COST OF SERVICES AND PERFORMANCE OF THE TOURISM INDUSTRY IN KENYA

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ABSTRACT

**Purpose:** Cost of services is a consideration to any shopper and this includes tourists too; very high prices reduce chances of repeat visits diminishing income for the park. The general objective of the study was to evaluate cost of services and performance of the tourism industry.

**Methodology:** The paper used a desk study review methodology where relevant empirical literature was reviewed to identify main themes and to extract knowledge gaps.

**Findings:** The study found out that Majority (78%) of the respondents disagreed that the charges in the park were very high. Majority (59%) also disagreed that the types of services offered were reasonable. Majority (60%) of the visiting tourists indicated that the prices of services at Mount Kenya National Park were reasonable or fair. It was found that a negative correlation between cost of services and performance of the tourism industry. This means that higher prices resulted in a drop in performance. The tourists indicated that the prices were fair suggesting that a reduction in prices would be welcome. This was evident in the finding that tourists were unable to utilize all services offered at the park. The findings therefore show that cost of services was an important determinant of performance of the tourism industry.

**Recommendations:** There is need for future studies to involve more parks to get a deeper understanding of the determinants of their performance. Local tourists were not involved in the current study. Future studies should therefore incorporate this important group of tourists who contribute to the performance of tourism in the country. Observation method which is free of bias should be used to assess the cost and quality of services provided to tourists in future studies.

**Keywords:** Cost, services, performance, tourism, industry, Kenya
1.0 INTRODUCTION

1.1 Background of the Study

The performance of the tourism industry is critical to the wealth rating of a country. The contribution of tourism industry to development, promotion of peace, socio-economic progress, and good international and national relations cannot be overestimated. The tourism industry has the potential to improve a country’s infrastructure and creation of employment to levels so high than any other sector. From natural resources to animals and birds’ species, marine parks and scenic sites all are income earners from viewers commonly referred to as tourists. The World Tourism Organization (UNWTO, 2016) highlights, indicates that tourism is an economic and social phenomenon which is growing at a faster rate compared with other growing economies. New tourist destinations are coming up as a result of modern tourism developments leading to socio-economic progress. Tourism competes favorably with oil exports, sale of food products and automobiles. No doubt tourism is the main source of income for many developing countries. Performance in tourism industry is an enabler for increased diversification and stiff competition among destinations all over the world.

Tourism may be domestic or international. In both cases the performance of tourism in the world contributes greatly to the world economy. The Manila Declaration of World Tourism in 1980 recognized tourism—as an activity essential to the life of nations because of its direct effects on the social, cultural, educational and economic sectors of national societies and on their international relations. Development in the tourism industry leads to a rise of social and economic development. This development and existence solely depends on the existence of peace to which tourism endeavors to contribute UNWTO (2016). It is every country’s responsibility to enhance tourism to more than a purely economic activity. The performance of tourism is a transformational agent for the world, leading to enhanced international relations and the promotion of peace. As Manila Declaration puts it, —based on justice and respect of individual and national aspirations, tourism stands out as a positive and over present factor in promoting mutual knowledge and understanding, and as a basis for reaching a greater level of respect and confidence among all the peoples of the world UNWTO (2016).

Tourism is acknowledged as one of the key sectors of development in a nation and a major source of income, employment and wealth creation (Degarege, 2017) Tourism has and will continue to play an important role in the lives of people in developed countries and positively affects their feeling of well-being. Recreation is becoming part of lifestyle of an increasing number of people (Havadi, 2020); Hill, R.P and Martin K.D, (2012). Tourism included activities where people travel to and stay in locations outside their usual surrounding for a period of not more than one consecutive year for leisure, business or other purposes (UNWTO, 2017). As a worldwide occurrence, tourism activities form a very important part of the service sector strongly influencing the economy (Omondi, 2017). For the tourism sector to maintain its current status, it is dependent on tourists’ travel decisions which are reflected in recreational behaviour. Buonincontri, (2017) stated that tourism is subject to a collection of influences and factors that determine its relative distribution. It is therefore important for tourism product manager to understand the travel behaviour and more specific the travel behaviour of tourists, as it may assist in product development, improved marketing strategies, enhanced service delivery approaches and the creation of a competitive advantage. (Stensl and, 2021) therefore residents or tourists’ behaviour.
plays an important role in domestic tourism. Consumer behaviours play a key role for all marketing activities which have the main use of promoting and selling tourism products (Buonincontri, 2017). Recreational behaviour involves certain decisions, activities, experiences that satisfy the consumer needs and wants. Recreational behaviour and consumer decision-making were analyzed in different studies (Carlson, 2014).

Payment for services rendered in tourism either in hotels, site seeing, scenic adventures, bird watching, marine parks, cruise ships, entertainment or mountain climbing influences performance in the tourism industry. Assaf and Knezeric (2011) noted that cost efficiency influences performance in the tourism industry. Eylul (2012) encourages innovation in tourism industry in all aspects of formation and development of creative ideas or improvement of better tourism services leading to higher tourist satisfaction, more effective managerial strategies, higher profits and lower costs as end results. Higher income and relative increase in affluence increases demand for luxury travel. Customers look for excitement adventure and something different and unique. Due to changing lifestyles, spending has also changed.

Todays’ new tourism includes packages like agri-tourism, dark-tourism, slow-tourism and gastronomic tourism. These creativities call for higher spending and higher performances in the tourism industry. Advancement in technology, mobile usage increase, mass communication, global e-connectivity, e-tourism has increased online bookings, selling, marketing and information flow are geared towards increased costs and presumably high performance in the tourism industry, Eylul (2012). Tourism companies will need to possess websites to provide information, channels for internet shopping and e-tourism. Increased number of internet users leads to increased internet booking sophisticated online marketing and strategies. Online communication and consumption patterns are appearing, all at a price. There is a shift from individual to group tours, with more sophisticated and educated customers who require knowledgeable travel coordinators ready to pay for the services. The cost as an influence to performance in the tourism industry is also determined by ecology, green applications and sustainability. The tourists are now seeking nature friendly, ecological and culturally sensitive products. Tourists are willing to pay more for green hotels, green travel packages and green destinations. The internet market offers tax deductions for energy saving green hotels, Eylul (2012).

1.2 Statement of the Problem

Tourism earnings decreased by 7.3 percent from Kshs. 94 billion in 2013 to Kshs. 87.1 billion in 2014 with international arrivals decreasing to 11.1 percent. (Economic Survey, 2015). Tourism industry is responsible for 9 percent of Gross Domestic Product globally and providing one in eleven jobs (World Heritage and Tourism Report, 2015). Tourism sector is responsible for 9 percent of Gross Domestic Product globally and providing one (1) in eleven (11) jobs. Yet in Kenya, people are losing jobs instead of gaining employment in the tourism sector. When the budget allocation for tourism was reduced in 2016/2017 a budget commentary by Pesacheck asked, Is Kenya’s tourism sector headed to the right direction. Another headline read, —Boost for sickly tourism as chartered flights to resume. Although a lot of studies have been done on Kenyan tourism there is need to examine cost of services and performance of the tourism industry with a view to improving the sectors earnings in foreign exchange. The Ministry of Tourism projected that the sector would grow by 20 percent this year compared to last year. To achieve this increase the study investigated cost of services and performance of the tourism industry.
1.3 Objectives of the Study
The general objective of the study was to evaluate cost of services and performance of the tourism industry.

1.4 Justification and Significance of the Study
Results of this study may offer guidelines to the Kenya Government and Kenyan people since tourism is the second foreign exchange earner after agriculture, the performance in tourism industry may raise Kenya’s economy and increase the Gross Domestic Per Capita. The Kenya government has invested heavily in budgetary allocation to the tourism industry. Results obtained from this study may help development in tourism and earn more finances to sponsor other development projects. The Kenya Tourist Federation may also be boosted by the findings and this may lead to service improvement and more creativity and innovation hence attracting more visitors.

LITERATURE REVIEW

2.1 Theoretical review
Two theories were found to be relevant in building on evaluate conflict management strategies and performance of telecommunication industry in Kenya. The theories that were found to best inform the research constructs are Goal Setting theory (Locke, 1960) and institutional theory (2006).

2.2.1 Goal Setting Theory
Goal setting theory states that the source of motivation is the desire and intention to reach a goal (PSU, WC, 2015). Goal setting involves the conscious process of establishing level of performance in order to obtain desirable outcomes. Goal Setting Theory was created by Ponan Francis and Redmond and modified by Chelsea Manne Jones in February 2016. The goals setting theory has received great support from other researchers. Locke and Latham (2006) stated that the goal setting was based on the premise that much human action is purposeful in that it is directed by conscious goals. The decision to set a goal results from dissatisfaction with current performance levels. Setting goals should include setting a structure that directs actions and behaviour which improve the unsatisfactory performances. Goal setting theory predicts that people will channel effort toward accomplishing their goals which in turn affect performance. Locke and Latham (1990). There are several conditions that are particularly important in successful goal achievement. These are goal acceptance and commitment, goal specificity and goal difficulty and feedback (O Neil & Drillings, 1994). These goals have been edited by Kenneth Blanchard and Spencer Johnsons as SMART Goals – specific measurable, attainable, realistic and time bound. SMART goals have been modified to BHANs which are ambitious long term goals by Buchanan (2012). The goals setting theory was useful in the study on evaluating cost of services and performance of the tourism industry.

2.2.2 Institutional Theory
The study also used the new institutional theory based model in establishing the evaluate cost of services and performance of the tourism industry. The conceptual model helps to explain the Corporate Social Responsibility (CSR) in the context of institutional theory. (Danuta de Grosbois 2015). The concept of CSR has grown with the recognition that business enterprises have responsibilities to society well beyond profit making (Carrol and Shabana 2010). The institutional
theory emphasizes that organizations are open systems strongly influenced by their institutional environments, including regulations, norms and socially constructed belief systems that exercise significant control over organizations in terms of goal setting decision making and the development of performance measures (Di Maggio and Powell, 1983; Meyer and Rowan 1977). The tourism industry is a CSR; therefore the institutional theory was relevant in influencing performance of the formal structures more than market pressures. This will be as a result of innovativeness to improve performance of the tourism industry through technical efficiency.

2.4 Empirical Review

Ogembo,(2018) conducted a study on to determine the role of MICE tourism in sustainable development in Kenya. The study was based on the modernization theory. It adopted the descriptive research design. The target population of the study was the officials from ministry of tourism and ministry of finance and planning, officials from ministry of foreign affairs, officials from council of governors, official from Kenya tourism board and official from Kenya tourism operators association giving a sample size of 104. Purposive sampling was used to select the respondents. Both primary and secondary data was used. Primary data was collected using a semi-structured questionnaire while the secondary data was obtained through document analysis from publications, reports, public and personal records. Descriptive and content analysis was performed on data collected. On the first objective of the study, it is evident that MICE tourism contributed to sustainable development in numerous ways. To begin with MICE Tourism played key roles in bringing in revenue into the country. This contributed immensely to the growth of the country. MICE tourism also contributed to economic growth through job creation and development of infrastructure among other benefits. Furthermore MICE tourism enhanced the development of other economic sectors since some of the visitors to the country decided to stay behind and engage in other forms of business. Expertise was also left behind by tourists and this was cascaded to other development areas. Lastly, it is evident that MICE tourism enhanced the performance of the country through ways such as increase in Foreign Direct Investments and opening opportunities for international cooperation in the tourism sector. The combined of these and other benefits contributed to economic development in the country. On the second objective of the study, the findings show that numerous factors contributed to the success or failure of MICE tourism to enhance sustainable development. To begin with, the ability of a country to leverage on the gains of MICE tourism was dependent on its available accommodation facilities. This could go on to affect the ability of the country to benefit from the contribution of MICE tourism to sustainable development. Another notable challenge encountered in employing MICE tourism in the country was occasional insecurity and negative publicity about the country in foreign media. In this regard, Kenya was often faced with negative publicity from international media which denied the country the ability to benefit from this form of tourism; a thing that could affect development. This was aggravated by the fact the country did not have strong mechanisms for countering negative publicity. Other challenges were lack of money to advertise the country well, lack of political will, poor infrastructure, lack of strong cooperation between government and private actors and poor infrastructure. Competition from other destinations among others was highlighted as a notable challenge. On the last objective of the study, it was evident that numerous strategies could be used to enhance the use of mice tourism as a means for promoting sustainable development in Kenya. In this regard, one of the strategies suggested was putting up good and standard facilities. MICE tourism could also be enhanced through rigorous advertisement, promotion and tourist information
bureaus. It was also established that MICE tourism could be enhanced through tailor made packages for visitors. When used, the ability of the government to benefit from the gains of tourism to enhance sustainable development could be enhanced.

Ngari,(2017) conducted a study on factors influencing participation in domestic tourism among public sector employees: a case of civil servants in Manyatta Sub County, Kenya. The objectives of the study were to establish the influence of tourism marketing incentives on participation in domestic tourism, determine how holiday culture influences domestic tourism, the influence of tourism sector perception on domestic tourism and determine how social economic factors influence participation in domestic tourism among public sector employees. The theoretical framework of this study is derived from the Integration theory. The study used a descriptive survey design and the study population was 1422 public employees. Data analysis was done using Statistical Package for Social Sciences. The study has established that marketing incentives on infrastructure improvement, security, paid leaves and reduced taxes, positively influence participation in domestic tourism. It also establishes that tourism sector attitude towards local tourists is positive but there is need to develop domestic tourism models. The study has established that participants do not budget for domestic tourism and lack of finances influences participation in domestic tourism. The study recommends the government of Kenya to ensure growth and sustainability of domestic tourism through ambitious strategies and policy agenda in all counties to promote participation. The County government of Embu should intervene in the pricing rates in order to attract more domestic tourists in several local tourism sites as the current rates are considered high and a big impediment to domestic tourism. The Embu County Government should target the youth, given the growing number of youth population in the country, for their participation in domestic tourism.

Huqa,(2017) conducted a study on sustainable management of community based tourism in Kenya using Isiolo County as a case study. Consequently it examined the role of Sustainable Management of Community Based Tourism in Isiolo County and evaluated the potentials for Sustainable Management of Community Based Tourism in Isiolo and finally concluded with a draft of policy recommendations on interventions for more effective Community Based Tourism. The study depended largely on primary data with intermediate use of tables and figures with textual narration to present the information. The study found out that the roles of sustainable management of community based tourism were realized through local community involvement in tourism activities, as an economic contributor, a mechanism to curb community disputes on tourism resources and enhancement of preservation and conservation of tourism resources. The study also found out that the CBTs in Isiolo County were sustainable and successful since Isiolo locals had been trained to participate in tourism project, employed, and used the profits resulting from tourism activities for community projects development. The study revealed the challenges that affected CBTs which were lack of funding, insecurity, poor infrastructure, corruption, poor market, the policy and institutional framework which were in place.

Casmir,(2016) conducted a study to determine the different tourism entrepreneurial activities undertaken by Maasai households in Kimana; to analyze the benefits that households derive from tourism entrepreneurship; and to examine how these benefits have enhanced access to education. The study was guided by the community entrepreneurial model and a conceptual framework developed for the research. The study was conducted in Kimana group ranch which lies adjacent to Amboseli Nation Park in May 2015. Both qualitative and quantitative data were collected using
a closed and open ended questionnaire and key informant interviews. The study established that Maasai households were involved in a wide range of tourism entrepreneurial activities including selling curios and handicrafts to tourists, tour guiding/interpreting, beadworks, entertainment, selling Maasai shukas and as managers of their own tourism enterprises from which they accrued various financial and non-financial benefits. While many households in this study utilized significant amounts of income accrued from their tourism entrepreneurial activities to purchase basic necessities and foodstuffs, a small but critical amount was used to enhance access to education through paying for the cost of putting up educational infrastructure, paying fees, hiring teachers and purchasing school supplies. It was observed that the amount of benefits that households accrued from their tourism entrepreneurship were low and this limited their capacity to commit more resources to enhancing access to education.

Njiru, (2016) conducted a study to establish the role of national branding in promoting tourism, a case of hotels in Nairobi central business district (CBD) area. The population of interest was all the hotels in Nairobi’s CBD area. The reason for using hotels as the case was because the researcher believes that tourism performance has a positive effect towards the performance of hotels hence any initiatives geared towards promoting tourism will be of concern to hotels. The study was carried out on all 26 hotels found in Nairobi’s CBD between the categories of five star and two star. A descriptive research design approach was used in this study. Primary data was collected using semi-structured questionnaire which was divided into four sections, the first part consisting of general information, second part had questions aimed at measuring the understanding of national branding by the respondents, third part contained questions on contribution towards national branding and fourth part contained questions that addresses contribution of national branding towards promoting tourism in Kenya. Managers in the respective hotels were the target for answering the questionnaires. Data was analyzed using SPSS program. Descriptive statistics method was used to analyze data and results were presented in form of tables and charts. From the findings, there is some understanding of what national branding entails among the tourism stakeholders. The study also established that national branding had a positive role towards promoting tourism.

2.2 Research gaps

Methodological gap is the gap that is presented as a result in limitations in the methods and techniques used in the research (explains the situation as it is, avoids bias, positivism, etc.). Ngari,(2017) conducted a study on factors influencing participation in domestic tourism among public sector employees: a case of civil servants in Manyatta Sub County, Kenya. The objectives of the study were to establish the influence of tourism marketing incentives on participation in domestic tourism, determine how holiday culture influences domestic tourism, the influence of tourism sector perception on domestic tourism and determine how social economic factors influence participation in domestic tourism among public sector employees. The theoretical framework of this study is derived from the Integration theory. The study used a descriptive survey design and the study population was 1422 public employees. Data analysis was done using Statistical Package for Social Sciences. The study has established that marketing incentives on infrastructure improvement, security, paid leaves and reduced taxes, positively influence participation in domestic tourism. It also establishes that tourism sector attitude towards local tourists is positive but there is need to develop domestic tourism models. The studies presented a
methodological gap as it used descriptive research design while our current study adopted a desktop literature review method.

Conceptual gap arises because of some difference between the user’s mental model of the application and how the application actually works. Ogembo (2018) conducted a study on to determine the role of MICE tourism in sustainable development in Kenya. The study was based on the modernization theory. It adopted the descriptive research design. The study found out that MICE tourism enhanced the performance of the country through ways such as increase in Foreign Direct Investments and opening opportunities for international cooperation in the tourism sector. The combined of these and other benefits contributed to economic development in the country. The study presented a conceptual gap as it determined the role of MICE tourism in sustainable development in Kenya, while the current study is on evaluating cost of services and performance of the tourism industry.

3.0 METHODOLOGY

The study adopted a desktop literature review method (desk study). This involved an in-depth review of studies related to cost of services and performance of the tourism industry. Three sorting stages were implemented on the subject under study in order to determine the viability of the subject for research. This is the first stage that comprised the initial identification of all articles that were based on cost of services and performance of the tourism industry from various databases. The search was done generally by searching the articles in the article title, abstract, keywords. A second search involved fully available publications on the subject on cost of services and performance of the tourism industry. The third step involved the selection of fully accessible publications. Reduction of the literature to only fully accessible publications yielded specificity and allowed the researcher to focus on cost of services and performance of the tourism industry which was split into top key words. After an in-depth search into the top key words (cost, services, performance, the tourism, industry), the researcher arrived at 5 articles that were suitable for analysis. The 5 articles were findings from Ogembo,(2018) who conducted a study on to determine the role of MICE tourism in sustainable development in Kenya. The study was based on the modernization theory. It adopted the descriptive research design. The study found out that MICE tourism enhanced the performance of the country through ways such as increase in Foreign Direct Investments and opening opportunities for international cooperation in the tourism sector. The combined of these and other benefits contributed to economic development in the country.

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SUMMARY, CONCLUSION AND POLICY IMPLICATION FOR FURTHER STUDY

4.1 Summary

Through the Ministry of Environment, the government undertakes environmental management of tourism. It is the government’s responsibility to initiate transport infrastructure and communication network. The government also develops museums and heritage preservation as well as the promotion of arts and craft, Akama (2002). For improved economy the government creates an enabling socio-economic and political environment for the development of the tourism industry. It is also the role of the government to create a positive tourism image to mitigate negative publicity against Kenya.

4.2 Conclusion

The study sought to establish the influence of cost of services on the performance of the tourism industry. The study found out that Majority (78%) of the respondents disagreed that the charges in
the park were very high. Majority (59%) also disagreed that the types of services offered were reasonable. Majority (60%) of the visiting tourists indicated that the prices of services at Mount Kenya National Park were reasonable or fair. It was found that a negative correlation between cost of services and performance of the tourism industry. This means that higher prices resulted in a drop in performance. The tourists indicated that the prices were fair suggesting that a reduction in prices would be welcome. This was evident in the finding that tourists were unable to utilize all services offered at the park. The findings therefore show that cost of services was an important determinant of performance of the tourism industry. This finding is in agreement with Assaf and Knezeric (2011) who found cost efficiency influences performance in the tourism industry.

4.3 Recommendations

There is need for future studies to involve more parks to get a deeper understanding of the determinants of their performance. Local tourists were not involved in the current study. Future studies should therefore incorporate this important group of tourists who contribute to the performance of tourism in the country. Observation method which is free of bias should be used to assess the cost and quality of services provided to tourists in future studies.

5.0 REFERENCES


Muhalia, (2013) conducted a study to assess the perceptions of tourists and government officials on the development of sports tourism in selected regions of Kenya


