days and profitability and also between average inventory days and firm profitability. Similarly, they also observe no significant relationship between firm size and profitability but notice a negative association between accounts receivable and profitability. This suggests that managers can enhance the profitability of their firms by reducing the number of days for their account receivables.

In a related study, Karaduman et al. (2010) investigated the impact of working capital management practices on the profitability of 140 randomly selected companies listed on the Istanbul Stock Exchange. Using data from 2005-2008, their findings indicate a statistically significant negative association between firm profitability, measured as return on assets on one hand and accounts receivable and inventory days on the other hand. The study further reveals a significantly positive relationship between accounts payable days and firm profitability. Thus, the study has reiterated the importance of effective and efficient working capital management in ensuring firms' profitability.

Mathuva (2009) examined the influence of working capital management components on corporate profitability of 30 Kenyan listed firms. Using panel data methodology and data covering the period from 1993-2008, the study finds a significantly negative relationship between accounts collection days and profitability, a significantly positive association between inventory conversion period and profitability and a significantly positive relationship between average payment days and profitability. The findings of this study therefore confirm the traditional view of efficient working capital management and its effects on profitability.

Raheman and Nasr (2007) studied the effect of different variables of working capital management including average collection and inventory days, cash conversion cycle, and current ratio on the net operating profitability of 94 listed Pakistani firms. Using regression analysis and data covering the period from 1999-2004, the authors find a significantly negative association between working capital management variables and profitability of the firms. The authors further report a significantly negative relationship between corporate debt and profitability but a significantly positive association between size and profitability. The implications of these findings are that prudent management of working capital, reasonable

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levels of debt use and increase sales are all very crucial in enhancing the profitability of the modern firm.

Annalisa and Klaas (2011) did a study in Europe and argued that it is the sum of both aspects of the trade credit usage (accounts payable and receivable) that was important for a firm's performance. This is because firms manage both their trade credit payables and trade credit receivables to optimize their firm performance and for interaction between the financial market and the trade credit channel. Over time, the flows of trade credit (as a percentage of assets) have remained a stable source of finance for euro area companies but tended to decline when bank credit was becoming easily accessible since 2005.

The study used the econometric model which followed Coluzzi, Ferrando and Martinez-Carrascal (2009) who used an augmented version of the law of proportionate effect (LPE), as proposed by Goddard, Wilson, and Blandon (2002), to estimate the impact of financing obstacles on firm performance. Coluzzi, Ferrando and Martinez-Carrascal (2009) added economic meaning to the simple LPE specification through the inclusion of economic variables that are believed to deterministically affect growth. Since many of the determinants of trade credit channel can also be thought to have an impact on growth, it will be important to control for this. The study tried to account for firm opportunities by including sales growth, which is the growth rate of real total sales, in specification. The study also took cash flow scaled by total assets as proxy for profitability as a control variable. Further, short term bank loans are included in regression model in accordance with Bougheas, Mateut and Mizen (2009) that a firm's use of trade credit relies significantly on their use of bank loans.

The finding of this study was that trade credit usage of a firm is a two-fold process in which a firm can receive trade credit payables from its suppliers and in turn, can extend trade credit receivables to its customers. As a contribution to previous studies, they perform an augmented version of the Gibrat LPE to test whether the trade credit channel has a direct impact on firm performance after having taken into consideration the usual determinants of growth related to firms opportunities, profitability and demographic variables. The results show that the economic impact of the trade credit channel is indeed important and that this is particularly true for firms in those euro area countries where the trade credit channel is more present.

2.3 Conceptual Framework

Independent Variable **Dependent Variable**

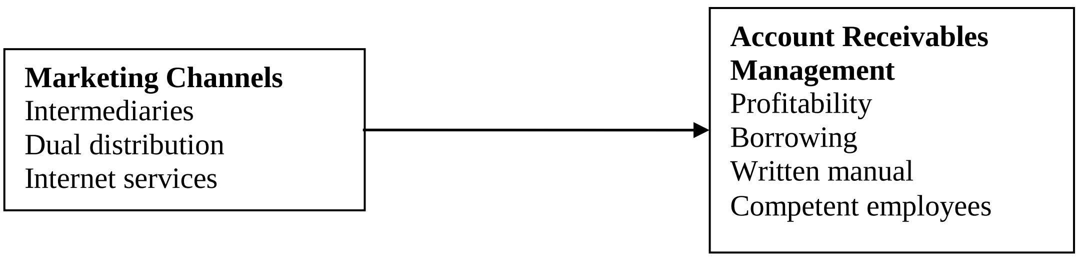

Figure 1: Conceptual Framework

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3.0 RESEARCH METHODOLOGY

The study adopted a descriptive survey design with constructivism (experiential learning) as its epistemology (ground of knowledge). The population of this study is all the hotels and lodges in Kenya which is star rated by Hotels and Restaurants Authority in the range of 3 to 5 star. The sampling frame for this study consisted of all three, four and five star hotels and lodges in Kenya as they appear in the gazette notice of June 2003 and supplement gazette notice of July 2004. This study used random sampling procedure to identify the sample units. The sample size for the study was 47 units of analysis derived from hotels, restaurants and lodges in the country. Proportional allocation was in the 3 star strata, the sample size was 28 units, in the 4 star stratums, the sample size was 10 units and in the 5 star stratums, the sample size was 9 units. This study used stratified random sampling method on all the hotels and lodges in Kenya. The strata were that of top management, finance staff and credit control staff. Stratified random sampling was used in each hotel to group respondents into three strata. Data collection methods used included questionnaires and secondary data collection guide**.** After data was obtained through questionnaires, interviews, observations and through secondary sources, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed in using SPSS statistical package (version 20). Factor analysis was used to establish the appropriateness of the questionnaire constructs. Specifically factor loadings were used to establish the weights of the various statements on extracted factors. The binary logistic regression equation was applied to establish the effect of technology on accounts receivables management.

4.0 RESULTS AND DISCUSSIONS

4.1 Demographic Information

4.1.1 Response Rate

The number of questionnaires, administered to all the respondents, was 141. A total of 103 questionnaires were properly filled and returned from the hotel employees. This represented an overall successful response rate of 73%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Table 1: Response Rate

Response	Total	Percent
Returned	103	73%
Unreturned	38	27%
Total	141	100%

4.1.2 Gender of the Respondents

The respondents were asked to indicate their gender. Table 2 shows that majority (81.6%) of the respondents was male and 18.4% were female. The findings imply that the hotel industry is a male dominated field. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 0.74: 0.26.

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Table 2: Gender of the Respondents

Gender	Frequency	Percent
Male	84	81.6
Female	19	18.4
Total	**103**	**100**

4.1.3 Age Bracket of the Respondents

The respondents were asked to indicate their age brackets. Results in Table 3 revealed that majority (58%) of the respondents were aged between 31 to 45 years and 42% were aged between 21 to 30 years. The findings imply that most of the respondents were at their career peak. The findings also imply that a significant number of the respondents were youths hence young work force which can cope with long working hours in the hotel industry.

Table 3: Age Bracket

Age	Frequency	Percent
21-30	43	41.7
31-45	60	58.3
Total	**103**	**100**

4.1.4 Department of the Respondents

The respondents were asked to indicate the departments they worked in at the various hotels. Table 4 shows that 45% of the respondents were in finance department, 40% were in credit control department and 15% of the respondents were from executive department. The findings imply that most the respondents, 85% were working in the finance departments hence accurate responses about accounts receivables.

Table 4: Respondent's Department

Department	Frequency	Percent
Executive	16	15.5
Finance	46	44.7
Credit Control	41	39.8
Total	**103**	**100**

4.1.5 Period Worked in Hotel

The respondents were asked to indicate the length of period they have worked in the hotel industry. Table 5 illustrates that 42.7% of the respondents had worked for a period of between 7 to 9 years, 23.3% indicated 10 to 15 years and 14.6% indicated over 15 years. This also indicates that 66% of the respondents have worked in the hotel industry for between 7 years and 15 years. The findings imply that the respondents had worked long enough in the hotel industry and hence had knowledge about the issues that the researcher was looking for.

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Table 5: Period Worked in Hotel

Period worked in Hotel	Frequency	Percent
1-3 yrs	13	12.6
4-6 yrs	7	6.8
7-9 yrs	44	42.7
10-15 yrs	24	23.3
over 15 yrs	15	14.6
Total	**103**	**100**

4.1.6 Period Working With Accounts Receivables

The respondents were asked to indicate the period they have been working with accounts receivables. Results in Table 6 illustrate that 39% of the respondents indicated between 4 to 6 years, 23% indicated 7 to 9 years and 19% indicated10 to 15 years. The findings imply that the respondents had worked long enough in the accounts receivables hence accurate responses.

Table 6: Period Working with Accounts Receivables

Period	Frequency	Percent
1-3	5	4.9
4-6	40	38.8
7-9	24	23.3
10-15	20	19.4
over 15	14	13.6
Total	**103**	**100**

4.1.7 Average Hours Worked

The study sought to find out how many hours (average) each week do the respondents work with issues related to accounts receivables. Table 7 shows that an equal share of 24.3% of the respondents indicated 20 hours and 15 hours per week, 19.4% indicated 5 hours and 18.4% indicated 10 hours per week.

Table 7: Average Hours Worked

Average Hrs	Frequency	Percent
30 hrs	14	13.6
20 hrs	25	24.3
15 hrs	25	24.3
10 hrs	19	18.4
5 hrs	20	19.4
Total	**103**	**100**

4.1.8 Accounts Receivables Tools

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The respondents were asked to indicate how much they work with the different aspect of accounts receivables. Table 8 indicates that 67% of the respondents used reminder letters extensively between 21-40%, 54% of the respondents indicated they used reminder phone calls extensively, 41% indicated they used credit control to a higher percentage. Fifty seven percent indicated that they sent invoices to a greater extent and 61% indicated that they sent interest invoices between 21% to 40% percentage. The findings imply that the hotel management used various accounts receivables tools in reminding their clients. These are letters, phone calls, credit control, sending invoices and sending interest invoices.

Table 4.8: Accounts Receivables Tools

Accounts receivables	1% - 20%	21% - 40%	41% - 60%	61% - 80%
Reminder letter	14.6%	67.0%	7.8%	10.7%
Reminder phone calls	19.4%	54.4%	8.7%	17.5%
Credit control system	19.4%	40.8%	18.4%	21.4%
Sending invoices	23.3%	57.3%	9.7%	9.7%
Sending interest invoices	24.3%	61.2%	5.8%	8.7%
Other	17.5%	41.7%	8.7%	32.0%

4.1.9 Payment Terms for Important Customers

The study sought to establish the terms of payment the respondents allow to their most important customers. Results in Table 9 shows that 43.7% of the respondents indicated 30 days, while 40.8% indicated 90 days and 10.7% indicated 14 days. The findings imply that the customers were given enough duration to clear their debts.

Table 9: Payment Terms for Important Customers

Payment Terms for Important Customers	Frequency	Percent
14 days	11	10.7
30 days	45	43.7
60 days	5	4.9
90 days	42	40.8
Total	**103**	**100**

4.1.10 Payment Terms for Usual Customers

The study sought to establish the terms of payment the respondents allow to their usual customers. Results in Table 10 shows that 34% of the respondents indicated 30 days, while 30.1% indicated 90 days and 24.3% indicated 14 days. The findings imply that the customers were given enough duration to clear their debts.

Table 10: Payment Terms for Usual Customers

Payment Terms for Usual Customers	Frequency	Percent
14 days	25	24.3
30 days	35	34
60 days	8	7.8
90 days	31	30.1
other	4	3.9
Total	**103**	**100**

4.2 Descriptive Statistics

The objective of the study was to establish the effects of marketing channels on accounts receivables management in the hotel industry in Kenya. results on Table 11 indicates that 96% agreed that competition was the major reason for granting trade credit in organizations, 85% agreed that there was a positive relationship between demand variability and credit offered and 79% agreed that customers frequently search multiple channels for the cheapest price. Eighty six percent agreed that provision of trade credit is related to market power, 84% agreed that receivables help in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors and 86% agreed that firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavorable. Finally, 94% of the respondents agreed that the higher the gross profit the higher the incentive to sell. The mean score for responses for this section was 4.09 which indicates that majority of the respondents agreed that marketing channels was a key driver of accounts receivables management.

The findings agree with those in Pedro and Martínez (2010) who used a firm-level database to examine the trade credit decisions of SMEs in a sample of seven European countries (Belgium, Finland, France, Greece, Spain, Sweden and the UK). The results indicated that the level of trade credit granted and received differed between countries. As regards the accounts receivable, it was observed that this represented an important proportion of the assets of the sample firms. It was noteworthy that the countries from the continental model (Belgium, France, Greece and Spain) exhibited the highest levels of accounts receivables (ranging from 35.42% for Belgium to 39.28% for Spain).

In contrast, the lowest average figures of accounts receivable were seen in the Scandinavian countries (19.18% for Finland, and 25.70% for Sweden), followed by the UK with 28.58%. On average, the accounts receivable by firms exceeded the accounts payable. This was true for all countries and sectors, except for the retail sector, in which the firms were net receivers of trade credit. Having analyzed the importance of financing between firms, and observed the different levels of trade credit exhibited by countries, the study examined whether the factors determining the levels of accounts receivables and payables differed between the countries considered. The study used panel data model to estimate the determinants of accounts receivable and accounts payable

The findings imply that the hotels have put in place strong marketing strategies to curb competition from their competitors. These strategies include promoting issuance of trade credit to loyal clients, provision of trade credit and receivables helped in attracting potential customers and retaining the older ones thus weaning them from competitors.

Table 11: Marketing Channels and Accounts Receivables Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Likert Mean
Competition is the major reason for granting credit in our organization	0%	0%	4%	65%	31%	4.27
There is a positive relationship between demand variability and credit offered	4%	3%	9%	49%	36%	4.1
Customers frequently search multiple channels for the cheapest price	4%	5%	12%	60%	19%	3.86
Provision of credit is related to market power	2%	6%	6%	62%	24%	4.01
Receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors	3%	9%	4%	64%	20%	3.9
Firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavorable	5%	2%	8%	43%	43%	4.17
The higher the gross profit the higher the incentive to sell	0%	3%	3%	52%	42%	4.33
Mean						**4.09**

4.3 Inferential Statistics

4.3.1 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 12 showed that the KMO statistic was 0.811 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 485.668 with 21 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.32. These results provide an excellent justification for further statistical analysis to be conducted.

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Table 12: Marketing Channels KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.811
Bartlett's Chi- Square	485.668
Bartlett's df	21
Bartlett's Sig.	0.000

The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 7 statements on marketing channels can be factored into 1 factor. The total variance explained by the extracted factor is 64.4 % as shown in Appendix IX. This is also supported by the Scree Plot in the Principal Components output.

Table 13 shows that all statements on marketing channels and accounts receivables attracted a component matrix of more than 0.6. This implies that all the statements were retained for analysis because they were rotating around the variable. The statement that there is a positive relationship between demand variability and credit offered had a coefficient of 0.909. That provision of trade credit is related to market power had 0.844, that customers frequently search multiple channels for the cheapest price had 0.823 and that the higher the gross profit the higher the incentive to sell attracted a coefficient of 0.822. The statement that firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavourable attracted a coefficient of 0.81. That, receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors had 0.762 and that, competition is the major reason for granting trade credit in our organization attracted a coefficient of 0.62.

Table 13: Marketing Channels Factor Analysis Component Matrix

Statement	**Component**
There is a positive relationship between demand variability and credit offered	0.909
Provision of trade credit is related to market power	0.844
Customers frequently search multiple channels for the cheapest price	0.823
The higher the gross profit the higher the incentive to sell	0.822
Firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavourable	0.81
Receivables helps in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors	0.762
Competition is the major reason for granting trade credit in our organization	0.62

The reliability results for market channels attracted a cronbachs alpha coefficient of 0.904 hence the statements were good for analysis.

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Table 14: Reliability Test for Market Channels

Variable	Market Channels
Number of items	7
Cronbach's Alpha	0.904

4.3.2 Relationship between Marketing Channels and Accounts Receivables

Table 15 shows the correlation results of marketing channels and accounts receivables, which indicate that there exists a positive and significant relationship between marketing channels and accounts receivables. This was evidenced by the p value of 0.001 which is less that of critical value (0.05)

Table 15: Relationship between Marketing Channel and Accounts Receivables

Variable		Accounts receivables	Marketing channels
Accounts receivables	Pearson Correlation	1	
	Sig. (2-tailed)		
Marketing channels	Pearson Correlation	0.315	1
	Sig. (2-tailed)	0.001	

Binary logistic regression was used to model relationship between marketing channel constructs and accounts receivables management**.** Table 16 shows that competition was statistically associated with accounts receivable management ($p<0.03$). An increase in competition increases the probability of having effective account receivables management by 5.582 times. High gross profit was statistically associated with accounts receivable management ($p<0.007$). An increase in high gross profit increases the probability of having effective account receivables management by 371.61 times.

Table 16: Logistic Regression for Marketing Channel

Constructs	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B) Lower	Upper
Competition	1.719	0.792	4.713	1	**0.03**	5.582	1.182	26.362
Demand variability	0.422	0.5	0.712	1	0.399	1.525	0.572	4.068
Multiple channels	-0.057	0.615	0.008	1	0.927	0.945	0.283	3.154
Provision of credit	0.082	0.34	0.058	1	0.81	1.085	0.558	2.112
Customer attraction	0.22	0.463	0.226	1	0.635	1.246	0.503	3.09
Usage of trade credit	-0.371	0.401	0.856	1	0.355	0.69	0.314	1.515
High gross profit	5.918	2.195	7.269	1	**0.007**	371.61	5.033	27440.2
Constant	-31.754	12.352	6.609	1	0.01	0		

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$$\textit{Odds of AR} = -31.754 - 1.719X_1 + 0.422X_2 - 0.057X_3 + 0.082X_4 + 0.22X_5 - 0.371X_6 - 5.918X_7$$

Where;

X1 = Competition

X2 = Demand variability

X3= Multiple channels

X4 = Provision of credit

X5= Customer attraction

X6 = Usage of trade credit

X7= High gross profit

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

The objective of the study was to establish the effects of marketing channels on accounts receivables management in the hotel industry in Kenya. The study findings showed that marketing channels have contributed to accounts receivables management in the hotel industry. High gross profit was statistically associated with accounts receivable management ($p<0.002$). An increase in high gross profit increases the probability of having effective account receivables management by 5.004 times.

5.2 Conclusions

Marketing channels had a positive effect on accounts receivables management. It can therefore be concluded that competition was the major reason for granting trade credit in hotels and receivables help in attracting potential customers and retaining the older ones at the same time by weaning them away from the competitors. It was also possible to conclude that firms use trade credit instead of direct price reductions to push sales in periods when monetary conditions are unfavorable hence the hotels have also opted to trade credit.

5.3 Recommendations

Based on the findings, the study recommends that the hotel management should ensure that staff offers high quality of service so as to attract and retain their customers. It is also recommended that all employees should have a sense of urgency in treating and serving the clients, as this ensures that clients are satisfied with the service and remain loyal.

5.4 Areas for Further Research

A replica of this study can be carried out with a further scope to include more hospitality establishments in Kenya other than Three to Five star hotels and lodges. A similar study can be done on other services oriented institutions and see whether the findings hold true. Future studies should apply different research instruments like secondary data, focus group discussions to involve respondents in discussions in order to generate detailed information which would help improve accounts receivables management in Kenya.

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