Choice of Attractions, Expenditure and Satisfaction of International Tourists to Kenya

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Choice of Attractions, Expenditure and Satisfaction of

International Tourists to Kenya

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Abstract

In this thesis, we examine the impact of tour packaging on preference, expenditure and satisfaction among the international tourists visiting Kenya for holidays.

The declining average per capita earnings from tourism, for instance from US $544 in 1990 to US$ 307 in 2000, necessitated the need to examine the preferences and expenditure levels of tourists. Choices of attractions visited were reputedly influenced by preferences and in turn these choices determine the expenditure patterns and levels. The reduction in the length of stay (for instance from 13.3 days in 1996 to 8.4 days in 2001) motivated the necessity to assess the satisfaction of tourists. With increased competition from other destinations in a region, tourists are likely to allocate a smaller proportion of their holiday-durations to those destinations where they have low expectations in terms of holiday experiences.

Policies encouraging mass (packaged travel) and alternative forms (independent travel) of tourism have been adopted interchangeably or jointly over the last few decades. The levels of earnings appear to be related to the policy options pursued during given periods, whereby mass travel is associated with low earnings per tourist while alternative forms of travel result in higher earnings. Neighbouring countries of Tanzania and Uganda have consistently pursued the alternative forms of tourism and consequently their earnings from tourism have shown trends contrary to those of Kenya. While the receipts per tourist arrivals were falling in the case of Kenya, those for Uganda were rising from US $145 in 1990 to US $803 in 2000 and US $909 in 1995 to US$1610 in 2000 for Tanzania. Given this scenario, we argue that the form of travel adopted affects preferences and hence choices of attractions visited and facilities utilized, expenditure and satisfaction levels of tourists.

This study was undertaken within the conceptual framework of consumer behaviour whereby choice, expenditure and satisfaction theories with respect to tourists were adopted. These theories were used to identify the determinants of preferences, expenditure and satisfaction, and to determine their measurements and structural relationships. Various personal and trip attributes were considered. A linear structural relationship (LISREL) approach was applied in order to estimate the structural equation systems by using its maximum likelihood estimator. This approach
checks for simultaneity bias in the model and simultaneously estimates the latent and observable variables in the measurement and structural models.

Using data from 1,566 tourists who had completed their holidays in Kenya, we found that various forms of travel based on packaging do not significantly affect the preferences, expenditure levels and satisfaction of tourists. However, tourists’ characteristics and their trip attributes have significant effects on these variables. Advanced age, higher socio-economic status, larger group size and shorter length of stay are associated with higher preference for wildlife viewing. Advanced age, longer length of stay, lower socio-economic status and smaller group size leads to higher preference for beach tourism. Gender and income were found to be insignificant in influencing preferences for wildlife and beach tourism. Higher socio-economic status and larger group size enhances preference for cultural tourism. Age, gender, income, and length of stay were insignificant in the case of cultural tourism. Higher socio-economic status, less advanced age, male, larger group size and shorter length of stay result in higher expenditure per tourist per day. In addition, higher preferences for wildlife-viewing and cultural tourism result in higher levels of expenditure. Beach tourism and income did not significantly influence expenditure.

Tourist satisfaction is positively associated with the importance of attractions to tourists and the value put on facilities utilized in the tourism industry. Concerns by tourists before and during travel have converse effects. The only tourist characteristics and trip variables that influence satisfaction were gender, group size and income. Female tourists reported greater satisfaction than their male counterparts. Higher levels of satisfaction were also reported among tourists travelling in large groups and those with high incomes. Age, socio-economic status and length of stay were found to be insignificant in influencing satisfaction.

In order to enhance the average daily level of expenditure by tourists, wildlife-viewing and cultural tourism need to be promoted. Therefore, the wildlife-beach tourism combination should be discouraged. Wildlife-viewing can be encouraged by attracting tourists advanced in age, with higher socioeconomic status, and travelling in larger groups and staying for shorter periods. Cultural tourism may be augmented by opting for and attracting tourists with higher socio-economic status and travelling in large groups.
Generally, big spending tourists may be identified by considering those with higher socio-economic status, upper age bracket, male, and travelling in large groups as well as staying for shorter periods. Contrary to theory, tourists travelling in large groups spend more per person per day possibly due to peer influence.

Tourist satisfaction can be guaranteed by offering attractions that score highly in importance to individual tourists and augmenting the value of facilities utilized while on holiday. Concerns by tourist prior and during travel also need to be addressed. Quality of facilities and attractions does not directly influence satisfaction. However, value for money, determined by quality, directly affects satisfaction.
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NB: 1 Kenyan Pound (pds.) = 20 Kenyan Shillings (Sh.)
CHAPTER 1

1. INTRODUCTION AND PROBLEM STATEMENT

The role of tourism in the generation of earnings and employment, as well as its contribution to investment, government revenue and balance of payments, is well recognized and understood (Cleverdon, 1979; WTO, 1998, 2001a, 2001b). Consequently, destinations become involved in tourism due to the potential economic and other benefits that can be derived from it. With the continuing growth of international tourism and tourist spending, there is an interest in understanding tourist behaviour. By understanding the expenditure patterns and activities of tourists during their visits to particular destinations, the strategic planning of facilities, amenities and resources used on marketing and other promotional activities can be enhanced. Sustainable and profitable tourism products can also be developed if the preferences and needs of tourists are understood (Mings, 1978; Cohen, 1978; Western, 1979; Migot-Adhola et al. 1982; Mathieson and Wall, 1982; Williams, 1987; Lawrence, 1994; Weaver, 1999; WTO, 2001c, 2002). In a competitive business environment, destination managers try to expand their market share by seeking those tourists who spend more in terms of both time and money on their products. However, many destination managers are not able to target their products specifically towards such tourists because they are not easily distinguishable from others in terms of demographic, socio-economic and other observable characteristics (Mok and Iverson, 2000). Better bases of identifying such tourists in terms of their activity preferences and spending behaviour are necessary.

Kenya, like other developing countries that rely on tourism as an economic activity, has actively tried to raise its share of earnings from the tourism industry by pursuing several policies (GoK, 1969; Britton, 1982; GoK, 1986; Alderman, 1994; Brohman, 1996; TTC, 1998; TTC, 1999; Sindiga, 1999; GoK, 2000; GoK, 2002). These policies include vertical and horizontal integration of businesses engaged in the provision of tourism products. Other policies aim at encouraging high-spending tourists to visit/revisit the destination. Promotion of non-traditional tourism products such as culture is being pursued. Nature-based attractions have been over-utilized in some specific destinations especially the protected areas. The policies are normally based on one or a few observable characteristics of tourists in the process of market segmentation.
Although tourism is considered to be an industry, it is a collection of service-based activities spread across a variety of industrial classifications and expenditure categories that are not generally grouped together. Furthermore, tourism does not have a unique base as an industry since it encompasses widely diverse firms and organizations from many industries that serve customers with a variety of incomes, tastes and interests. The actors in this business are also varied, ranging from consumers, suppliers and government agencies with diverse goals, objectives and motivations. From an economic perspective, an industry is defined as a group of independent firms producing a homogeneous product with a high degree of similarity defined in terms of substitutability and cross-elasticity of demand (Davidson, 1998). Likorish and Jenkins (1997) suggested that tourism is comprised of three kinds of businesses or "trades":

- the primary trades, which are most commonly associated with tourism (e.g., transport, tour operations, travel agencies, accommodations facilities and attractions);
- the secondary trades that help support tourism, though they are not exclusive to tourism (e.g., retail shopping, banking and insurance, entertainment and leisure activities, personal services); and,
- the tertiary trades which provide the basic infrastructure and support for tourism (e.g., public sector services, food and fuel, manufacturing).

Tourist destination regions develop the elements of a tourist product with or without external assistance. A number of agents in the tourism system assemble and distribute the elements into an end product for consumption by tourists. Some tourists purchase most of the components of the end product in the form of package tours while others purchase only selected elements. Free independent travellers, for instance, purchase transportation from distributors in their home countries and accommodation from suppliers at the intended destination. Tour-operators and travel agents generally handle the sale of the end product to the consumers, although transport companies may also sell directly to tourists. Another group that is becoming an important player in the tourism supply chain is the ‘holiday-maker’ who produces and distributes the end product without going through other distributors. These distributors decide on the end product which is to be marketed to separate market segments of potential travellers depending on the quality and competitiveness of the
product and the sales-margin obtained on the market. However, the end product sales are increasingly being facilitated through Internet services.

1.1 Tourism Performance

*Declining Expenditure Levels*

Although the number of tourist-arrivals to Kenya and the gross revenue have been rising over the last few decades, real average earnings per tourist per day have been showing a downward trend that may erode the contribution of tourism to the economy in the long run (Figure 1.1). This has resulted in the speculation that tourism may not be the means to faster economic growth and development. Despite this negative trend, policies encouraging the number of tourist-arrivals are pursued in order to compensate for declining earnings per tourist per day. 

Tourist arrivals and total expenditure are displayed in Figure 1.1 and Table 1.1. They show a downward trend in total expenditure and the length of stay per tourist from the mid-1990's, respectively.¹

---

¹ The year 1994 has a relatively high total expenditure which may be due to the liberalization of the foreign exchange market in Kenya around this period.
Figure 1.1: Tourism Arrivals and Receipts

Source: the GDF and WDI Central Database, the Primary World Bank Database for Development Data from officially recognized International Sources

Table 1.1: Average Expenditure of International Tourists to Kenya (excluding international travel) between 1987 and 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Length of Stay (Days)</th>
<th>Total Expenditure Per Person (US$)</th>
<th>Expenditure Per Person Per Day (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>16.0</td>
<td>536</td>
<td>33.5</td>
</tr>
<tr>
<td>1988</td>
<td>16.0</td>
<td>556</td>
<td>35.4</td>
</tr>
<tr>
<td>1989</td>
<td>14.4</td>
<td>571</td>
<td>39.6</td>
</tr>
<tr>
<td>1990</td>
<td>14.4</td>
<td>572</td>
<td>39.8</td>
</tr>
<tr>
<td>1991</td>
<td>13.7</td>
<td>537</td>
<td>39.0</td>
</tr>
<tr>
<td>1992</td>
<td>13.4</td>
<td>565</td>
<td>42.2</td>
</tr>
<tr>
<td>1993</td>
<td>13.9</td>
<td>500</td>
<td>36.0</td>
</tr>
<tr>
<td>1994</td>
<td>13.6</td>
<td>488</td>
<td>35.9</td>
</tr>
<tr>
<td>1995</td>
<td>12.2</td>
<td>657</td>
<td>53.9</td>
</tr>
<tr>
<td>1996</td>
<td>13.3</td>
<td>554</td>
<td>41.7</td>
</tr>
<tr>
<td>1997</td>
<td>11.8</td>
<td>400</td>
<td>33.9</td>
</tr>
<tr>
<td>1998</td>
<td>9.8</td>
<td>376</td>
<td>39.2</td>
</tr>
<tr>
<td>1999</td>
<td>9.4</td>
<td>271</td>
<td>28.8</td>
</tr>
<tr>
<td>2000</td>
<td>8.7</td>
<td>260</td>
<td>29.9</td>
</tr>
<tr>
<td>2001</td>
<td>8.4</td>
<td>305</td>
<td>36.3</td>
</tr>
</tbody>
</table>

Several studies on the economic performance of Kenya’s tourism sector have suggested possible causes for this decline. The decline in the tourist per capita expenditure per day may be due to the growing role of ‘package tourism’ and ‘all inclusive tours' and possible changes in the quality of tourists visiting the country (English, 1986; Rajotte, 1987; Summary, 1987; Dieke, 1991; Sinclair et al., 1990 and 1992; UNCTAD, 1998; Sindiga, 1999; Akama, 2000). In the next section, the trends from data provided by the World Tourism Organization on East African countries are provided. Although the actual revenue figures for Kenya differ from other countries within this region, they show the same trend. The difference in the figures may be due to the fact that in the WTO data set, other global trends such as inflation and exchange rates are taken into account.

Comparison of Kenya with other East African Countries

The economic structures of Kenya and the other East African countries of Tanzania and Uganda are basically similar. This is due to a common historical background that was solidified with the advent of British colonial rule in the late 19th century. A customs union consisting of Kenya and Uganda was created in 1900 and was later joined by Tanzania in 1922. The Union had a common currency from the 1920’s. From 1948 to the early 1960’s all three countries were under the East African High Commission. As independent countries, they formed the East African Common Services Organization that lasted from 1961 to 1967. From 1967, the three countries operated under the East African Community that collapsed in 1977. However, after a lull, the three countries re-introduced the collapsed Community with the signing of a new treaty in 1999 that went into force in the year 2000.

The development of tourism in the region had similar origins. The East African Tourist Travel Association (EATTA) was created in 1948 to foster the development, promotion and marketing of tourism in the East African region. The Association promoted wildlife viewing in the region’s protected areas. Sport hunting that was practised in the first half of the 20th century by the affluent class from western countries was discouraged as issues of conservation became important. Therefore, EATTA shifted activities within protected areas from sport hunting to wildlife viewing and photography. The middle-class in developed countries was now targeted to take part in this new form of tourism resulting in mass tourism.
Meanwhile, other forms of attractions were developed for tourism purposes such as cultural and beach resources.

With this common background, the production side of tourism products within the three East African countries can be considered to be similar. Marketing of the product, the channels utilized, the domestic and foreign participants (for instance tour-agents and operators) and the general market structure can also be considered to be basically the same for all three countries. The difference arises from the consumption side of the product. The type of tourists encouraged to visit each individual country by independent government agencies has been different. Tanzania in particular has consistently pursued the up-market tourists while her other partners, especially Kenya, have occasionally preferred mass tourism. Up-market tourists, unlike mass tourists, are assumed to travel on less inclusive packages and in small party sizes. Due to this scenario, differences have been observed in the number of arrivals and expenditure patterns. Table 1.2 shows that Kenya receives most of the tourist arrivals into the East African region. However, Tanzania is the leading destination in terms of international tourism receipts and receipts per arrival.

Table 1.2: East African Region: International Tourist Arrivals and Tourism Receipts by Country of Destination

<table>
<thead>
<tr>
<th>Arrivals (000's)</th>
<th>Average Annual Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals (000)</td>
<td>Kenya</td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
</tr>
<tr>
<td></td>
<td>Uganda</td>
</tr>
<tr>
<td>Receipts (US$ million)</td>
<td>Kenya</td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
</tr>
<tr>
<td></td>
<td>Uganda</td>
</tr>
<tr>
<td>Receipts per Arrival (US$)</td>
<td>Kenya</td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
</tr>
<tr>
<td></td>
<td>Uganda</td>
</tr>
</tbody>
</table>

Source: WTO (Data as Collected April, 2003). Kester, 2004 * estimates

The dismal performance of Kenya’s tourism industry in the 1990s accompanied by lower receipts per arrival, made the country lose its share of Africa’s tourism receipts. On the other hand, Tanzania, with fewer tourist arrivals, had a much higher share of
Chapter 1

Africa’s receipts. This may imply that Kenya is no longer as attractive to the relatively high-spending tourists as in the past.

1.2 Aims of Research

Problem Statement

Kenya has been pursuing different tourism policies at different times depending on the development objectives set for the sector. One of the main objectives has been to increase gross earnings by industry. Either low-volume/high-value (alternative tourism) or high-volume/low-value (mass tourism) tourism, or both, could attain this objective. The mixed strategy that encourages both alternative and mass tourism was the first to be initiated towards independence but was later abandoned for alternate single strategies until recently when it was once more reintroduced. The total and per capita revenue yields have fluctuated over the years depending on the strategy adopted. Each strategy is associated with a unique type and quality of tourist. Mass tourism, for instance, encourages high-volume arrivals but low-value clientele that normally adopt all-inclusive tour packages. The alternative strategy leads to low-volume arrivals but up-market tourism which has different travel patterns.

Research Focus

Kenya’s tourism policy since its independence in 1963 has been inconsistent, uncoordinated and partially incomprehensive (Ikiara, 2001). The policy focus at the time of its independence was to encourage a mixture of mass and up-market tourists. During the period 1965–1994, the emphasis was on mass tourism. Later, between 1994 and 2000, policies were geared towards up-market tourists due to the negative effects realized in the preceding period. From the year 2000 to date, the focus has shifted to the strategy adopted for independence where a mixture of mass and up-market tourists was encouraged. Such erratic changes in policy call for research so as to establish a reliable and flexible policy based on facts.

The main objective of this study is to examine the determinants of the preferences for various attractions visited, the resulting expenditure patterns and satisfaction levels. The study endeavours to identify the type of tourists who can
enhance and sustain earnings from tourism. The expectations of tourists are also assessed in order to understand causes of satisfaction.

This research will attempt to answer the following questions in order to achieve the stated objectives:

- What are the determinants of choice, expenditure and satisfaction levels of tourists?
- How do tour packages adopted for travel segment the market?
- What are the characteristics of these market segments?
- To what extent do segments differ in the level of preference as expressed through attraction choices?
- To what extent do segments differ in the level of expenditure?
- To what extent do tourist characteristics and trip attributes influence preference and choice within and across segments?
- To what extent do tourist characteristics and trip attributes influence expenditure within and across segments?
- To what extent do segments differ in the level of satisfaction?
- To what extent do the importance of attractions, concerns and perception of a tourism commodity influence satisfaction within and across the market segments?

The next chapter discusses the global and regional tourism earnings and arrival trends and their impact on Kenya’s tourism industry. Next to be considered is the structure of Kenya’s tourism industry, its contribution to the economy and general performance. The significance of the industry is assessed with regard to its sectoral contributions to real gross domestic product (GDP), export earnings (balance of payments), government revenue, employment and economic growth. An assessment of existing tourist attractions and facilities is carried out including the type of agents in the industry. This chapter, therefore, lays the basis for the research problem and the respective analytical framework.

Chapter 3 focuses on choice behaviour, expenditure and satisfaction of tourists visiting the destination under different travel arrangements organized as tour-packages. The concepts of tourism product and tour packages are discussed from both the demand and supply sides. Travel arrangements adopted by tourists for holidays
are defined into two categories: free independent travels and all-inclusive tour packages. The effects on the destination of these travel arrangements are presented. Tour packaging as a basis for segmenting the market is analyzed in the context of general tourist characteristics and situation-specific environment. Tourist characteristics encompass their demographic, socio-economic, personality and lifestyle attributes. Personal situation-specific characteristics are the importance of attractions, preferences, perceptions, concerns and expectations of individuals and travel parties. Trip specific attributes include convenience and costs of various travel arrangements. Travel behaviour encompasses the general group attributes such as group size and composition. The influence of packaging on preference, choice, expenditure and satisfaction is noted. These response variables are dealt with in detail in chapters 6 and 7. However, an initial discussion of the determinants of satisfaction is undertaken in this chapter whereby consideration is given to the concepts of satisfaction, concerns and disconfirmation.

Chapter 4 presents the structural modelling methodology that is later used to assess the role of packaging in determining preferences, choice, expenditure and satisfaction. The capacity of this methodology to handle the endogeneity problem and the multi-dimensionality of latent variables is discussed. Endogeneity exists under the choice/expenditure model where endogenous attraction preferences are finally considered as explanatory variables of expenditure. With regard to satisfaction, quality and pre-concerns are modelled as explanatory variables for value for money and post-concerns respectively. Several endogenous and exogenous variables in this study were measured using multi-scale items on various point scales.

Chapter 5 explains the procedure and methods of data collection and organization. Fieldwork design is outlined and data limitations that may influence reliability are discussed. Procedures and methods of data collection and organization are also presented.

Chapter 6 studies tourist expenditures and attraction choices using the characteristics of tourists and their trip attributes. Hypotheses are defined and tested in terms of the effect of explanatory variables on the endogenous ones. Furthermore, differences between package travellers and free independent travellers are studied.

Chapter 7 analyzes tourist value for money, post-concerns and tourist satisfaction. Hypotheses are defined and tested in terms of the effect of explanatory variables on the endogenous variables. Differences between segments are also studied.
Chapter 8 presents the summary and main conclusions of the study. The implications of the study findings for policy making are noted and areas of further research and limitations of the study are discussed.
CHAPTER 2

2. KENYA’S TOURISM INDUSTRY

2.1 Introduction

In chapter 1, the general trends of Kenya’s tourism industry were presented and the relatively low per capita earnings from tourism, in comparison to the neighbouring countries, were partly attributed to mass tourism and all-inclusive tour packages. This chapter discusses the main features of the industry at global, regional and country level in section 2.2, in order to provide the context required for analysis and policy formulation. The origin of travel packages is briefly discussed in section 2.3. Packaging is a historical phenomenon, the consequences of which are far-reaching and visible at many destinations worldwide. Influencing travel arrangements preferred by tourists requires that historical facts be taken into account before investigating the reasons for their popular adoption.

Section 2.4 presents the location and background of Kenya in terms of relief, climate and population. The physical, climatic and other natural characteristics of a destination determine the type of attractions and facilities available. Sections 2.5 to 2.7 present Kenya’s tourism attractions, structure of the industry and its contribution to the economy. Sections 2.8 to 2.10 cover tourism projections and potential markets, policy and targets for the industry and the performance of the industry along several indicators. Finally, section 2.11 provides a summary and conclusions of the chapter.

2.2 Tourism Activity

Tourism activity can be classified at different organizational levels including global, continental, regional, national and local levels.

Global Scene

World travel and tourism remain the largest industries in the world. Tourism was the most remarkable economic and social phenomenon of the 20th century and is expected to remain the same in the 21st century (WTO, 2002). Global tourist numbers grew at an annual rate of 3.8% between 1995 and 2001, from 552.3 million to 692.7 million. In 2001, worldwide tourism receipts were estimated at US$ 462 billion in current prices. The World Tourism Organization (WTO) suggests that international tourists will number 1.6 billion by the year 2020, spending a total of US$2 trillion per
year, or US$5 billion a day. In international tourist numbers this represents more than double the 693 million arrivals recorded in 2001, and expenditure of nearly four times more than the US$462 billion spent in 2001.

The WTTC forecasts that tourism and travel in sub-Saharan Africa (SSA), one of the poorest regions in the world, will grow at over 5% (in real terms) between 2001 and 2010 compared with 3% for the rest of the world. In SSA, employment in tourism and travel is also expected to grow rapidly, at 3.4% annually, to account for nearly 7.5% of the region’s total employment.

Africa’s tourism has been growing faster than global tourism. Over the 1985-1999 periods, for instance, tourism in Africa grew at 7.5% annually compared with 5.2% globally. However, Africa’s share of world tourism is still low and stands at about 4% in 1999. Table 2.1 shows the trend in international tourist arrivals since 1990 with average annual growth of around 3.8% over the period. In 2001 however, overall numbers of international tourist arrivals declined for the first time since 1982, with only Africa and East Asia / Pacific recording growth.

### Table 2.1: International Tourist Arrivals by Sub Region

<table>
<thead>
<tr>
<th>Sub Region</th>
<th>International Tourist Arrivals (million)</th>
<th>Market share (%)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>457.3</td>
<td>552.3</td>
<td>652.2</td>
</tr>
<tr>
<td>Africa</td>
<td>15.0</td>
<td>20.1</td>
<td>26.3</td>
</tr>
<tr>
<td>Americas</td>
<td>92.9</td>
<td>109.0</td>
<td>122.4</td>
</tr>
<tr>
<td>E Asia/Pacific</td>
<td>54.6</td>
<td>81.3</td>
<td>96.8</td>
</tr>
<tr>
<td>Oceania</td>
<td>5.2</td>
<td>8.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Europe</td>
<td>282.7</td>
<td>324.7</td>
<td>300.5</td>
</tr>
<tr>
<td>Middle East</td>
<td>9.0</td>
<td>13.1</td>
<td>20.5</td>
</tr>
<tr>
<td>South Asia</td>
<td>3.2</td>
<td>4.2</td>
<td>5.8</td>
</tr>
</tbody>
</table>

*Source: Kester (2004)*

Based on data for the year 2002, the World Tourism Organization reported that the number of international tourist arrivals exceeded 700 million with a 3.1 per cent increase over the 2001 figure. Northern Africa experienced a decrease of 4 per cent in international arrivals while sub-Saharan Africa had an 8.5 per cent increase.
Africa

Within Africa, there is great variation in terms of the numbers of tourist arrivals and foreign exchange earnings (Table 2.2). Most tourists visit North Africa, Southern Africa and Eastern Africa. Over the African continent, tourism is well developed in only a few countries such as Tunisia, South Africa, Morocco, Zimbabwe, Kenya, Botswana, Mauritius and Namibia.

According to data from the World Tourism Organization, Kenya’s share of world international tourist arrivals rose from 0.17% in 1985 to 0.19% in 1990 but this dropped to 0.12% in 2001. Kenya’s share in Africa’s tourism followed a similar pattern and rose from 4.7% between 1985 and 1990 but declined to 3.0% by 2001. Kenya was the sixth most important tourist destination in Africa behind South Africa, Tunisia, Morocco, Zimbabwe and Botswana by 2000. Algeria and Nigeria overtook Kenya with respect to the number of arrivals by 2001. Kenya’s share of world tourism receipts was only 0.066% while the share of tourism receipts to Africa was 2.6% in 2001.

<table>
<thead>
<tr>
<th>Country</th>
<th>Arrivals (×1000)</th>
<th>Tourism Receipts (US$ million)</th>
<th>Receipt per Arrival (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>5,908</td>
<td>2,501</td>
<td>423</td>
</tr>
<tr>
<td>Botswana</td>
<td>796</td>
<td>245</td>
<td>308</td>
</tr>
<tr>
<td>Namibia</td>
<td>670</td>
<td>404</td>
<td>603</td>
</tr>
<tr>
<td>Mauritius</td>
<td>660</td>
<td>625</td>
<td>947</td>
</tr>
<tr>
<td>Tunisia</td>
<td>5,387</td>
<td>1,605</td>
<td>298</td>
</tr>
<tr>
<td>Morocco</td>
<td>4,223</td>
<td>2,526</td>
<td>598</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>2,068</td>
<td>81</td>
<td>39</td>
</tr>
<tr>
<td>Kenya</td>
<td>841</td>
<td>308</td>
<td>366</td>
</tr>
<tr>
<td>Tanzania</td>
<td>501</td>
<td>725</td>
<td>1,447</td>
</tr>
<tr>
<td>Zambia</td>
<td>492</td>
<td>117</td>
<td>238</td>
</tr>
</tbody>
</table>

Source: Kester (2003)

2.3 The Origin and Growth of the Package Tour

Package Tours

Vladimir Raitz of Horizon Holidays is noted to have organized the first modern inclusive tour by air when he carried a party of holiday-makers to Corsica in 1950 (Mill and Morrison, 2002). The holiday consisted of full-board accommodation in tents, and travel in a 32-seater DC3 aircraft. Horizon started with 300 passengers in
its initial year of operation. The volume was continually increased in the subsequent years. The UK Package industry has grown by offering its customers an all-inclusive arrangement at a value-for-money price. Presently, Thomson, Air-tours and First Choice Holidays are the biggest ex-UK tour operators in terms of numbers of holidays sold. In Europe, German and Dutch tour operators (such as LTU, NUR and Holland International) became the main organizers of package holiday market. The industry includes numerous smaller, independent operators that offer a variety of destinations and holiday products. Long haul destinations (such as the Caribbean, USA, the Far East, Australia and Africa) are gaining significance as overseas destinations for package holiday-makers.

Mass Tourism

Tourism was brought into international focus at the end of the Second World War. Within twenty years, international tourism showed almost all the characteristics of the manufacturing industry. Tourism was mass oriented, standardized and rigidly packaged (Cohen 1979; Urry, 1990). By mid-1970s, tourism was being produced along assembly-line principles such as those of the automobile industry (Poon, 1993). Tourists consequently consumed leisure and travel services in a routine manner. The factors that caused mass tourism include cheap oil, paid holidays, mass consumers, computer technology, standardized production and management practices. Other factors are post-war prosperity, the jet aircraft, packaged tours, sun-lust tourists and other related developments. Tourist destinations worldwide responded to this demand by developing a variety of tourist facilities and amenities. Improvements in international flight scheduling, air-ticket price adjustments and increased levels of disposable income raised the volume of travel around the world. The introduction of organized tour-packages by professional tour and travel companies helped reduce the costs of international travel and minimized risks and uncertainties associated with individualized long-haul private travel arrangements (Poon, 1993).

2.4 Kenya

This section presents information on Kenya specifically regarding its attractions, tourism industry and the issue of travel packages.
2.4.1 Location and Background

Kenya is located in eastern Africa and has a territorial area of 582,646 square kilometres and lies across the equator between $4^\circ21'$ North and $4^\circ28'$ South latitudes and $34^\circ$ and $42^\circ$ East longitudes. The Republic of Somalia and the Indian Ocean border the country to the east, Uganda to the west, Ethiopia and Sudan to the north and north-west, and Tanzania to the south. About two percent of the country is under the water bodies of the Indian Ocean, Lake Victoria and several other inland lakes especially on the floor of the Great Rift Valley.

Topography

Kenya’s topography ranges from snow capped peaks (Mt Kenya 5,199m), the cradle of civilization in the great Rift Valley, alpine highlands, semi-deserts, savannah plains, wilderness, and deserts to the beaches along the coast. The relief is varied from sea level at the Indian Ocean coast to over 5000 meters in altitude. The land rises from the coastal plain (0 to 600m) to the highlands (2000 to 3000m) and to several volcanic peaks, the highest of which is Mt Kenya (5199m). Other peaks are Mount Elgon (4310m) at the Kenya-Uganda border, the Aberdare range (3999m) at the eastern edge of the Rift Valley, the Cherangani range (3370m), and the Mau escarpment (3098m). Cherangani range is the highest non-volcanic mountain in Kenya (Krhora, 1994). Despite the presence of a mountainous topography, mountain climbing and hiking is an underdeveloped activity in Kenya (Sindiga, 1999).

Kenya has many landform and landscape types ranging from equatorial, tropical, savannah and glacial to volcanic and tectonic (Ojany and Ogendo, 1973). This diversity of physical landscapes and scenery provides both variety and beauty (Sindiga, 1999). The floor of the Great Rift Valley contains several volcanic zones such as Longonot (2776m), Menangai (2279m), Silali (2355m), Suswa (2355m), and Shombole (1564m) (Ojany and Ogendo, 1973). Craters and calderas on some of these peaks provide the potential for hiking and camping (Sindiga, 1999).

Drainage

Kenya’s drainage system is influenced to a great extent by its relief. Rivers originate from highlands to various depressions. The volumes of many rivers fluctuate seasonally. Lack of sufficient volumes of water during certain seasons affects water...
users including recreational functions (Sindiga, 1999). Lake Victoria lies on a large depression that was probably formed by the process of down-warping (Sindiga, 1999). Several lakes occupy the lowest parts of the Rift Valley floor that cuts across the country from north to south. The lakes vary in size and include Turkana (6405 sq.km.), Baringo (129 sq. km.), Bogoria (34 sq.km.), Nakuru (52 sq. km), Elmentaita (21 sq. km.), Magadi (104 sq. km.), and Naivasha (210 sq. km.) (Ojany and Ogendo, 1973). Lake Amboseli is highly seasonal while the size of Lake Nakuru varies greatly depending on rains and water supply. These lakes are home to a large number of birds especially flamingos. The birds migrate seasonally to other lakes such as Bogoria and Natron depending on water levels. Lakes Naivasha (189 m above sea level) and Baringo are both fresh water lakes and have many species of birds. On one visit, for instance, over 340 species of birds have been spotted at Lake Naivasha and 400 species at Lake Baringo (Nyeki, 1992). Lake Bogoria has geysers and hot springs while lakes Turkana, Baringo and Naivasha have fresh water fish that supports a large fishing industry. Lake Turkana is situated in the desert and has rich bird life and a large colony of crocodiles. The lake offers sporting attractions for fishing Nile perch and tiger fish (Nyeki, 1992).

Forests are largely associated with the drainage system in the country and also provide touristic value (Sindiga, 1999). The tropical rainforest remnants at Kakamega and Arabuko-Sokoke have great diversity of species. Kakamega forest contains indigenous tree species such as Elgon teak, red stinkwood and African satinwood (Nyeki, 1992). The forest also has unique butterflies, birds, reptiles and animals. Arabuko-Sokoke along the coast has unique species of trees (Wass, 1994). The forest has a number of endangered and rare animal species such as Golden-rumped elephant shrew, the Sokoke bushy-tailed mongoose and Ader’s duiker (Virani, 1995). Rare birds in this forest include the Sokoke scops owl and Clarke’s weaver (Virani, 1995).

**Indian Ocean Coast**

Kenya’s Indian Ocean coast measures about 640 km long and borders the Republic of Somalia to the north and the United Republic of Tanzania to the south. Most of the region rises from sea level to about 2 m in altitude. The higher parts such as the Taita hills in the interior are well over 1500 m above sea level. The coastline has fringing coral reef running continuously at a distance varying from 0.5 km to 2 km off-shore. The reef is broken at the mouths of the River Sabaki to the north of
Malindi, the River Tana and several smaller rivers entering the Indian Ocean. The coral reef acts as a barrier to strong sea waves and in this way it protects the coastline from erosion. The white sand beaches of the Kenyan coastline result from this reef.

A narrow belt of land with a width of 3 km in the south and more than 50 km near the mouth of the River Tana forms the coastal plain that is the part of the coast that attracts significant tourism activity. The area has a mean temperature of 22°C and it is also hot and humid with temperatures rising occasionally to more than 30°C. The soil consists of corals, sands and alluvium. Coral soil and beach sand overlay the raised coastal reef. With sufficient rain, the land is also suitable for other activities such as cultivation and livestock rearing. The coast is suitable for such activities as swimming, snorkelling, surfing and sailing. The coral reef keeps away dangerous sea animals such as sharks (Visser and Koyo, 1992). Coral fish in all shapes, sizes, and colours form a large seascape.

The Kenyan coast is a drowned coastline that experienced a rise in sea level during the Pleistocene period. The rise in sea level led to the drowning of river mouths thus creating several tidal creeks, sheltered bays and deep water inlets. These features support a large range of opportunities for safe sport fishing (Ouma, 1970). Malindi provides opportunities for big game fishing such as marlin, tunny, sailfish, kingfish, barracuda, dolphin, giant rock cod and big sharks (Ouma, 1970). Lamu’s sheltered waters offer potential for cruising and yachting by providing several places to visit and safe anchorages (Sindiga, 1999). The area to the east of Lamu is rich in marine life and attracts diving, snorkelling, shark fishing and game fishing. Kilifi creek, Mtwapa and Tudor offer opportunities for open sea cruising, sport fishing and boating. Boating activities are also undertaken at Vanga, Wasini Channel, Funzi Bay and Ganzi. The estuarine parts of the coast is where fresh water and seawater mix form habitats for mangrove forests that cover an area of 64,990 hectares (Visser and Koyo, 1992; Mutua-Kihu, 1984). The forests yield wood for fuel and timber. The mangrove ecosystem is a rich habitat for fish, crabs, prawns and oysters (Visser and Njuguna, 1992; Visser and Koyo, 1992). The Mida creek has been developed for sight-seeing and bird watching while the mangrove forest areas remain largely unexploited for tourism purposes (Visser and Koyo, 1992).
2.4.2 Climate and Ecological Habitats

Kenya’s latitudinal location, its varied relief and landforms combine to give the country a range of climatic conditions stretching from equatorial, hot deserts to temperate type. Similarly, ecological habitats vary from mangroves and swamps along the coast to bushland and woodlands, grassland types and barren deserts in the interior, dense rain forest, bamboo forest, mountain heath and moorland, and permanent ice on top of Mount Kenya (Sindiga and Burnett, 1988).

About 17.7% of Kenya’s land area is potentially cultivable land given the existing current technology of farming. This area carries 25% of the country’s population and 50% of the total livestock. The area also carries most of the wildlife that is the basis of the country’s tourism industry.

2.4.3 Population

Kenya’s population is currently estimated at about 30 million people (GoK, Economic Survey, 2003). The country has over 40 diverse ethnic communities. The population of the country is youthful. Total fertility appears to be declining over the years (Table 2.3). The population densities are varied across the sixty districts that form the country. They range from over 517 people per square kilometre in the high potential districts to as low as 2 to 3 persons in the low potential ones. The country is also rapidly urbanizing.

<table>
<thead>
<tr>
<th>Table 2.3 Kenya’s Population Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Total population (millions)</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Growth rate (% per year)</td>
</tr>
<tr>
<td>Density (persons per sq. km.)</td>
</tr>
<tr>
<td>Urban population (millions)</td>
</tr>
<tr>
<td>Total fertility rate</td>
</tr>
</tbody>
</table>


2.4.4 Economy

Kenya is predominantly an agricultural country and, like other developing countries, it relies on primary production as the main economic mainstay. Generally, the country's economic performance has been declining since the mid-1970s as evidenced by falling per capita incomes, the rising number of people living below the
poverty line, dwindling average growth rate of GDP and worsening external balance of payment. Several factors are responsible for this dismal performance such as the 1973 international oil crisis that affected the entire economy adversely, the break-up of the East African Community in 1977, the drought of 1984 and political instability in 1982.

_Agricultural Sector_

The agricultural sector's contribution to GDP has been declining over the years. Given that over three-quarters of people reside in the rural areas where they predominantly practice subsistence farming and livestock rearing, agriculture is still important for employment generation. Due to its diminishing contribution to GDP, the role of the sector in employment generation and creation of resources for investment is likely to decline. Kenya relies mainly on coffee, tea and horticulture for foreign exchange earnings (Table 2.4). The capacity to increase the acreage and yield of the agricultural sector is also limited because of high population growth rates and subdivision of land to uneconomic units, low and inappropriate technology, increasingly unfavourable weather patterns and poor pricing practices both at national and international levels (GoK, Development Plans: Various Issues).

**Table 2.4: Comparison of Earnings from Coffee, Tea and Tourism (Figures in Ksh. Million and at 1982 Prices)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Coffee</th>
<th>% Export Earnings</th>
<th>Tea</th>
<th>% Export Earnings</th>
<th>Tourism</th>
<th>% Export Earnings</th>
<th>Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>14,444</td>
<td>14.8</td>
<td>17,990</td>
<td>18.5</td>
<td>25,000</td>
<td>25.7</td>
<td>97,340</td>
</tr>
<tr>
<td>1996</td>
<td>16,427</td>
<td>13.9</td>
<td>22,705</td>
<td>19.2</td>
<td>25,600</td>
<td>21.7</td>
<td>118,200</td>
</tr>
<tr>
<td>1997</td>
<td>16,856</td>
<td>14.7</td>
<td>24,126</td>
<td>21.1</td>
<td>22,640</td>
<td>19.8</td>
<td>120,445</td>
</tr>
<tr>
<td>1998</td>
<td>12,817</td>
<td>11.2</td>
<td>32,971</td>
<td>28.8</td>
<td>17,509</td>
<td>15.3</td>
<td>121,181</td>
</tr>
<tr>
<td>1999</td>
<td>12,029</td>
<td>9.8</td>
<td>33,065</td>
<td>27.0</td>
<td>21,367</td>
<td>17.4</td>
<td>122,559</td>
</tr>
<tr>
<td>2000</td>
<td>11,707</td>
<td>8.7</td>
<td>35,150</td>
<td>26.1</td>
<td>21,553</td>
<td>14.6</td>
<td>134,527</td>
</tr>
<tr>
<td>2001</td>
<td>7,460</td>
<td>5.0</td>
<td>34,485</td>
<td>23.4</td>
<td>24,239</td>
<td>16.4</td>
<td>147,590</td>
</tr>
</tbody>
</table>

_Source: Central Bank of Kenya Publication: Various Issues_

_Manufacturing Sector_

The manufacturing sector can improve in terms of value-added production, enhance and stabilize incomes, accelerate employment creation opportunities and save on foreign exchange by locally producing hitherto imported commodities. Programmes such as import substitution, export-promotion and export processing zones are being pursued for this purpose. The over-all rationale is to diversify the
structure and composition of the economy so as to reduce over-reliance on one sector. Besides, this strategy is expected to provide employment opportunities through which excess rural labour supply could be absorbed. Current government plans and sessional papers have put the year 2020 as the time when the economy should be fully industrialized. The success of this strategy is hampered by several constraints such as limited and mostly inappropriate technology, excessive rural-urban migration, capital-intensity of the manufacturing activity, inadequate resources for investment and international factors relating to pricing, quota-systems and other unfavourable trade policies. Issues relating to excessive rural-urban migration are being addressed through geographical and locational diversification of manufacturing activities. The net gains resulting from this strategy are not yet encouraging and this is forcing the government to revert back to the development of rural areas and agriculture in order to minimize negative consequences. Therefore, development of these sectors has to be undertaken simultaneously despite the scarce resources available for development.

**Service Sector**

Given the scenario sketched above, other possibilities need to be opened up such as exploring the possibility of the service sector to augment the two other sectors. The service sector of the economy contributes more than half the country's GDP and provides two-thirds of Kenya's modern wage employment. Although Kenya’s policy since its independence has focused on agriculture and industry, the service sector has been the most important sector in the country’s economy in terms of employment creation, contribution to the gross domestic product and foreign exchange earnings. The sector’s contribution to GDP in 1960 was 44% compared to 38% by agriculture and 18% by industry (Table 2.5). The share of the sector in GDP rose from 46% in 1980 to 58% in 2002. The share of the service sector in total wage employment grew from 49.6% in 1970 to over 61% in 2002. For most of the period between 1970 and 1990s, export of services accounted for over 50% of foreign exchange inflows and about 33% of the outflows per year in the country’s current account (Ikiara et al., 2003).
Table 2.5: Structure of the Kenyan Economy, 1960-2002 (Per Cent of GDP at Factor Cost)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>38</td>
<td>35</td>
<td>33</td>
<td>35</td>
<td>33</td>
<td>31</td>
<td>29</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>Industry</td>
<td>18</td>
<td>18</td>
<td>20</td>
<td>20</td>
<td>21</td>
<td>20</td>
<td>19</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>(Manufacturing) included in the industry category above</td>
<td>(9)</td>
<td>(11)</td>
<td>(12)</td>
<td>(12)</td>
<td>(12)</td>
<td>(12)</td>
<td>(13.1)</td>
<td>(13)</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>44</td>
<td>47</td>
<td>47</td>
<td>45</td>
<td>46</td>
<td>49</td>
<td>52</td>
<td>62</td>
<td>58</td>
</tr>
</tbody>
</table>


Sectors that contribute significantly to the GDP and wage employment are community, social and personal services; trade, restaurants and hotels; and transport and communications. Transport, insurance, tourism and telecommunication services are some of the services recorded in the country’s balance of payment accounts. Foreign travel/tourism has the largest net surplus, followed by telecommunication services. The largest net deficit has been recorded under insurance and royalties plus license fees (World Trade Organization, 1999).

2.5 Attractions and Facilities

2.5.1 Motivations for Visiting

Over the last few years, Kenya has been receiving an average of slightly less than one million tourists per year. About 79% of the international tourists to Kenya were on holiday, 11% in transit and 9.8% on business during the 1999 calendar year. During the same year, Europe as a tourist-generating region contributed about 64% of the total tourists who visited the country. A similar percentage during the same period for North America was 7.4%, Asia 5.7%, Australia and New Zealand 1.8% and the rest of Africa was 15%. Over the same period, tourists from Europe formed about 69% of all tourists visiting Kenya primarily for holidays, North America 7.6%, Asia 5.3%, and rest of Africa 9% while Australia and New Zealand constituted 1.8% of the tourists.

Taking the top international source markets, i.e., those with more than 10,000 visitors to Kenya in a year, the purpose of the visit for the vast majority of arrivals (88%) is holidays (Table 2.6). Of the German visitors, 97% travelled for a holiday in
Kenya’s Tourism Industry

Kenya. A reasonably substantial number of visitors from India, the UK and the USA visited Kenya on business or conference attendance.

Table 2.6: Number of Days Stayed by Purpose of Visit 1997 – 2001

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Air</th>
<th>Holiday (%)</th>
<th>Business/Conference (%)</th>
<th>Visiting Friends &amp; Relatives (VFR) (%)</th>
<th>Other (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>91,472</td>
<td>87</td>
<td>6</td>
<td>4</td>
<td>4</td>
</tr>
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<td>59,338</td>
<td>97</td>
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<td>1</td>
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<tr>
<td>USA</td>
<td>40,346</td>
<td>72</td>
<td>13</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Italy</td>
<td>38,815</td>
<td>96</td>
<td>2</td>
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<tr>
<td>France</td>
<td>34,239</td>
<td>94</td>
<td>3</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Switzerland</td>
<td>23,628</td>
<td>94</td>
<td>3</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Netherlands</td>
<td>15,285</td>
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<td>Austria</td>
<td>12,007</td>
<td>96</td>
<td>1</td>
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<tr>
<td>India</td>
<td>11,329</td>
<td>48</td>
<td>21</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Sub-total</td>
<td>326,459</td>
<td>88</td>
<td>6</td>
<td>3</td>
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</tr>
</tbody>
</table>


Kenya is one of the most developed tourism destinations in sub-Saharan Africa, besides South Africa, Tanzania and Uganda (Williams, 1976; Economist Intelligence Unit, 1991). The main interest of international tourists is to visit natural and cultural attractions such as museums and historical sites with the former forming the bulk of the demand. Accessible and developed natural attractions are concentrated in a few pockets of the country. Beaches are mainly found along the coastal strip and around some few inland lakes. Wildlife is concentrated in the southern part of the country and in a few scattered patches across the country. Forests and other vegetation cover frequently visited by tourists are located in non-ASAL (arid and semi-arid) regions. Cultural attractions have generally been centralized in the urban areas for ease of reach by visitors. Such collections include historic and cultural artefacts displayed at museums and other collection points.

2.5.2 Attractions

Game viewing is a popular pursuit since most visitors to Kenya are predominantly interested in seeing "the big five" namely the Elephant, Rhino, Lion, Buffalo, and the Leopard. The “big five” concept applies to the popularity of animals by wildlife-viewers. Approximately 10% of the country is set aside for conservation of wildlife and biodiversity. Traditionally established as a beach and wildlife safari
destination, these are likely to remain core products. Kenya also offers a range of adventure and other activities. The richness and variety of Kenya’s heritage and people add a further dimension to the country’s competitive edge.

Kenya has over 40 different ethnic groups, all with different languages and dialects, customs, beliefs, and lifestyles. Kenya’s ancient history results in a number of monuments, antiquities and historical sites reflecting the influence of African, Arabic, Asian and colonial inheritance.

There are ancient settlements and fossil sites for archaeology, paleontology and research especially the interior Lake Turkana area and “the cradle of mankind” with its ancient origins, fossils and remains of Homo erectus. The Swahili coastal region has 89 sites dating from the 9th century. Local handicrafts and authentic craft ware with multi-cultural influences offer a great diversity of souvenirs. Farm stays and visits to tea and coffee plantations are popular with tourists. Adventure activities include mountaineering, rock climbing, ballooning, hang gliding, skydiving, paragliding, parachuting, mountain biking, white water rafting, canoeing, snorkelling, windsurfing, bungee jumping etc. There are opportunities for horse riding and camel treks. Lake and deep sea fishing for big game species such as blue marlin attract high yield niche segments. Scuba diving is now a high yield adventure activity.

Kenya’s rich sporting history and its altitude training for athletes and outdoor sport creates opportunities for sports and special events promotion. Examples include athletics high altitude training camps, international cricket, horse racing at Ngong Race Course, and motor rallies including the safari rally. There is potential for health spas due to the presence of natural hot springs. Kenya’s tropical Indian Ocean coast stretches from Somalia in the north to Tanzania in the south and attracts over 60 percent of Kenya's tourism activity. Marine parks are famous for their coral, fish and sea life. Coral reefs attract snorkellers and divers, and the warm calm water is suitable for wind surfing and safe for swimming. The coast is a popular destination for package tours from Europe and consists of various developed beach resorts. Cruise ship tourism is centered in the port of Mombasa which is positioned as part of the Indian Ocean circuit. The Mombasa Channel can handle ships of up to 259m length and drafts of 15.83m. Major sources of cruise ships are the USA with some from Europe and Japan. Capacity ranges between 100 and up to 850 passengers, and many ships stay for up to one week in Kenya, undertaking repairs whilst passengers undertake wildlife safaris and other excursions. Some ships anchor off Lamu and
ferry passengers to the mainland for short stopovers. Given the wealthy profile of many cruise passengers, there are good opportunities for shopping, handicraft and increased recreational activities. Some special interest cruises stay several days for wildlife safaris (Sindiga, 1999).

Kenya is established as a leading wildlife safari destination. Kenya’s 59 National Parks and Reserves cover approximately 8 percent of the total area of the country. Kenya’s parks and reserves received a total of 1,536,900 visitors in 2001, down 7 percent from 1,644,900 visitors in 2000 (GoK, Economic Survey, 2003). Wildlife conservation areas are classified as national/marine parks, national reserves/marine reserves and game reserves (Map I). The classification depends on the type of ownership and management practiced. National parks are state lands which are managed exclusively for the conservation of fauna and flora (Sindiga, 1999). National reserves are declared by the government with the consent of a local authority on any type of land. Under this type of ownership and management, certain land uses such as herding and wood collection for fuel may be allowed within the reserves. Marine parks are similar to national parks in administration and management and the main purpose is to conserve fragile marine ecosystems. Certain types of fishing by local people are allowed in the marine reserves. The reserves extend beyond the parks. Both marine parks and reserves are managed by Kenya Wildlife Service (KWS). Each protected area is unique in its diversity, attractions, character and scenery. Arid and semi-arid ecosystems form the largest percentage of Kenya’s famous parks and have a great diversity of easily observable plains wildlife. Photography, balloon safaris, walking, horse safaris, camping and other wildlife viewing activities are practiced on the edges of protected areas and in adjacent areas and private group ranches as restrictions apply in the parks and reserves. Kenya’s mountain parks offer scenery and flora, hosting rare mountain game species such as the bongo and forest hog. Mt. Kenya offers climbing routes and countryside for mountain climbers, walkers and trekkers. Lake ecosystems contain the greatest concentration of bird life in the world. Kenya has over 1,000 colourful bird species such as the flamingos of Lake Nakuru and Lake Baringo. Up to 5,000 million birds are estimated to migrate to Africa annually, escaping the northern winter (Sindiga, 1999).
Other special interest safaris appeal to niche markets, and include ornithologists, archaeologists, butterfly specialists, cyclists, and cultural groups seeking folklore experiences. Special wildlife events include the annual migration in the Mara. The most visited parks and reserves in Kenya in 2001 were Lake Nakuru, Maasai Mara, Animal Orphanage Nairobi, Tsavo East and Nairobi National Park. International visitors pay an entry fee of about US$30 in most parks and reserves. Potential exists for spreading safari patterns to include, for example, Lake Victoria (trophy fishing),

**Map I: Attraction Sites (Source: Sindiga, 1999)**
Mount Elgon (elephant salt caves) and the roan antelope in Ruma National Park. Up north there are opportunities in the Mount Marsabit and Lake Paradise, new conservation camps in Samburu, camel trekking in Ndotos and Matthews Ranges. Elsewhere products could be built around the endangered Sitatunga antelope in Saiwa swamp and the ‘greatest crocodile concentration in the world’ at Lake Turkana (Nyeri, 1982; Rajotte, 1983).

As the commercial centre for East Africa with good hotel and conference facilities, Nairobi is well positioned to attract the business markets such as MICE (meetings, incentives, conferences and exhibitions). Two main UN agencies (UNEP and UN Habitat) have their world headquarters in Kenya along with many other regional and international bodies. Business visitors by air to Nairobi increased by 12 percent in 2002 to 45,557 arrivals. Conference arrivals by air to Nairobi grew by 25 percent in 2001 and 2 percent to 7,626 in 2002 (Kenya Tourist Board, Various Surveys). The Economic Survey 2002 reported that overall conference tourism dropped 37.2 percent in 2001. Local conferences in Nairobi dropped from 980 in 2000 to 609 in 2001. International conferences declined from 162 to 108 over the same period (GOK, Economic Survey, 2002). The Kenyatta International Conference Centre was also affected. The number of conferences dropped from 67 in 2000 to 64 in 2001, with delegates falling from 27,880 to 26,632 over the same period. Competition from countries in the region with better facilities and more MICE marketing may be a reason for the decline. Conference and meetings tourism are more reliable than mainstream tourism since the sector is less price-resistant, non-seasonal and less sensitive to regional fluctuations (Table 2.7). MICE can be cost-effectively targeted to specialist tour operators and can also be attracted to coastal and safari facilities. Incentive trips from regional and major source markets offer opportunities for top end, exclusive special events and high quality experiences that Kenya is able to deliver.
Table 2.7 Reported Conferences (Nairobi), 2000-2002

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th></th>
<th>2001</th>
<th></th>
<th>2002</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Intern.</td>
<td>Local</td>
<td>Intern.</td>
<td>Local</td>
<td>Intern.</td>
</tr>
<tr>
<td>No. of Conferences</td>
<td>980</td>
<td>162</td>
<td>609</td>
<td>108</td>
<td>754</td>
<td>115</td>
</tr>
<tr>
<td>No. of Delegates</td>
<td>65,329</td>
<td>36,810</td>
<td>31,979</td>
<td>5,375</td>
<td>28,645</td>
<td>12,405</td>
</tr>
<tr>
<td>No. of Delegate Days</td>
<td>312,655</td>
<td>66,404</td>
<td>120,385</td>
<td>23,626</td>
<td>118,425</td>
<td>48,333</td>
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<tr>
<td>No. of Delegate Days Available</td>
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<td>4,042,010</td>
<td>1,387,000</td>
<td>1,387,000</td>
<td>1,441,233</td>
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</tr>
<tr>
<td>Percentage Occupancy Based on Delegate Days</td>
<td>7.7</td>
<td>1.6</td>
<td>8.7</td>
<td>1.7</td>
<td>8.2</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: GoK (Government of Kenya) 2003

2.5.3 Facilities

Kenya is zoned into tourism regions based on administrative boundaries, climatic/geographic features, nature of tourism resources and accessibility.

Accommodation

Accommodation facilities in Kenya are concentrated in some parts of the country depending on various factors such as population distribution, transport network, urbanization and distribution of both natural and cultural resources. Facilities catering for the needs of both domestic and international travellers follow the demand patterns for accommodation services. Kenya has about three thousand accommodation facilities dispersed across the country and less than half of these are registered by the government (GoK, 1995d). The Ministry of Tourism classifies hotels according to detailed information using a star rating system. Factors considered in the classification of facilities include number of beds, size of rooms, restaurant facilities, suites, air conditioning, swimming pools, shops, sports, communication facilities, and the general environment (Sindiga, 1999). The coastal area has the largest share of accommodation facilities with 52% of the national total. Nairobi and Central region has the second largest share of beds with 31% of the national bed capacity. Almost 25% of classified hotels are in Nairobi (EIU, 1991).

Due to the concentration of attractions and the undeveloped rural tourism, accommodation facilities utilized by tourists are determined by attractions to be visited and in some cases the existing transport network. Accommodation facilities for
tourists are highly developed, both along the beaches and in remote wildlife-viewing areas. Most of these facilities are exclusively used by tourists due to their remoteness. They differ in form, cost and quality depending on their star-rating. However, in urban centres, international, domestic tourists and other visitors commonly use the available facilities. The more formal accommodation includes facilities that are highly rated and can handle hundreds of clients at any given time due to availability of rooms and other facilities. These include beach and park lodges, tented camps, and the large hotels in most urban centres generally owned by multinational concerns. Informal accommodation covers hostels; budget hotels dotted across the country and home-stays either with friends/relatives or generally the host community. Most of the informal accommodation is locally owned and largely sources production inputs domestically. Inputs include building materials, employees, foodstuffs, souvenirs and capital equipment.

Transport

Transport services play a significant role in the tourism sectors of developing countries (Turton and Mutambirwa, 1996). There are various means of transport available in Kenya depending on the types of attractions to be visited. Due to the expansive nature of the country and varied geographic conditions, certain transport modes are preferred at different times of the year and location. The road network is the most frequently used mode of transport since most attractions can be reached in this manner. Kenya’s road network consists of 63,663 km of ‘classified’ roads of which about 14% is bituminized (GoK, Economic Survey, 2002). ‘Unclassified’ roads form about 53% of the total road network. Although urban roads form about 4.7% of the total road network, they carry more than 70% of all vehicles in the country due to the high concentration of economic activities. Public transport service is widespread although not tailored to the needs of tourists interested in visiting remote parts of the country such as wildlife sanctuaries. Tour-vans are the most frequently used modes of transport in the tourism industry since they are designed to reach various attraction sites across the country. Vans provide economies of scale since they operate on the principle of ‘resource pooling’. Individuality is however sacrificed in the process.

The railway network is the second most important mode of transport after roads. However, it is restricted to the central corridor of the country and cannot be used exclusively to reach many attraction sites. The railway network of 2,735 km is
operated by the Kenya Railways Corporation (Musuva, 1992). Tourists may prefer this mode of transport because it is safer and more comfortable compared to road transport. Night travel makes trains unpopular with tourists.

Due to the rough terrain in certain areas of the country, domestic air may be convenient and time-saving and hence allows a wider coverage of attractions in a shorter period of time. Many national parks and reserves in remote locations and on the coast are now connected by air.

Water transport is restricted to the coast and few inland lakes and is usually adopted as a sport rather than means of transportation. Within specific destinations and in the urban set-up, car-rentals and hire of taxis are common for covering short and more personalized travels. Therefore, air transport, tour-vans and car-rentals form the formal transport that is generally used by tourists within the country. Informal transport includes public bus, boats, railway and taxis that are normally owned by local communities and/or local and central government.

2.6 Structure of Kenya’s Tourism Sector

The interrelationship between various structural elements of tourism in Kenya is depicted in Figure 2.1. The tourism sector is supported by both the public and private sectors. The private sector provides tourist facilities and services used directly by tourists while the public sector provides policy, for instance, for sustainable utilization of resources. In order to satisfy the demands and needs of tourists, several service sectors combine their activities and form the tourism industry. Some services have a direct role in satisfying customer’s needs, while others have an indirect role.

**Government**

The Tourism industry in Kenya operates within a liberalized economic environment that is characterized by active partnership between the Government and the private sector. While the private sector is expected to be the prime-mover, the Ministry of Tourism is charged with the responsibility of formulation and implementation of policies as well as co-ordination of planning, development, promotion and marketing of tourism. The functions of the Government may be summarized as follows:

- Formulation and implementation of general policy guidelines for the tourism industry;
• Setting the required targets such as: increasing the contribution of the sector to the national gross domestic product through increased foreign exchange earnings and retention from the sector; increase the sector's employment generating capacity; conserving and protecting the environment; diversification of the tourism product range and source markets; developing sustainable tourism; and the development of all facets of tourism.

• Planning, development and regulation of tourism activities;

• Licensing, classifying and upholding the quality of tourism facilities and services;

• Co-ordination and consultation among government ministries and departments in order to facilitate tourism development by providing the necessary enabling environment.

Ministry of Tourism

The Ministry co-ordinates Kenya's tourism promotion worldwide and is in charge of bilateral and multilateral relations with other governments, non-governmental organizations, and donor agencies.

• The Ministry also has the responsibility of overseeing the operations of such State Corporations as: The Bomas of Kenya which is the national conservatory of Kenya's diverse cultural heritage where traditional rituals, dance and music are performed for the benefit of both visitors and the local people.

• The Kenya Tourism Development Corporation, which lends to and advises investors in the tourism industry.

• The Kenya Utalii College which trains all cadres of manpower for the hotel and tourism sub sectors.

• The Catering Levy Trustee, which collects training levy on the sale of food, drinks and accommodation for purposes of funding training programmes for the hotel and tourism sub-sectors.
The Kenya Tourist Board which is charged with promotion and marketing of the destination both locally and internationally.

The Kenya Wildlife Service which is vested with the responsibility of conservation and management of wildlife, and the maintenance of infrastructure, within the National Parks and Game Reserves.

The Government also provides basic infrastructure for tourism development, such as roads, educational programmes and the required security. The Government is responsible for demarcating, protecting and gazetting all protected areas.

Source: GoK (Government of Kenya), 1995b
County Councils

Some areas owned by communities are under the authority of local County Councils. These Councils therefore play an important role in tourism development and are responsible for the following: provision of incentives for tourism investment and management as well as provision of the requisite amenities for tourism development; development of visitor management systems through zoning and land use policies aimed at securing participation by the local communities; formulation and implementation of enforcement programmes pertaining to proper and ethical use of protected areas; investing in improved tourism infrastructure such as roads and rural electrification; developing consistent concession policies which are meant to enhance visitor management within the National Parks and Game Reserves; liaising with communities on development projects to be funded by the tourism sector.

Non-Government Organizations (NGO)

There is a large number of conservation oriented non-governmental organizations which promote tourism through:

- Public education on conservation
- Developmental studies, position papers and codes for sustainable use of natural resources;
- Publication of tourist information literature;
- Organizing annual workshops on conservation and environmental management;
- Organizing seminars and workshops to promote community input into the management of nature and cultural tourism.

Kenya Association of Tour Operators (KATO)

The Kenya Association of Tour Operators is an Association of the leading and most experienced tour operators in Kenya. Its members are governed by a code of conduct which requires them to conduct business in an ethical and responsible manner. The Association works closely with the Ministry of Tourism and other stakeholders for the promotion of tourism.
Other stakeholders include established trade associations that serve both as lobby groups and active participants in the overall development and marketing of Kenya as a tourist destination. These include: Kenya Association of Hotel Keepers and Caterers (KAHC); Kenya Association of Travel Agents (KATA); Mombasa and Coast Tourist Association (MCTA); Kenya Budget Hotels Association; Kenya Air Charter Operators Association; and the Board of Airlines representatives.

2.7 Contribution of Tourism to Kenya’s Economy

*Overall Contribution*

Tourism can assist in achieving the desired goals of high income and output per capita, high employment levels, more equal distribution of income, and favourable balance of payment position amongst others (Dieke, 1991). Kenya’s service sector is composed of tourism, insurance, banking, trade and other industrial services. Tourism is the major export service and contributes significantly to employment creation, income generation, provision of resources for investment, output levels and generation of government revenue, for instance, through taxation. The service sector could therefore structurally transform the economy and lead to more diversification and less vulnerability of the economy (Sindiga, 1999). Tourism demand is both income and price elastic (Tribe, 1995). In other words, as incomes in tourist-generating regions increase, the demand for the tourism product increases proportionally. On the other hand agricultural and primary products in general do not normally increase in such proportionality (Teye, 1988). High quality tourism products can also command high prices irrespective of other competing tourist destinations. The international market for tourism is not controlled through quota systems and other restrictive practices that are applied to agricultural and manufactured goods. The income earned as a result of tourism is actually a transfer of resources from tourist-generating countries to tourist-destination ones.

Most of the tourist attractions in a country like Kenya are natural and this gives it a comparative advantage over many other countries since minimal cost of production in the provision of this commodity is incurred. Furthermore, the accruing income is derived without incurring heavy opportunity cost or forgone alternative in the use of limited and scarce resources during the production process, especially in marginal areas (Oppermann and Chon, 1997). International tourists pay in foreign
currency that is crucial to the position of the balance of payment (Vellas and Becherel, 1995). Therefore such transferred income generated by other economies can have tremendous impact and effect on the economies of tourist-destination countries if harnessed and utilized efficiently. Proper planning and sound, coherent, effective, flexible, cost-effective tourism policies need to be put in place in order to achieve this goal. The following factors enhance the contribution of tourism to Kenya’s economy since it:

- is a labour-intensive industry which generates employment opportunities at semi-skilled, technical and managerial level;
- consists of predominantly small scale businesses; despite the fact that there was increasing investment and involvement in the sector by multinationals and local companies;
- is a decentralized industry capable of diversifying regional economies.
- is a relatively non-pollutant industry which, if properly managed, can contribute to the conservation and promotion of natural and cultural heritage;
- is an important vehicle for promoting cultural exchanges that enhance international understanding and goodwill among peoples of the world;
- acts as a catalyst for the development of other sectors of the economy in many countries.

**Contribution to Exports Earnings and Revenue**

There are many ways of assessing the significance of a sector in an economy and these include sectoral shares in real GDP, proportional contribution to export earnings (and balance of payments), government revenue and the potentiality of growth given an extra unit of investment.
Tourism is an important sector in Kenya’s economy as in many other developing countries. It is now one of the country’s largest foreign exchange earner and contributes substantially to employment generation. In 1996 the sector contributed 9.2% of the country’s GNP, 18% of the total export earnings and 11.2% of the total government revenue. About 138,000 jobs in the modern sector and 360,000 others in the informal sector were created during the year. Additionally, investment worth 31,000 additional jobs was also attracted into the economy (TTC, 1998). Kenya’s tourism sector recorded high growth especially in the 1960s, 1980s and up to the 1990s due to similar factors that stimulated the growth of global tourism. Tourism receipts grew rapidly at an average annual nominal rate of 11.3% between 1985 and 1998. However, the corresponding real growth as measured in US$ was 1.4% over the same period. The sector became the country’s leading export sector by 1987. At its peak in 1993/94, tourism accounted for between 33 and 34% of the country’s total export receipts and around 9% of total wage employment. However, in the late 1990s the sector started experiencing problems related to the perception of the country as a mass tourist market. Rapid decline in per capita tourist expenditure thus began to be experienced. Annual tourism receipts declined by an unprecedented rate of 19.5% between 1995 and 1998. The sector’s contribution to exports dropped to 14.4% by 1998 and recovered marginally to reach 17.5% in 1999. Also showing decline were performance indicators such as length of stay, hotel occupancy levels and hotel room rates. However, the sector’s output grew by 2.4% in 2000. Tourism earnings declined by 10.4% in Kenya currency in 2002, compared to 12.5% rise in 2001, due to preference for foreign prepaid and packaged tours (GoK, Economic Survey, 2003). These types of tours reduce local transactions in foreign cash.

The contribution of tourism to the country’s total exports ranged from 11% to 21% between 1980 and the year 2002, with 1990 being the peak period (Table 2.8). This contribution was only 13% in 1997 due to instability in the country at that time.
Table 2.8 Tourism Earnings in Kenya’s Total Exports and GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Export of Goods (Kenya pounds in Millions)</th>
<th>Tourism (Kenya pounds in Millions)</th>
<th>Total Exports (Kenya pounds in Millions)</th>
<th>Total GDP (at Market Prices) (Kenya pounds in Millions)</th>
<th>Tourism Earnings as % of Total Exports</th>
<th>Tourism Earnings as % of GDP</th>
<th>Tourism Earnings as % of Merchandise Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>516.0</td>
<td>83.0</td>
<td>753.0</td>
<td>2632.0</td>
<td>11.0</td>
<td>3.2</td>
<td>16.1</td>
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<tr>
<td>1985</td>
<td>746.0</td>
<td>204.0</td>
<td>1276.0</td>
<td>4810.0</td>
<td>16.0</td>
<td>4.2</td>
<td>27.3</td>
</tr>
<tr>
<td>1990</td>
<td>1158.0</td>
<td>533.0</td>
<td>2553.0</td>
<td>9939.0</td>
<td>21.0</td>
<td>5.4</td>
<td>46.0</td>
</tr>
<tr>
<td>1995</td>
<td>4822.0</td>
<td>1250.0</td>
<td>6550.0</td>
<td>32833.0</td>
<td>16.0</td>
<td>5.4</td>
<td>25.9</td>
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<td>2000</td>
<td>6726.4</td>
<td>1011.8</td>
<td>9738.2</td>
<td>34271.8</td>
<td>10.8</td>
<td>3.0</td>
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<tr>
<td>2002</td>
<td>8464.1</td>
<td>1631.9</td>
<td>10095.9</td>
<td>42545.5</td>
<td>17.5</td>
<td>3.8</td>
<td>19.3</td>
</tr>
</tbody>
</table>


Although tourism remains an important economic activity in Kenya, revenue has not yet returned to 1996 levels (Table 2.9). Between 1996 and 2000, revenue declined significantly (32%) in US dollar terms. In 2001 however, tourism revenue showed an improvement, rising to KSh24 billion (US$307 million), representing 2.7 percent of GNP and 20 percent of total exports. Tourism contributes to Kenya’s balance of payments, and is only exceeded in export value by tea, which accounts for 28 percent. Horticulture and coffee, Kenya’s other significant foreign exchange earners represent 16 percent and 6 percent share of total exports respectively.

Table 2.9: Tourism Revenue to Kenya and Share of Exports 1996-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Value in US$ ×000</th>
<th>Value in KShs ×000</th>
<th>% Change in KShs</th>
<th>% Share of Total Merchandise Exports</th>
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<tbody>
<tr>
<td>1996</td>
<td>447,593</td>
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<td>22</td>
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<td>1997</td>
<td>385,667</td>
<td>22,368,675</td>
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<td>23</td>
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<tr>
<td>1998</td>
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<td>1999</td>
<td>300,967</td>
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<tr>
<td>2000</td>
<td>276,321</td>
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<td>2001</td>
<td>306,823</td>
<td>24,239,000</td>
<td>13</td>
<td>20</td>
</tr>
</tbody>
</table>


Capital Formation

Investment under the tourism sector takes various forms: facilities such as transport and accommodation, infrastructure such as roads, airports and
telecommunications, upgrading and improvement of existing facilities, development of tourism products such as museums and conference facilities, product and infrastructure and marketing and promotion of Kenya as a tourist destination.

**Gross Domestic Product**

Tourism contribution to Gross Domestic Product (GDP) is estimated in the national accounts as Trade, Hotels and Restaurants (THR) [Table 2.10].

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<tbody>
<tr>
<td>GDP</td>
<td>93,802</td>
<td>98,152</td>
<td>100,474</td>
<td>102,252</td>
<td>103,701</td>
<td>103,455.81</td>
<td>104,731.20</td>
<td>105,899.83</td>
</tr>
<tr>
<td>THR</td>
<td>11,050</td>
<td>11,934</td>
<td>12,408</td>
<td>12,693</td>
<td>12,947</td>
<td>13,077.40</td>
<td>13,247.4</td>
<td>13,459.41</td>
</tr>
<tr>
<td>THR as % of GDP</td>
<td>11.7</td>
<td>12.2</td>
<td>12.3</td>
<td>12.4</td>
<td>12.5</td>
<td>12.6</td>
<td>12.6</td>
<td>12.7</td>
</tr>
</tbody>
</table>


According to JICA report using reference data for the period 1982 – 1993 (Table 2.11):

- About 7% of real growth of the tourism sector generates about 1.0% real GDP growth;
- An increase/decrease of 1.0% real growth in the tourism sector would result in an increase/decrease of 0.14% real GDP growth.

<table>
<thead>
<tr>
<th>GDP sub-sector</th>
<th>Sub-sector growth required (Unit: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Services</td>
<td>4.89</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.5</td>
</tr>
<tr>
<td>Finance, Insurance/Real Estate</td>
<td>6.55</td>
</tr>
<tr>
<td>Tourism</td>
<td>6.99</td>
</tr>
<tr>
<td>Agriculture</td>
<td>9.59</td>
</tr>
</tbody>
</table>

Source: GoK (Government of Kenya). 1995a
Although the agricultural sector accounts for a fairly large share in GDP, it has to grow by about 9.59% in real terms (1982 constant prices) in order to generate 1.0% real GDP growth.

**Balance of Payments**

The balance of payment as an accounting record of the international monetary flows between Kenya and other countries is useful for assessing the contribution of tourism to the economy. The capital account measures international capital flows and the current account measures the net current payments. The current account normally records the flow of goods and services and its balance reflects the difference between total exports and imports of these commodities that include tourism service.

Table 2.12 Travel Account (Ksh. Millions)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credits</td>
<td>24,992.8</td>
<td>25,593.0</td>
<td>22,624.0</td>
<td>17,509.2</td>
<td>21,367.0</td>
<td>21,553</td>
<td>24,239</td>
</tr>
<tr>
<td>Debits</td>
<td>7,448.6</td>
<td>9,542.6</td>
<td>11,415.6</td>
<td>11,463.0</td>
<td>8,059.0</td>
<td>10,018</td>
<td>11,241</td>
</tr>
<tr>
<td>Balance</td>
<td>17,544.0</td>
<td>16,050.0</td>
<td>11,221.8</td>
<td>6,462</td>
<td>13,308.2</td>
<td>11,535</td>
<td>12,999</td>
</tr>
</tbody>
</table>

*Source: Central Bank of Kenya: Various Issues*

Table 2.12 shows that the travel account is consistently in surplus showing the capacity of the sector to earn sufficient foreign currency to pay for the imports it requires. Therefore, tourism has a significant impact on the stability of Kenya’s balance of payment.

**Employment**

Table 2.13 shows how tourism employment in the public and private sectors contributes to Kenya’s total employment. Approximately 30 percent of the tourism workforce is female (GoK, Economic Survey, 2003). The demand for goods and services by international and domestic tourists requires labour services in businesses supplying the tourism sector both directly and indirectly. With the trickle down and multiplier effect, tourism can therefore be said to have a significant impact on most areas of the economy, and be a major contributor to the government’s priority of poverty reduction.
Table 2.13: Share of Tourism in Modern Wage Employment 1995-2001

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<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern Wage Employment (000)</td>
<td>1,557.0</td>
<td>1,618.8</td>
<td>1,647.4</td>
<td>1,664.9</td>
<td>1,673.5</td>
<td>1,676.8</td>
<td>1,677.1</td>
</tr>
<tr>
<td>Wage Employment THR Sector (000)</td>
<td>134.9</td>
<td>143.2</td>
<td>148.2</td>
<td>150.7</td>
<td>153.6</td>
<td>155.3</td>
<td>156.9</td>
</tr>
<tr>
<td>% Share of THR</td>
<td>8.7</td>
<td>8.8</td>
<td>9.0</td>
<td>9.1</td>
<td>9.2</td>
<td>9.3</td>
<td>9.4</td>
</tr>
</tbody>
</table>


Government Revenue

Tourism contributes to Government Revenue through license fees, customs and excise duty, VAT on tourism services, landing fees, passenger service charge, entry fees to game parks as well as income tax levied on employees in the tourism industry. The generated revenues play a pivotal role in the overall development of the economy. Government revenue estimates indicate three sources of revenue that are specifically directed at tourism (Table 2.14).

Table 2.14: Specific Tourism Taxes

<table>
<thead>
<tr>
<th>Source</th>
<th>Kpds. Million</th>
<th>Percentage of Total government Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995/96</td>
<td>1995/96</td>
</tr>
<tr>
<td>Tourist Licenses</td>
<td>0.545</td>
<td>0.008</td>
</tr>
<tr>
<td>Arms and Ammunition Licenses</td>
<td>0.215</td>
<td>0.003</td>
</tr>
<tr>
<td>Airport Service charge</td>
<td>50.1</td>
<td>0.720</td>
</tr>
</tbody>
</table>

Source: TTC (Tourism and Transport Consult International) 1998

Tourism direct taxes represent a very small proportion of total government revenue. It is the indirect taxes such as VAT, Excise Duties, Income Tax and Corporation Tax that make up nearly all the money received by the government from tourism.

Development of Infrastructure

The impact of tourism on the economy is felt mainly through forward and backward linkages expressed as demand for goods and services in the agricultural, textiles, beverage, and transport and entertainment sectors. The benefits accruing from investments in such infrastructure and superstructure as airports, hotels and
Kenya’s Tourism Industry

restaurants, road network, communications, power and water supply as well as other related public utilities are widely shared with other sectors of the economy. Their development enhances the overall development at local level and also encourages greater economic diversification.

**Linkages**

Tourism has large multiplier effects since every unit of tourist expenditure goes through several rounds of income creation and expenditure before its effect is exhausted. Money spent by a tourist on hotel accommodation, food and beverages, shopping, entertainment and transport, for instance, does not stagnate but provides an income to hotel staff, taxi operators, shopkeepers and suppliers of goods and services. They in turn spend part of this income on their daily requirements of goods and services. Hence money accruing from tourism circulates through numerous segments of the economy through the multiplier process.

The growing dominant role of Multi-national Corporations in all sectors of the economy may give an erroneous impression of strong linkages between tourism and other sectors of the economy (Sindiga, 1999). Although tourism's backward linkages with agriculture, for instance, are strong according to Summary (1987), these links are apparently forged between large hotels and large agricultural producers, thereby excluding small-scale Kenyan farmers (Rajotte, 1983).

About 93% of the employment generated in tourism is in the private sector with a small proportion in the public sector. With the 170,000 employees in tourism in 1994, 61% were in accommodation establishments, 16% in tour operations, 6% in travel agencies, 11% in curio shops and entertainment and 6% in the central government (Sindiga, 1999).

In the early 1990's, tourism's foreign receipts represented 22% of all foreign exchange earnings for the country and it was estimated that 80% of the money was utilized internally on inputs and services giving a relatively low import content of about 20 per cent (GoK, Economic Survey, 1991).
2.8 Tourist Projections and Potential Markets

Projections

According to past surveys and studies by the government and other developmental agencies Kenya’s tourism performance has gone through three phases of development. In the 1970’s tourism receipts grew rapidly while tourist arrivals were experiencing little or negative growth. Annual tourist arrivals declined by almost 1.5% between 1972 and 1982. Over the same period, tourist receipts in US dollars rose by 6.2%. The decline in arrivals was mainly due to economic recession in developed countries (1972–1974) and the global oil shocks of 1973 and 1979 (Dieke, 1991). The number of visitors from the UK, which serves as Kenya’s main source of tourists, declined by 25% during its recession between 1978 and 1983. Political instability in Kenya in the mid-1970s and early 1980s also contributed to the decline in arrivals. The closure of the Kenya-Tanzania border in February of 1977 affected regional tourism and cross-border tourism by international tourists visiting the two countries. The attempted military coup in August of 1982 also adversely affected international tourism (Dieke, 1991).

During the 1990’s, receipts declined more than arrivals. Arrival numbers increased at 3.7% per annum between 1985 and 1998 while receipts were rising at only 1.4%. In the early 1990’s growth in tourist numbers declined due to the political tensions associated with the 1992 first multi-party elections and high travel costs resulting from the sudden increase in oil prices. Ethnic clashes, particularly in the tourism regions of the country, contributed to the uncertainty. Disease incidences at this time also curtailed tourist arrivals (Ikiara et al. 1994).

Between 1995 and 1998, both arrivals and receipts declined at 1.5% and 19.5% per annum respectively. This dual decline was as a result of the interplay of several factors. The causes are similar to some of the indicators of an ageing tourism destination such as decaying infrastructure, negative image, poor quality of service, environmental degradation and declining quality of tourism products due to mass tourism. On average, arrivals in tourist numbers increased during the 1990’s period.

Potential Markets

Due to historical ties and other factors, Kenya as a tourist destination is relatively well known in Europe (particularly Britain and Germany). In other words, this region is a ‘mature’ market for Kenya where repeat visitation could be common.
Cost of advertisement can be expected to be lower for the marginal tourist attracted compared to the non-traditional markets.

Table 2.15: Key Emerging Market Data

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>6,483</td>
<td>4,246</td>
<td>19,720,000</td>
</tr>
<tr>
<td>China</td>
<td>1,782</td>
<td>2,061</td>
<td>1,281,535,000</td>
</tr>
<tr>
<td>India</td>
<td>10,230</td>
<td>9,859</td>
<td>1,027,648,000</td>
</tr>
<tr>
<td>Israel</td>
<td>3,367</td>
<td>7,371</td>
<td>5,842,000</td>
</tr>
<tr>
<td>Japan</td>
<td>9,225</td>
<td>8,113</td>
<td>126,926,000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>257</td>
<td>333</td>
<td>21,793,000</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1,210</td>
<td>896</td>
<td>3,939,000</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1,144</td>
<td>1,062</td>
<td>143,554,000</td>
</tr>
<tr>
<td>Singapore</td>
<td>359</td>
<td>452</td>
<td>4,151,000</td>
</tr>
<tr>
<td>UAE</td>
<td>2,336</td>
<td>2,942</td>
<td>2,369,000</td>
</tr>
</tbody>
</table>

Source: TTC (Tourism and Transport Consult International) 2002

Constraints affecting the emerging markets (Table 2.15) include low awareness, limited marketing activities, diversified markets, lack of or poor flight connections, limited time for holidays, increased competitors' activities in the markets, competitors' presence in the market and perceived high cost of holidaying in Kenya.

2.9 Tourism Policy and Targets

Kenya has marketed itself as a mass tourism destination with the target of attaining one million tourists per annum. The target could not be achieved due to a number of factors such as the emergence of new competing destinations (such as South Africa, Zimbabwe and Namibia), monotony of the product on offer, poor infrastructure, political instability and generally uncoordinated marketing and development policies.

Given proper management of the tourism resources and enactment of sound policies, Kenya’s tourism sector has the potential to grow and make more of a contribution to the rest of the economy (Table 2.16).
Table 2.16: Projections of Arrivals (2000-2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals (000)</td>
<td>1,100.0</td>
<td>1,600.0</td>
<td>2,000.0</td>
</tr>
<tr>
<td>Foreign Exchange Earnings (Kshs. Millions)</td>
<td>50,200.0</td>
<td>81,030.0</td>
<td>108,820.0</td>
</tr>
<tr>
<td>Employment (000)</td>
<td>223.0</td>
<td>328.0</td>
<td>431.0</td>
</tr>
<tr>
<td>Hotel Rooms (000)</td>
<td>34.4</td>
<td>50.6</td>
<td>66.5</td>
</tr>
<tr>
<td>Bed-Nights (000)</td>
<td>15.5</td>
<td>22.9</td>
<td>30.6</td>
</tr>
</tbody>
</table>

Source: GoK (Government of Kenya). 1995b

Tourism policy focuses on securing an increase in tourism revenue. An increase in tourism revenue can be achieved through more visitors, increased expenditure per visitor, longer stays, longer tourist seasons and more repeat visits. These strategies are dependent on improvement of the product on offer, increase in value for money and effective promotion. The government receives tax revenue from tourism and when it spends the money on domestically produced goods and services, it adds further to the impact on GNP, employment and government revenue.

Kenya’s tourism policy covers various issues such as tourism development, infrastructure, sustainable tourism, training, pricing, partnerships and the role of public and private sectors, participation of local and foreign investors, security, marketing and promotion, aviation, regional co-operation, and wildlife. Tourism policy has been ad-hoc and inconsistent over time due to lack of vision and comprehensive strategy (Ikiara et al., 2003).

Sessional Paper No.1 of 1963 and the development plan for 1964−1970 presented the tourism policy adopted at Kenya’s independence in 1963. These documents covered issues related to sustainability, air transport, need for co-ordinated planning, socio-cultural and environmental impacts of tourism and the viability of regional integration. The documents also cited the advantages of upmarket tourists over mass tourists. The Sessional paper in particular emphasized the need for an integrated and comprehensive development programme for tourist amenities. As a result, tourist circuits, transport and accommodation infrastructure began to be developed. The private sector was allowed to develop accommodation facilities but only outside the protected areas.

The second development plan covering the period 1965/66−1969/70 placed an emphasis on mass tourism especially from America and Europe. This policy of attracting mass tourists continued until 1994. In order to attract mass tourists, one
thousand new lodges were to be developed during the plan period, complete with at least one airstrip for each lodge. A lodge development organization was to be set up to oversee the modernization of existing lodges and to put up new ones. The private sector was to install and expand new and existing lodges outside the protected areas. Services were to be improved in hotels especially those outside Nairobi. Roads serving tourist attractions were to be upgraded to all-weather conditions and new ones were to be constructed to reach undeveloped remote attractions. The government continued to promote this kind of tourism by encouraging lower spending package tourists:

“In order to maintain growth in tourist earnings and achieve the Development Plan targets, it will be necessary to attract such tourists in larger numbers in the face of powerful competition from other tourist areas in the world, and it will be increasingly important to offer them good value for money on their visits here. This means that publicity overseas will have to be stepped up, more tourists attractions developed, greater attention paid to ensuring that all tourists feel they are welcome as visitors in Kenya, and prices kept as low as possible, consistent with providing the facilities tourists expect, and the returns to investment which the economy needs.” (GoK, Economic Survey: 1971).

As a result, tourists resorted to package and charter arrangements because of the low prices that were being offered for the tourism product. In 1979, for instance, the ratio of private to package tours was 5:3, i.e., about 40% of the tourists came on package arrangements (GoK, Development Plan: 1980).

Rapid tourism growth continued to be a key development objective, although its negative externalities such as environmental degradation began to be noticed by 1974 and hence these issues were addressed by the development plan covering 1974–1978 plan period. The growth rate in tourist arrivals targeted for this plan period was reduced, as a result, from that of the 1964–1970 period due to resource constraints and negative socio-cultural (such as prostitution) and environmental externalities (overcrowding in some protected areas). During the 1964–1970 period the target growth had been set at 15% in international arrivals per annum and 5% annual growth in domestic tourism. The 1974–1978 developed plan also addressed the issue of tourist dispersion throughout the country in order to spread the benefits of the industry and reduce spatial concentration of negative externalities. In order to achieve this objective, road and other infrastructures were to be improved, provision
of financial assistance in order to attract investment to areas where tourist circuits were not developed, increasing hotel space in upmarket areas outside the coastal region, encourage package tours to include up-country safari, increase the proportion of tourists from markets that preferred safari to beach holidays especially from North America, Japan and Oceania and finally to develop beaches in new locations along the coast and around inland waterways.

The 1979–1983 development plan raised sustainability and environmental issues associated with the tourism industry. The document attempted to find a balance between tourism resources utilization for economic development and conservation in order to address the unprecedented use of tourism’s natural resources in a non-sustainable manner. The objective was to maximize net returns subject to social, cultural and environmental constraints. Strategies of achieving the objective included efforts to balance demand and supply forces, balance direct tourist facilities and infrastructures, and disperse tourist flows to different destinations within the country.

The development plan of 1994–1996 shifted the focus on tourists to be encouraged to visit Kenya to the upmarket ones. During the 1997–2001 plan period, more emphasis was placed on improving conservation of natural and cultural resources and diversifying tourism products and tourist market segments. This policy of encouraging upmarket tourists was pursued until 2000 when the strategy shifted once more to tourists from both the upmarket and mass tourism (GoK, 2000).

### 2.10 Specific Performance Indicators for Kenya

The general performance of the tourism industry in Kenya has been assessed through a number of indicators (Table 2.17).
Table 2.17: Kenya’s Tourism Performance Indicators, 1975-2002

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Only on Holiday (000’s)</td>
<td>290.9</td>
<td>290.7</td>
<td>413.2</td>
<td>695.6</td>
<td>795.7</td>
<td>778.2</td>
<td>732.6</td>
</tr>
<tr>
<td>All Visitors (‘000’s)</td>
<td>407.0</td>
<td>393.7</td>
<td>540.6</td>
<td>814.4</td>
<td>973.6</td>
<td>1036.5</td>
<td>1001.3</td>
</tr>
<tr>
<td>Transit (‘000’s)</td>
<td>54.6</td>
<td>53.7</td>
<td>52.3</td>
<td>35.6</td>
<td>55.8</td>
<td>103.5</td>
<td>163.3</td>
</tr>
<tr>
<td>Transit Visitors as % of all Visitors</td>
<td>13.4</td>
<td>13.6</td>
<td>9.7</td>
<td>4.4</td>
<td>5.7</td>
<td>9.9</td>
<td>16.3</td>
</tr>
<tr>
<td>Average Length of Stay (days)</td>
<td>12.9</td>
<td>15.7</td>
<td>15.9</td>
<td>14.4</td>
<td>12.2</td>
<td>8.7</td>
<td>8.5</td>
</tr>
<tr>
<td>Hotel Occupancy Rate (%)</td>
<td>49.0</td>
<td>57.0</td>
<td>53.0</td>
<td>58.0</td>
<td>43.1</td>
<td>39.3</td>
<td>42.0</td>
</tr>
<tr>
<td>Visitors to National Parks (000’s)*</td>
<td>739.0</td>
<td>651.2</td>
<td>886.7</td>
<td>1501.8</td>
<td>1527.5</td>
<td>1644.9</td>
<td>1771.3</td>
</tr>
<tr>
<td>Visitors to Museums, Snake Parks (000’s)*</td>
<td>359.2</td>
<td>526.6</td>
<td>705.5</td>
<td>906.9</td>
<td>818.3</td>
<td>885.1</td>
<td>579.1</td>
</tr>
<tr>
<td>Conference Tourism: KICC Occupancy (%)</td>
<td>N/A</td>
<td>74.8</td>
<td>54.0</td>
<td>35.1</td>
<td>32.6</td>
<td>18.4</td>
<td>N/A</td>
</tr>
</tbody>
</table>


The most frequently used indicators are the numbers of arrivals, length of stay, hotel occupancy rates, visits to particular attractions sites and participation in various activities including conferences.

Arrivals

Total visitor numbers increased at an average annual rate of 7.6% between 1965 and 1998 while the growth of the component visiting for holidays was 9.4% per annum over the same period. Between 1965 and 1970, the number of total visitors increased by 36.2% every year and this declined to 1.4% during the period between 1970 and 1980 but increased to 7.5% between 1980 and 1990. Growth declined once more to 1.2% per year between 1990 and 1998 with a negative growth of 11.3% per annum between 1995 and 1998. The depreciation of the Kenyan currency due to financial reforms in foreign exchange policy in 1993 made the country a relatively cheap destination and this led to a high volume of visitor arrival the following year. There was recovery when visitor arrivals increased by 8.4% in 1999 and 6.9% in 2000. Total visitor arrivals rose by 0.8% to slightly over one million visitors in 2002 from 2001 compared to a decline of 4.1% in 2001 over 2000. There was a general decrease in the number of arriving visitors in all categories except those on transit for
the year 2002. Visitors on holidays decreased by 3% in 2002 compared to 6.8% decline in 2001. Those on business decreased by 6.4% while those in transit increased by 7.7% during 2002. The share of transit visitors in total arrivals rose from 7.2% in 1997 to 15.4% in 2001 implying preference for neighbouring countries. The main reason for the recent dismal performance in arrivals is due to stiff competition from emerging tourist destinations with similar packages, and travel advisories issued as a result of international terrorism (GoK, Economic Survey: 2003).

Average Length of Stay

Total number of days spent by visitors increased by 3.5% from 2001 to 2002 resulting in a marginal rise in the average length of stay from 8.4 days to 8.5 days. Total days spent by holiday visitors increased by 3% while that for business tourists rose by 2.6% over the same period. Average length of stay and visitation levels to attraction sites dropped during the period between 1995 and 2001. Central Bureau of Statistics (CBS) data shows the average length of stay in 2001 to be 8.4 days, continuing the decline from 11.8 days in 1997.

Hotels, Bednights and Occupancy

In 2001 the Ministry of Tourism and Information (MTI) reported a total of 2,228 hotels in Kenya of which the majority are located on the Coast. About 456 hotels with 28,743 beds and 48 with 14,185 beds are classified as 4 or 5 star respectively. There are 433 hotels in Nairobi with 15,684 beds of which 18 hotels with 4,339 beds are classified as 4 or 5 star. Parks and reserves have 67 hotels with 5,735 beds, and the rest of Kenya has 1,272 hotels (MTI).

Table 2.18: Hotel and Similar Establishments (000’s)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bednights Occupied</td>
<td>5,054.8</td>
<td>5061.2</td>
<td>4,910.3</td>
<td>2,813</td>
<td>2,951</td>
<td>3,688</td>
<td>3355</td>
<td>3,436.8</td>
</tr>
<tr>
<td>Total Bednights Available</td>
<td>11,562.2</td>
<td>11,354.5</td>
<td>9,516.6</td>
<td>7,057.7</td>
<td>8,711.4</td>
<td>9,382</td>
<td>8328</td>
<td>8122.7</td>
</tr>
<tr>
<td>Occupancy Rates (%)</td>
<td>43.7</td>
<td>44.6</td>
<td>51.6</td>
<td>35.3</td>
<td>33.9</td>
<td>39.3</td>
<td>40.3</td>
<td>42.0</td>
</tr>
</tbody>
</table>

Table 2.18 shows the number of bednights in hotels, the total number of bed-nights occupied and occupancy levels. Available bednights fluctuate during some periods due to closures and bankruptcies. The occupancy levels have also been declining since 1998 reflecting the problems experienced by the hotel industry particularly on the coast. Domestic tourism accounted for only 9 percent of hotel occupancy in 2001.

2.11 Summary and Conclusions

The objective of this chapter was to discuss the structure of Kenya’s tourism industry and its contribution to the country’s general economy. The discussion in this chapter shows that tourism is an important sector of Kenya’s economy. TRH (tourism, restaurant and hotels), for instance, contributed 12.7% of GDP in 2000 and 9.4% of wage employment in 2001. The tourism sector contributed almost 0.6% of the real capital formation in the economy and 16.4% of total exports in 2001.

Tourism has a higher marginal value addition to the gross domestic product than most sectors in the economy. According to the JICA report using reference data for the period 1982–1993, about 7% of real growth of the tourism sector generates about 1.0% real GDP growth. In other words, an increase/decrease of 1.0% real growth in the tourism sector would result in an increase/decrease of 0.14% real GDP growth. Although the agricultural sector accounts for a fairly large share in GDP, it has to grow by about 9.6% in real terms (1982 constant prices) in order to generate 1.0% real GDP growth.

The tourism sector is currently owned to a large extent by the private sector due to significant public sector divestiture in the 1990’s. The public sector currently plays the role of regulation and facilitation through policy formulation and implementation.

The number of visitors to museums, snake parks and historical sites has remained around half a million since 1997 from a high of 0.9 million in 1990. There was a slight increase in 2001 to over 675,800 which again dropped to an estimated 579,070 in 2002.

The percentage occupancy rates for conference tourism have been rising over the last three years with greater contribution from local conferences.
Tourism activity is greatly concentrated in the coastal and central tourism regions where the two regions account for over 80% of total bed-nights. Europe accounts for most of the bed-night occupancy in Kenya.

International tourism revenue impact on the domestic economy can be fully assessed by including the indirect and induced effects. The study by Kenya Tourist Board of 1997 attempted to capture these impacts and hence made the following tentative conclusions:

- Tourism contributed 5.1% and 13.1% in direct and total effects, respectively, to government revenue;
- Tourism contributed 2.9% and 11.2% in direct and total effects, respectively, to the gross domestic product;
- Tourism dependent employment as a proportion of all employment in the informal sector was 6.9% and 15.6% arising from direct and total impacts respectively;
- Tourism dependent employment as a proportion of all employment in the modern sector in terms of man-years was 2% and 10.9% due to direct and total effects respectively.

The direct and indirect contribution of travel and tourism to the country’s GDP was estimated at about 8.7% of the total GDP in 2002 and this is projected to grow by 5.6% annually to reach 10.2% of total GDP by 2012 (WTTC, 2002). Exports arising out of tourism and travel were estimated at 19.2% of the country’s total exports in 2002 (WTTC, 2002). This is projected to grow at 7% per annum. The sector is estimated to have accounted for 472,678 jobs in 2002 i.e. 6.8% of total employment.
CHAPTER 3

3. BASIC CONCEPTS AND THEORETICAL CONSIDERATIONS

3.1 Introduction

The purpose of this chapter is to provide theoretical underpinnings for the preferences, spending levels and satisfaction of tourists. In this context, possible impacts of tour-packages are taken into account.

Tourists spend much time and effort on vacation planning with respect to choice of attractions, facilities and activities at the intended destination (Goodall and Ashworth, 1998; Mill and Morrison, 1985; Van Raaij and Francken, 1984). Personal characteristics (Ragleb et. al., 1982; Gartner and Hunt, 1987; Riddick, 1986; Crompton, 1992; Rafferty, 1990; Weaver et al, 1994; Zimmer et. al., 1995; Mayo and Jarvis, 1981; Mill and Morrison, 1985) and destination attributes (McIntosh and Goeldner, 1990; Goodrich, 1978; Scott et. al., 1978; Um and Crompton, 1990; Woodside and Lysonski, 1989; Woodside and Sherrell, 1977; Goodrich, 1978; Stevens, 1992, Woodside and Carr, 1988; McGuiggan et. al. 1995) determine the choices made at the destination. Using this approach, expenditure can be viewed as a result of the derived demand for goods and services required when undertaking a holiday (Jara-Diaz, 1996). Such commodities include accommodation, transport, security and tour-guidance. The demand is derived from the need to visit attractions distributed in different locations within a given period of time. With regard to satisfaction, tourists’ expectations are either confirmed or disconfirmed, or remain unchanged during their holiday experiences.

Tourists incur expenditure on a variety of commodities during their holidays at a destination. Determinants of the level of expenditure include personal characteristics (Dardis et. al. 1981; Dardis et. al. 1994; Cai et al, 1995; Hong et. al. 1999; Davies and Mangan, 1992; Fish and Waggle, 1996, Cai, 1998, 1999) and trip attributes (Fish and Waggle, 1996; Mak et. al. 1977; Dardis et. al. 1981; Lawson, 1991; Legohere, 1998; Hsieh et. al. 1997; Opperman, 1996; Spotts and Mahoney, 1991; Thrane, 2002; Downward and Lumsdon, 2000; Nowagi et. al. 1996; Taylor et. al., 1993; Agarwal et. al. 1999; Leones et. al. 1998; Cannon and Ford, 2002; Mok and Iverson, 2000).

The satisfaction of tourists is basically determined by making comparisons between expectations and experiences. Besides expectations and experiences, satisfaction also depends on the individual’s personal characteristics and trip attributes (Iso-Ahola, 1982). Expectations and holiday experience depend on an individual’s
perception, previous experience, motivation, benefits sought, information, attitude and behavioral intention (Shih, 1986). These determinants of expectations and experiences in turn are associated with tourists’ characteristics (Goodrich, 1980; Woodside and Lyonski, 1989; Um and Crompton, 1990; Goodall and Ashworth, 1988; Balogh, 1997) and their trip attributes (Goodrich, 1980; Woodside and Lyonski, 1989; Um and Crompton, 1990; Balogh, 1997; Gitelson and Crompton, 1983; Fridgen, 1984), and destination attributes (Lyonski, 1989).

There are discrepancies between the choices consumers make and their satisfaction with those choices. A priori, they do not know the level of satisfaction associated with many choice outcomes. Empirical research also reveals wide discrepancies between the choices consumers make and the level of satisfaction experienced (Ainslie, 1975; Festinger, 1957; Elster, 1977, 1985). Satisfaction is not just an outcome but also an input variable into decisions such as revisiting the same destination for holidays. For these reasons, satisfaction of tourists is analyzed separately from their revealed preferences.

Further theoretical aspects of the attraction-based approach are discussed in chapter 6 while those of satisfaction are discussed in chapter 7. In the following sections of this chapter, we discuss the concept of a tourism product and the determinants of choice and satisfaction. Section 3.2 assesses the characteristics of the tourism product while section 3.3 discusses the tour packages. Section 3.4 discusses the bases of segmentation including travel packages while section 3.5 presents the components of the tourism industry. Section 3.6 underscores the determinants of satisfaction. Finally, section 3.7 provides a summary and conclusion.

**3.2 The Tourism Product**

Considering tourism as an industry implies that there is a production and sale of a product. The tourism product is composite in nature and includes both tangible and intangible aspects. Holiday travel is an experience-based and basically intangible product (Ahmed et al., 1998). Its production takes place simultaneously with consumption at the same physical place (Ahmed, 1988). The product can neither be observed nor inspected directly prior to consumption (Goodall & Asworth, 1988). There are three distinct aspects of a tourism product: the tourism experience, the place, and product components (O'Fallon, 1994).
The tourism experience (the macro-level product) comprises all that the tourists see, use and experience as part of their encounter. The place is the tourist destination that serves as the point of consumption of certain components of tourism experience. Finally, the components refer to the individual products such as accommodation, attractions and souvenirs. Smith (1994) identified various components and classified them as follows:

- Physical environment of a tourist destination (the natural assets such as wildlife sanctuaries, beaches and climate; built assets, for instance, museums, monuments, airports and lodges);
- Services such as transport, tour-guidance, security and accommodation;
- Hospitality of the local people;
- Degree of freedom of choice by tourists, and
- Involvement of the tourists in the production process.

According to this classification, a tourist is an integral part of the production process since the final product cannot be achieved without the consumer travelling to the point of production and converting the intermediate inputs (services) into experiences. The choice and involvement of the tourist transforms the intermediate inputs into the final output. The components can be further differentiated by their characteristics. In composite however, the components make tourism a unique type of 'product'.

As suggested above, tourism comprises a range of tangible and non-tangible products. Tourists purchase a number of tangible inputs (e.g., accommodation and transport), but they also purchase intangible ‘products’ as part of their experience (e.g., wildlife viewing, beach scenery and cultural heritage of the host population). Consumption of the tourist product is non-rivalry. Tourism related purchases generally grant the tourist a right to use a particular product as opposed to the right to own it. Therefore, the sales to and consumption of these goods by the tourist does not diminish the availability of ‘stock’ over time. Moreover, the product may be ‘multi-consumed’ by more than one individual or group at a time; thus a tourist does not always purchase exclusive rights to use goods. Even though the same product is being consumed simultaneously, individual tourists may perceive that they are using unique or different products because they put emphasis on different characteristics of the commodity. Because of the intangible nature and service aspects of many tourism
products, they cannot be inspected prior to purchase or consumption. Another reason a tourist cannot ‘sample’ the product before purchasing is that much of these products are immobile.

In most cases, tourism products cannot be taken to the consumer, it is the tourist who visits the destination where the product is located. Furthermore, tourism is a form of demand whereby tourists demand a ‘bundle’ of goods and services, not any single product, i.e., various elements of the tourist product cannot survive without each other (e.g., destination and transportation). In addition, demand for tourism-related products is particularly vulnerable to exogenous forces, or demand shifters, such as political instability or changes in foreign exchange rates (O’Fallon, 1994). The attractiveness and hence the competitiveness of the tourism product depend on the quality and accessibility of the attractions and the associated services such as banking, telecommunication and security.

The various components of the tourism product are controlled by several suppliers, both in the tourist’s country of origin and at the destination. The appeal of a product to a tourist depends upon the value added to the basic resource endowment through management and packaging of the most attractive bundle of goods and services (Christie and Crompton, 2001). Therefore, the conceptualization of tourism as an industry and a product is broad in scope and complex in nature.

### 3.3 Tour Packages

Tour operators determine the itinerary, content, timing and maximum size of package tours. They make contracts in advance with airlines, hotels, transporters and other tourist service companies. The services of local ground operators at destinations are contracted in order to supply smaller services locally such as tours and guidance. The assembled total package is then sold to consumers through travel agencies, besides their own marketing arrangements. Travel agencies serve as the main marketing outlets for tour operators. They sell air tickets and end products packaged by tour operators through various networks. Commercial airlines operate scheduled services and occasionally their own corporate tour operations. Charter airlines operate their own services and normally lease out these services to tour operators. Tour operators in turn can operate their own charter airline services. Within the international tourist sector, multinational corporations engage in both horizontal and vertical management and ownership integration. Horizontal integration occurs in the
form of foreign direct investment, leasing, management contracts, and franchising and marketing agreements with regard to hotels and other facilities. On the other hand, vertical agreements exist between hotels, airlines, tour-operators and travel agencies.

Tour-packages vary in 'inclusivity' of prepaid elements such as transport, lodging, meals, etc. Among all the package tours, the simplest is the basic tour that typically includes transportation to destination and baggage handling only (Mok & Armstrong, 1995). This is the free independent traveller arrangements (FIT) in which tourists make their own plans without much help from tour-operators. On the other extreme, all-inclusive tours include prepayment of accommodation, meals, sightseeing, game drives and local transportation (Sheldon & Mak, 1987; Morrison, 1989; Holloway, 1995; Swarbrooke & Horner, 1999). In between these two types, there are different types of packages on offer depending on the level of prepaid products (Yamamoto & Gill, 1999). Packaged or prepaid tours are an important component of the travel business and in 1999, for instance, tour-operators were responsible for approximately 25 per cent of total international travel including business trips (Gartner, undated).

When preparing to make an international and in most cases long-haul travel, a potential tourist is faced with many opportunities through which holiday plans can be executed. There are many intermediaries between the tourists’ origin country and the destination to be visited for holidays. The agents provide information on products to be found at the chosen destination and the ways of consuming the products effectively. Since the product cannot be sampled before travel, consumers are bound to rely on the agents for information. The market is imperfect because of limited knowledge about the product, its heterogeneity and limited number of suppliers. Agents and other intermediaries create a variety of packages with different possible consumption styles and travel. Consumers can choose among these packages or decide to make all or some travel arrangements for themselves. This is the stage where segmentation of the potential tourists to a particular destination actually begins. At this stage several decisions are made. They include attractions to be visited, amounts to be practically spent during the holidays, accommodation, transport and other facilities to be utilized at the destination. Generally expectations are concretized at this stage. These decisions depend on the individuals or groups’ trip attributes such as the length of time planned for holidays, group characteristics, and costs of various options available. Personal attributes have also been found to influence the nature of
decisions made by potential tourists at this stage. Such attributes encompass geo-
demographic, psychographic, social and economic characteristics of the individuals
and/or travel parties (Mill and Morrison, 2002).

3.3.1 Travel Arrangements

Generally, there are two extremes in which individuals or travel parties can
execute their holiday plans. They include full reliance on the market for the
organization and planning of the holiday or undertaking many of these activities by
themselves.

All-inclusive Packages

Mass tourism is a phenomenon of large-scale packaging of standardized
leisure services at fixed prices for sale to a mass clientele. Mass tourism exists under
the following conditions (Poon, 1993 p.32):

- the holiday is standardized, rigidly packaged and inflexible i.e. no part of the
  holiday is altered except by paying higher prices;
- the holiday is produced through mass replication of identical units, with scale
economies as the driving force;
- the holiday is mass marketed to an undifferentiated clientele;
- the holiday is consumed en masse, with lack of consideration by tourists for
  local norms, culture, people’s economic status or the environments of tourist-
receiving destinations;
- standardization and rigidity are clear characteristics of package tours offered
  on a large scale;
- an inclusive charter tour provides the same level of transportation, accommodation, meal and transfer services to all clients who pay the same
price.

Free Independent Travel

According to Poon (1993), the following characteristics apply to
circumstances and individuals who arrange their own travel:

- the holiday is flexible and can be purchased at prices that are competitive with
  mass-produced holidays;
• production of travel and tourism related services are not dominated by scale economies alone;
• tailor-made services can be produced while still taking advantages of scale economies where they apply (yield management);
• production is driven by the requirements of consumers;
• the holiday is marketed to *individuals* within different needs, incomes, time constraints and travel interests;
• mass marketing is not the dominant paradigm;
• the holiday is consumed on a large scale by tourists who are more experienced travellers, more educated, more destination-oriented, more independent, more flexible and more ‘green’;
• consumers look at the environment and culture of the destination they visit as a key part of their holiday experiences.

Therefore, industry practices of mass marketing, standardization, limited choice and inflexible holidays contrast sharply with those that are ‘greener’, more individual, flexible and segmented in character. Some travellers do not prefer the mass tourism arrangement since they are more interested in other pursuits such as culture and other types of consumption that differ from restricted forms of tourist experiences marketed by tour operators and travel agents (Urry, 1990; Richard, 1996; Elands & Lengkeek, 1997). They do not adopt conventional mass tourism, but prefer more individualized forms of travel and unique tourist products and services. Such tourism is more flexible and individual-oriented (Poon, 1993). These tourists are more experienced, more ‘green’, more flexible, more independent, more quality conscious and ‘difficult to please’ through holiday packaging.

The expectations of free independent travellers are different from those who prefer fully packaged holidays. For those who prefer packages, quality of services is relatively unimportant (Poon, 1993). Vacation is attractive in itself for those tourists who prefer to arrange a greater degree of their holidays. They go on vacation to experience something different and for them quality and value for money is premium. Package adopters tend to be homogenous and predictable. They feel secure by travelling in numbers and they take vacations where everything is pre-paid and pre-arranged. On the other hand, free independent travellers are relatively spontaneous and unpredictable. They tend to be hybrid in nature and consume along less
predictable lines. They purchase different tourism services in different price categories, for instance, for the same trip. They prefer to be different from the crowd, to affirm their individuality and to be in control of their destiny. Their lifestyles create demand for more targeted and customized holidays compared to what can be offered through packages. Environmental circumstances that make it possible and convenient to organize one’s own holidays include the Internet service. Therefore, circumstances that encouraged free independent travel are varied but inter-related (Poon, 1993): independence, flexibility of choice, and available information technology such as computer reservation systems (CRSs).

3.3.2 The Effects of Tour-Packages

There are several effects of packaging ranging from social, cultural, environmental and economic consequences. There are also several economic consequences of package travel tours. Sinclair (1992) observed that during the 1970s and 1980s, overseas tour-operators marketed increasing numbers of inclusive tour holidays to Kenya with several consequences to earning levels resulting from expenditure by tourists. She focused on foreign currency leakages and retention that are associated with different types of package holidays. She examined the prices of different types of package holidays sold by UK tour-operators and estimated the constituent prices of food and accommodation, ground and air transportation. The distribution of the revenue from each type of package holiday between firms in Kenya and foreign tourism intermediaries was then calculated. About 30 to 50 per cent of the total prices charged for accommodation and food were retained by tour-operators in tourism-generating areas. She also found that with respect to beach-only holidays, the total foreign exchange 'leakage' attributed to overseas tour-operators and airline ranges between 62 per cent and 78 per cent for a 14-night holiday package. The leakage from packages containing 'safari' (mainly wildlife-based) tourism was significantly lower at between 34 and 45 per cent for a similar length of stay due to greater participation by local firms in ground transportation and domestic flights. These figures do not take into account the import content of associated expenditures. When the national carrier, Kenya Airways, was used by tourists for international flights, the corresponding figures reduced to between 12 and 33 per cent for 14-night beach holiday, and between 12 and 20 per cent for a 14-night beach and safari holiday. Kenya's dismal overall economic performance in the recent past resulted in
Chapter 3

poor economic performance, high inflation rates and a decrease in gross national product. With the decline in economic performance, the value of Kenya's currency rapidly depreciated. Overseas tour-operators took advantage of this situation to enhance profit margins by negotiating tour-package contracts to Kenya in terms of Kenya currency.

In addition, tour-operators have an advantage in negotiating passenger fares and hence secure substantially lower prices than those charged to clients booking individually. Although Kenya attempted to increase the utilization of its national carrier, Kenya Airways, by not authorizing other scheduled airlines to operate domestically (Dieke, 1991), foreign tour-operators managed to decrease their use of the national carrier by providing direct charter flights to Mombasa. Destination countries, such as Kenya, are thus faced with a dilemma since marketing by overseas tour operators can substantially increase tourist demand, but not revenue earnings.

Cost is a significant element for the tourist when deciding where to go on holiday and by what form of travel. Normally, this is the case with mass tourism where the demand for beach, sun and sea holidays often over-rides differentiation amongst resorts. The total cost of a package plays a significant role in the selection of a destination by certain categories of tourists. All-inclusive tour packages are convenient for working individuals who have limited time to organize their own holidays. This aspect is at times more important than cost given that customer trends show preference for several short holidays rather than one long annual holiday.

The selection criteria for all-inclusive package tours are different from those of basic package tours due to differences in composition. The acceptability of Inclusive Tours (IT) in the tourism industry has grown since the 1950’s mainly due to the convenience of purchasing the product as a package (product characteristic) and also as a result of low total price compared to purchasing individual elements separately. Convenience is the main characteristic contributing to high utility of this method by those consumers who are not very knowledgeable about markets for individual product elements or are not venturesome in making their own arrangements. Convenience and lower costs are the most cited reasons for choosing a package tour (Touche, 1975). They are associated with comfort, experienced tour-guides and seeing much more within the constraints of time (Duke & Persia, 1993; Enoch, 1996). Convenience in planning and departure dates, economic pricing, friends’ recommendations, and the desire for specialized activities and experience
make such packages preferable (Cohen, 1972; Middleton, 1991; Hsieh et al. 1992, 1994; Liberson, 1994). Personal safety and reduced risks are other reasons for preference of packaged tours (Quiroga, 1990; Mok & Armstrong, 1995; Wong & Lau, 2001). They have a number of characteristics such as being effective, safe, and less expensive, in comparison to buying a flight and a hotel stay separately and individually (Enoch, 1996). It gives tourists the possibility to visit a large number of sites in a short period of time, needing neither time nor skill to arrange the tour personally. It also enables them to take advantage of the tour organizer’s lower prices, through their negotiations with product suppliers. The tourist can even use the package to ‘travel to far-away countries with strange cultures, unreliable transportation, and doubtful standards of hygiene’ (Enoch, 1996). When buying the package, the tourist feels sure to receive everything promised. As early as the time of purchase of the holiday trip, the tourist may have a set of expectations about its nature and performance, and the anticipated benefits (Lewis, 1994).

As has been observed, an important element in the widespread marketability and success of conventional package holidays is the level of risk reduction that the tour operator is able to offer customers. Given that almost all elements of the vacation are prepaid and pre-arranged, the credibility of the tour-operator is known. Because there is insurance coverage and a familiar person at the destination, the vacation is made near-perfectly safe. These packages are, however, limited in flexibility and are usually for a single destination. However, there is a tendency for some consumers to be risk-takers when on vacation (Coates, 1986). The risk-taking attitude seems to be associated with risks taken at a personal level where the individual is in control of situations.

In addition to travel product preferences, travel related behaviours also play an important role in the package tours selection. The choice between the independent travel and the package travel modes is also influenced by socio-demographic characteristics, travel attributes and travel destinations (Hsieh et al. 1993; Hsieh et al. 1994; Morrison et al. 1993; Hsieh & O’Leary, 1993; Sheldon & Mak, 1987). Necessities and interests of people who travel alone are different from those who travel with relatives or friends (Quiroga, 1990). Most package travellers are accompanied by their spouses, family members or friends. Through fixed itineraries, packaged tours allow them to avoid family clashes and compatibility problems (Smith, 1979; Crompton, 1979; Pearce, 1982). People travelling with family members
tend to put more emphasis on facilities’ quality and safety than those travelling alone (Lai & Graefe, 2000). In most cases, families on holidays are normally accompanied by children and other vulnerable relations. The willingness to take a package tour and listen to word of mouth communication is higher among those making first time trips particularly to unfamiliar destinations (Sheldon & Mak, 1987; Enoch, 1996; Andereck & Caldwell, 1993, Lai & Graefe, 2000). On the other hand, the capability of an individual or group of individuals to choose a package tour depends on the extent of acquired information and the monetary and temporal costs involved. These are likely to be influenced by party-size, purpose of travel, capacity to gather sufficient information, repeat visitation and the capability of destinations to satisfy tourists' requirements.

3.4 Tourist Segmentation

Holiday patterns are neither fixed nor predetermined for either individuals or groups. There are many factors associated with complex relationships that influence participation, choice, spending level and satisfaction. These factors can be classified at personal/individual, social and institutional levels. Personal factors relating to the individual cover stages in life, needs, interests, attitudes, abilities, upbringing and personality. Social and circumstantial/situational factors encompass time availability, occupation, income, wealth, peer groups, education and cultural factors. Opportunity and support factors imply availability of resources and facilities, awareness, perception of opportunities, holiday costs, accessibility and variety of attractions, and other institutional determinants. There is a complex mixture and interaction amongst these factors. They operate individually, jointly or collectively and they change over time.

A segmentation basis for distinguishing tourists with different attraction choices and expenditure patterns is formed by the characteristics of consumers. Frank et al. (1972) classified the bases into two classes: the general base and situation-specific base (Figure 3.1). The general base is independent of any product or service and independent of specific circumstances faced by the consumers. The situation-specific base is related to both the consumer and the commodity and/or specific circumstances. These bases have alternatively been referred to as behaviouristic (Baker, 1988), product-instrumental (Wilkie and Cohen, 1977) or product specific (Wadel and Kamakura, 1999). Bases are further classified regarding whether they are
Specific segmentation criteria that have been used in tourism literature include geographic characteristics (Reid & Reid, 1997), demographics (Taylor, 1987; Anderson & Langmeyer, 1982) and psychographics (Silverberg, Backman, & Backman, 1996; Schewe & Calantone, 1978). Detailed psychographics include interests (Sorensen, 1993; Wight, 1996), motivations (Cha, McCleary, & Uysal, 1995; Wight, 1996), opinions (Cohen & Richardson, 1995), and values (Madrigal & Kahle, 1994). Other recent criteria are expenditure (Mok & Iverson, 2000; Legohrel, 1998; Sports & Mahoney, 1991; Pizam & Reichel, 1979), benefits (Harley, 1968; Yannopoulos & Rotenberg, 1999; Shoemaker, 1989, 1994; Woodside & Jacobs, 1985; Jang et al, 2002), activities (Hsieh, O’Leary, & Morrison, 1992; Moscardo et al., 1996; Jeffrey & Xie, 1995; Morrison, Hsieh, & O’Leary, 1994) communication channels (Hsieh & O’Leary, 1993) and tour-packages (Askari, 1971; Sheldon and Mak, 1987). Activity segmentation has been used in conjunction with other psychographic and/or socio-demographic variables in order to efficiently and effectively differentiate and describe target markets (Morrison, 1996). There is no best variable for segmenting a market, nor is there any set of variables that can be used every time. Either multistage segmentation (Morrison, 1996) or a combination (Kotler et al., 1998) approach appears to be the most appropriate. The tourism industry often deals with fixed products in a confined environment and, at the same time, with quality and services engaged in dynamic interactions (e.g. packaged tours). Therefore, tourism market segmentation studies take several variables into account.

Once a segment has been identified, it is worthwhile to apply a separate marketing and communication policy and to apply different pricing, conditions, communication and distribution to the segment. Product differentiation is based on market segmentation (Oppedijk and Verhallen, 1986). Products, messages and services can be differentiated in terms of the different segments. In most segmentation studies, consumers are classified in only one segment. In principle, however, it is possible to classify one consumer in more than one segment and thereby create overlapping segments.

As earlier observed, travel arrangements adopted by tourists may be segmented into two divisions i.e. free independent travel and all-inclusive tour-packages. For scientific research, market and communication research, segments have
to fulfill certain conditions of size and homogeneity (Smith, 1956). These conditions refer to typification of segments, homogeneity, usability and strategic criteria (Kotler, 1988; Antonides and Van Raaij, 1998; Mok and Iverson: 1999):

(i) Typification of Segments

- **Identification** implies that it should be possible to determine the size and composition of each of the segments.
- **Measurability** refers to the degree to which size and purchasing power of the resulting two segments can clearly and concisely be measurable. Related to this, objective characteristics are preferred.

(ii) Homogeneity

- **Homogeneity** entails that the segments are homogeneous enough. The individuals within each segment should be similar enough. Therefore, the same marketing approach can be applied to a homogeneous segment, assuming that these consumers will react in the same way.
- **Heterogeneity** provides that sufficient heterogeneity exists between the segments. Tourists from one segment should react differently to those from the other segment. If this is not the case, they can be handled by the same marketing approach and consequently the segments could be merged.
- **Stability** refers to the segment’s stability over time so that if consumers are allocated to a certain segment, they will still belong to that same segment after a specific defined duration. A problem with much lifestyle research is the instability of the segments obtained.

(iii) Usability

- **Reachability or accessibility** encompasses the extent to which segments can be reached with the available marketing communication and distribution systems. Generally, it should be possible to identify the media that can be applied to specifically reach each of the segments.
- **Size or substantiability** ensures that segments are large enough to be eligible for a separate market application since segments that are too small in general are not cost-effective for a separate approach.

(iv) Strategic Criteria

- **Potentiality** establishes that the segments have enough purchasing power to justify a separate strategy. Suppose a campaign for selective travel
arrangement is adopted, for instance, it should be possible to identify tourist individuals and groups with the highest chance of being convinced by the campaign not to use their preferred travel arrangements.

- *Attractiveness and actionability* assess the extent to which the segments are attractive to the information provider and advertiser, for instance, as a reference group to other consumers.

**Figure 3.1: General and Situation-Specific Customer Characteristics Usable as Bases for Segmentation**

*Source: Adopted with modifications from Frank et al. (1972)*

Travel arrangement-based segmentation potentially exhibits all of these characteristics (Askari, 1971; Sheldon and Mak, 1987). In other words, free independent travellers should significantly differ from those travelling on all-inclusive tour-packages along all or most of the conditions discussed in this section.
3.5 The Components of Tourism Industry

According to Murphy (1985), demand for a commodity (in this case, attraction choice) is determined by three elements. These are motivations, perceptions and expectations (Figure 3.2). The figure shows the supply and demand characteristics of tourism and how these market forces are brought together by the industry.

3.5.1 Demand Side
Motivations

Motivations arise from the urge to fulfil certain needs. Basic travel motivators can be classified as physical or physiological, cultural, social and fantasy (Murphy, 1985). Krippendorf (1987) suggested a number of motivational factors that influence the selection of a destination and generally the tourist experience. These include recuperation and regeneration, compensation and social integration, escape, communication, broadening the mind, freedom and self-determination, self-realization and happiness. There are also social influences that condition the decision to travel and these may include the family or societal group, social class, surrounding culture and the workplace. Advertising creates an attractive image of a destination by emphasizing its attributes that can act as ‘pull’ factors in complementing the ‘push’ factors mentioned above. Such attributes as wildlife viewing, beach, general physical scenery and the culture of the host community reinforce the motivation to travel. However, freedom of choice is not totally unrestricted in terms of the activities pursued at the destination. Actual participation shows the selection of the best alternative or compromise under the circumstances. Choice is bound by constraints such as physical capability, affordability, awareness, time restrictions and family obligations. The existence and intensity of the constraints vary amongst individuals and across demographic and socio-economic groups. The constraints influence the type of attractions visited by tourists.
Expectations

One expectation is the perceived likelihood that a consumer choice will be followed by a particular outcome (Ivancevich & Matteson, 1993). Tourists’ expectations are adaptive and are likely to be updated on the basis of both past experience and other types of non-experiential information (Anderson et. al. 1994). In the case of negative expectations, consumers may express concerns regarding the outcomes. In this respect, we may distinguish a priori concerns, existing before travel, and post concerns, adapted during travel. The level of familiarity affects the level of updating. Tourists on their first visit to a destination are likely to update their expectations to a greater extent than those of repeat visitors. Expectations are, therefore, desires or wishes of consumers, i.e., what they feel a service provider should offer rather than would offer (Parasuraman et. al. 1988). They are based on the image individuals have about a destination. Image may be defined as the sum of beliefs, ideas and impressions that a person has regarding a destination (Murphy, 1985). Usually, there is a time-lag between initial purchase, based on a projected image, and the actual experience.

Perceptions

Perception is the basis upon which customers make comparisons between their expectations and the ultimate performance of a service. Perception is conditioned by
Past experiences, preferences and hearsay or word of mouth. It is the process through which customers select, organize, and interpret information gathered by their senses in order to understand the world around them (Greenerg & Baron, 1997). Perception affects the way consumers behave and in most cases perceptions are not based on reality but on interpretations of reality (Ganesh & Oakenfull, 1996). Tourists as consumers make decisions based upon their perceptions. However, perceptions may be accurate or inaccurate. Through product positioning, a unique position for a tourism product can be created within the minds of tourists by influencing their perception and product image. Product positioning relies on the idea that there are multiple ways in which a product can be presented relative to competing products. Perception and product image can influence the choice of attractions. Attributes generally used to assess images are usually related to cost, climate, scenery, personal safety and sanitation (Crompton, 1979).

Preferences

Tourists’ preferences are based on a set of factors that may be either external or internal (Murphy, 1985; Moutinho, 1987; Godall, 1991). External factors include cultural norms and values, family and reference groups, financial status and social class while internal factors encompass personality, lifestyle, learning and motivations. Preferences affect choice decisions and in particular the attractions visited by tourists (Goodrich, 1977; Stevens, 1992; Cai et. al., 1999; Lai & Graefe, 2000; Hsieh et. al., 1992; Wong & Lau, 2001). Travel product preferences and travel related behaviours play significant roles in attractions’ selection (Wong and Kwong, 2004). Tourist behaviour is determined by various factors that include perceptions and preferences (Swarbrooke & Horner, 1999; Murphy, 1985). Travel behaviour has been studied under several models (Clawson & Knetsch, 1966; Wahab et. al. 1976; Schmoll, 1977; Mayo & Jarvis, 1981; Mathieson & Wall, 1982; Murphy, 1985; Jafari, 1987; Moutinho, 1987; Middleton, 1988; Woodside & Lysonski, 1989; Um & Crompton, 1990; Gilbert, 1991; Goodall, 1991; Swarbrooke & Horner, 1999). These models can be categorized in three classes: decision-making process, tourism experience, and lastly components of tourist behaviour (Suh and Gartner, 2004). The role of preference in general consumer behaviour has been noted by several studies (Cosper & Kinsley, 1984; Lieber & Fesenmaier; 1984; June & Smith, 1987; Bojanic & Calantone, 1990; Haider & Ewing, 1990; Carmichael, 1992; Louviere &
3.5.2 Supply Side

On the supply side, attractions and hospitality are the main resources that destinations offer. Normally, heavy capital outlays in the form of facilities and infrastructure are necessary for the consumption of these resources. Accessibility to the resources is provided through such investments. Travel experience is the tourism industry’s product since, unlike other industries, it is the consumer who travels and not the product. The tourist product is produced by resources and facilities created at a destination. It is usually sold as a package for tourists to perceive and experience in the market place through intermediaries.

3.5.3 Market Place

Like other products, the tourist product is sold in a market place. An intermediary is necessary for this to occur since the product is generally immobile and potential tourists need to build and compare destination images before they travel. Travel agents undertake this function of matching tourists’ images and tourist products so as to make travel experiences successful. The development of a tourist product and promotion of an image is undertaken by tour wholesalers while travel agents generally sell individual vacations.

3.6 Determinants of Satisfaction

The concept of satisfaction is interpreted differently and the definitions given are quite varied. Satisfaction reflects the degree to which an experience evokes positive feelings (Rust & Oliver, 1994). It is an overall response due to the use of a product or service (Oliver, 1981). Most definitions involve a comparison between expectations and experience. According to Bultena & Klessig (1969), a satisfaction experience ‘is a function of the degree of congruency between aspirations and the perceived reality of experiences’ (p.349). From a cognitive outlook, Hunt (1983) states that ‘satisfaction is not the pleasurableness of the experience, it is the evaluation rendered that the experience was at least as good as it was supposed to be’ (p.459). The latter characteristic of satisfaction implies that consumer expectations play a part in satisfaction judgments.
3.6.1 Concerns

The competition for drawing tourists’ attention begins with advertising, the essence of which is to construct a favorable image of a destination. The success of this image is dependent on a destination’s attractiveness that is largely dependent on its physical attributes. The image of a destination is an important element in its selection. There are a number of elements that can contribute and enhance the general attractiveness of a destination. These include pleasant climate, friendly people, low cost of living and the ease of accessibility (Morrison, 2002). These factors can be crucial but they do not determine by themselves the character of a destination. Concerns about a destination prior to travel can have a significant impact on satisfaction. Concerns can be considered as worries associated with certain expectations. To the extent that negative expectations are disconfirmed during travel, satisfaction may be increased.

3.6.2 Disconfirmation

Expectations and disconfirmation are the two main determinants of satisfaction (Oliver, 1980; Oliver and Bearden, 1995). The contribution of expectations and disconfirmation to satisfaction judgement can be described by two main models (Oliver, 1996). These are the perceived performance hypothesis and the disconfirmation of expectations hypothesis. Under the first model, it is assumed that expectations more than the discrepancy between expectations and actual experiences determine satisfaction i.e. assimilation effect is predicted, whereby experiences are assimilated with expectations. According to the second model, disconfirmation (discrepancy between expectations and actual experiences) has greater impact on satisfaction than expectations. With respect to this model, contrast effects are predicted under which outcomes are contrasted to expectations.

The concepts of customer satisfaction and expectation disconfirmation had been defined by McNeal (1973), Engel and Blackwell (1982), and Howard and Sheth (1967, 1969, and 1973). According to their consumer behaviour models, satisfaction is shown as the final output in the framework of travel and purchase decisions. These models predict that if the actual outcome of a product is judged to be better than or equal to expectations, the consumer will feel satisfied. On the other hand, if the actual
outcome is judged not to be better than expected, the consumer will be dissatisfied (Engel et. al. 1990).

Expectations are, therefore, central to the disconfirmation paradigm. However, the effects that expectations have on satisfaction have been challenged (Barsky, 1992; Spreng et. al. 1996; Williams, 1989). While expectations have been generally accepted as affecting satisfaction, there is no conclusive evidence that they directly lead to satisfaction or dissatisfaction (Barsky, 1992). According to the disconfirmation model, as expectations decrease, the probability of being satisfied increases. Therefore, if individuals expect and receive poor performance, they will be satisfied (LaTour & Peat, 1979). Due to such an argument, some researchers have argued that a single and global measure of satisfaction may be better than using the disconfirmation of expectations (Vaske et al. 1986; Williams, 1989).

A meta-analysis of customer satisfaction research has shown that expectation disconfirmation is the best predictor of satisfaction (Szymanski & Henard, 2001). Tourists have expectations of the services and commodities designed to satisfy their needs. This relationship could be quantified through the disconfirmation of expectations based on experience as perceived by the individual. Expectations may not be met, may be exceeded, or may be matched through the consumption of the commodity. The disconfirmation of expectations, therefore, determines the level of satisfaction (Swan & Trawick, 1981) and directly influences it (Oliver, 1993). As a result, satisfaction is better ascertained by assessing experiences rather than expectations.

With regard to the measurement of satisfaction, a more comprehensive and systematic approach is that proposed by Sirgy & Tyagi (1986). In this case, evaluative congruity models of consumer behaviour are stated. Congruity models are preferred to the traditional customer satisfaction/disconfirmation models due to their ability to capture different states of satisfaction and dissatisfaction depending on different combinations of expectations and performance outcomes. The models predict that the level of satisfaction would occur in the following order of functional evaluative congruity (Table 3.1)
Table 3.1: Hypothesized relationship of functional evaluative congruity between expectation and perceived experience

<table>
<thead>
<tr>
<th>Expectation (E)</th>
<th>Perceived Experience (PE)</th>
<th>Evaluative Congruity</th>
<th>Expected Order of Satisfaction Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative</td>
<td>Positive</td>
<td>Positive Incongruity</td>
<td>3</td>
</tr>
<tr>
<td>Positive/Negative</td>
<td>Positive/Negative</td>
<td>Positive/Negative Incongruity</td>
<td>2</td>
</tr>
<tr>
<td>Positive</td>
<td>Negative</td>
<td>Negative Incongruity</td>
<td>1</td>
</tr>
</tbody>
</table>

Under a positive incongruity condition, if the tourist's expectation of a destination is negative but the perceived experience is positive, the tourist would be most satisfied. With regard to the positive congruity condition, the tourist's expectation is positive and perceived experience is positive and therefore the tourist is moderately satisfied. A negative congruity condition entails a situation whereby the tourist's expectation is negative and perceived experience is also negative. In this case the tourist satisfaction level would be lower than that of a positive congruity condition. Finally, a negative incongruity condition is where the expectation is positive and outcome is negative resulting in a least satisfied situation.

3.7 Summary and Conclusion

With regard to international travel, time at a destination is limited and has therefore to be allocated efficiently so as to maximize utility given the monetary budget allocated for holiday expenditure. Tourists consume tourism products by travelling to specific destinations and combining the existing attractions using their limited time in order to maximize utility. The way time is allocated reflects preferences and choice behaviour. In this process, individuals face constraints in the form of available resources and the priorities of the other members of the travel party. Travel packages present another constraint since they offer limited travel possibilities and at the same time they influence choices, expenditure and satisfaction. Preferences, motivation, expectations and perceptions play a central role in making choices.

One of the objectives of this chapter was to determine the relationships that exist between preference, choice, expenditure and satisfaction. Preference is the basis of choice while expenditure depends on the choices made in terms of attractions and
facilities. Satisfaction is explained by concerns about a destination and disconfirmation through the comparison of expectations and experiences. Formations of expectations depend on preferences while experiences are determined by choices made and the quality of tourism products.

In chapters 6 and 7, individual determinants of each of these travel components will be discussed, drawing both from the empirical and theoretical literature. Tourist characteristics, and trip and destination attributes are the main determinants. Tourist characteristics influence preference, choice, expenditure and satisfaction. Trip and destination attributes determine choice, expenditure and satisfaction.
4. STRUCTURAL EQUATION MODELLING

4.1 Introduction

In chapters 6 and 7, the models applied involve multiple-scale measurements of latent variables such as socio-economic status of individual tourists, their motivations, quality and value for money assessments, concerns prior to and during holidays and satisfaction levels. Some endogenous variables such as wildlife viewing, beach and cultural tourism are also expected to explain the spending levels of tourists. In order to take endogeneity and latent variables into account, specific procedures need to be adopted. Simultaneous equations methods (SEM) and in particular the LISREL approach have the desirable properties. This chapter presents an overview of (SEM) and the various computation steps.

SEM is an extension of the general linear model (GLM) and it encompasses the other stand-alone models such as multiple regression, path analysis, factor analysis, and the analysis of variance.

Section 4.2 discusses the general structure of the model and sub-models and Section 4.3 deals with identification and estimation issues. Input matrices and sample sizes are also covered under this section. Section 4.4 deals with model judgement and model modification and Section 4.5 provide a summary and conclusion.

SEM is implemented in the LISREL programme (Linear Structural Relationships) and other statistical packages to perform covariance structure analysis (Figure 4.1). Covariance structure analysis is a multivariate statistical technique that combines (confirmatory) factor analysis and regression analysis for the purposes of analyzing hypothesized relationships among latent (i.e., unobserved or theoretical), variables measured by manifest (i.e., observed or empirical) indicators (Bagozzi, 1980; James et al. 1982; Saris & Stronkhorst, 1984; Davis, 1985).

A full covariance structure model is basically composed of two parts (or sub-models), namely measurement and structural models. The measurement model describes how each latent variable is measured or operationalized by corresponding observable indicators, while the structural model describes the relationships between the latent variables. Covariance structure analysis is confirmatory in nature, since it attempts to confirm whether the relationships hypothesized among the latent variables and between the latent variables, and the manifest indicators, are consistent with the empirical data. Confirmation or disconfirmation is done by comparing the computed
covariance matrix *implied* by the hypothesized model to the *actual* covariance matrix derived from the empirical data.

### 4.2 General Structure and Sub-Models

Let \( \begin{pmatrix} y_1, & y_2, & \ldots, & y_p \end{pmatrix}^T \) and \( x = \begin{pmatrix} x_1, & x_2, & \ldots, & x_q \end{pmatrix}^T \) be vectors of observable endogenous and exogenous variables.\(^2\) In our case, the observable exogenous variables are the tourists’ characteristics and trip attributes. The endogenous variables are the proportions of time allocated to various attractions, expenditure levels and satisfaction statements made by tourists after their holidays at the destination. Let \( \eta_i = (\eta_1, \eta_2, \ldots, \eta_m)^T \) be a vector of latent endogenous variables and \( \xi = (\xi_1, \xi_2, \ldots, \xi_n)^T \) a vector of latent exogenous variables. Finally, \( \varepsilon = (\varepsilon_1, \varepsilon_2, \ldots, \varepsilon_p)^T \) and \( \delta = (\delta_1, \delta_2, \ldots, \delta_q)^T \) are defined as vectors of measurement errors of \( y \) and \( x \), respectively. The relationships between the observed and latent variables are given in the latent variables measurement models (4.1) and (4.2)

\[ y = \Lambda_y \eta + \varepsilon \quad (4.1) \]

and

\[ x = \Lambda_x \xi + \delta \quad (4.2) \]

where \( \Lambda_y \) and \( \Lambda_x \) are \((p \times m)\) and \((q \times n)\) matrices of regression coefficients (i.e., factor loadings).

The structural model consists of a set of relationships among the latent variables:

\[ \eta = \tilde{B} \eta + \Gamma \xi + \zeta \quad (4.3) \]

or

\[ B \eta = \Gamma \xi + \zeta \quad (4.4) \]

where

\( \tilde{B} \) is an \( m \times m \) coefficient matrix with \( \beta_{ij} \) representing the effect of the \( j^{th} \) endogenous variable on the \( i^{th} \) endogenous variable;

\( \Gamma \) is an \( m \times n \) coefficient matrix with \( \gamma_{ij} \) representing the effect of the \( j^{th} \) exogenous variable on the \( i^{th} \) endogenous variable;

---

\(^2\)The upperscript “T” denotes the transposed vector or matrix.
Figure 4.1: Stages involved in the application of SEM

Development of a theoretical model (model conceptualization)

Construction of a path diagram

Conversion of path diagram into a set of structural and measurement equations (model specification)

Choosing the input matrix type

Correlations

Covariances

Moments

Selection of the method of model estimation and sample size

Assessment of identification of the model (Model identification)

Parameter estimation

Evaluation of the results (Assessment of the model)

Interpretation of the model

Modification of the model if theoretically justified (model modification)

Model cross-validation (New sample)

Final model

Model cross validation (New sample)

Source: Diamantopoulos and Siguaw, 2000
and ζ is a random vector of residuals;

\[ \mathbf{B} = I - \tilde{\mathbf{B}} \] where \( I \) is the identity matrix.

With regard to model (4.1) - (4.4), the following notation is adopted. The covariance matrices of \( \epsilon \) and \( \delta \), which need not be diagonal, will be denoted by \( \Theta_\epsilon (p \times p) \) and \( \Theta_\delta (q \times q) \), the covariance matrices of \( \xi \) and \( \zeta \), by \( \Phi(n \times n) \) and \( \Psi(m \times m) \).

We initially assume that both the observed and the latent variables are centralized, so that the sample covariance matrix can be used to estimate the model instead of the sample moment matrix.

Therefore,

\[ E(y) = 0; E(x) = 0; E(\eta) = 0; E(\xi) = 0 \quad (4.5) \]

Subsequently, the following standard assumptions are made:

\[ E(\epsilon) = 0; E(\delta) = 0; E(\zeta) = 0 \]

\[ E(\eta^T \epsilon) = 0; E(\xi^T \delta) = 0; E(\eta^T \delta) = 0; E(\xi^T \epsilon) = 0; E(\epsilon^T \delta) = 0 \quad (4.6) \]

\[ E(\xi^T \xi) = 0; E(\zeta^T \zeta) = 0; E(\xi^T \zeta) = 0 \]

In equations (4.5) and (4.6) ‘zero’ denotes a vector or matrix of an appropriate order. Multiple observable variables for a latent variable are often preferable and necessary so as to provide a tool for identification (Hayduk, 1987; Bollen, 1989; Rigdon, 1995; Maruyama, 1998; Joreskog and Sorbom, 1989). Besides, one single observable variable may be an indicator of more than one latent variable.

The problem of multicollinearity arises as a consequence of the occurrence of (highly) correlated explanatory variables (Jöreskog and Sörbom, 1996). It usually leads to the increase of the estimated variances of the estimators of the coefficients of the collinear explanatory variables which in their turn lead to Type I errors. Due to the possibility of handling observable and latent variables simultaneously within one model framework, the consequences of multicollinearity can be mitigated under structural modelling. Collinear explanatory variables serve as indicators of a given latent variable specified as dependent on one or more common latent variables in the measurement models. They are not removed from any of these models due to their collinear nature. In the structural model the latent variables appear instead of the corresponding observable variables. Therefore, these observable variables are not dropped even though they are collinear.
4.2.1 Sub-models

Model (4.1) – (4.4) is a general framework in which several specific models are contained. The most common of these models are first-and second-order factor analysis models, structural equation models for directly observable variables and various types of regression models. Specifications for various sub-models are presented below.

Given that:

\[ B=0, \Gamma=0, \Lambda_x=0, \Theta_x=0, \Psi=0 \]

where ‘0’ denotes a zero matrix of appropriate order, then a factor analysis model is obtained:

\[ x=\Lambda_x\xi+\delta \] (4.7)

If only the \( x \)-variables are removed from the model, i.e., \( \Lambda_x=0, \Theta_x=0 \), then

\[ y=\Lambda_y\eta+\epsilon \] (4.8)

\[ (I-\tilde{B})\eta=\Gamma\xi+\zeta \] (4.9)

or

\[ \eta=(I-\tilde{B})^{-1}(\Gamma\xi+\zeta) \] (4.10)

By specifying \( \tilde{B}=0 \) and substituting (4.10) in (4.8) gives:

\[ y=\Lambda_y(\Gamma\xi+\zeta)+\epsilon \] (4.11)

Model (4.11) is a second-order factor analysis model.

All latent variables can be removed from the model by specifying identity relationships between \( y \) and \( \eta \) and between \( x \) and \( \xi \). This is done by defining \( \Lambda_x \) and \( \Lambda_y \) as identity matrices and \( \Theta_x \) and \( \Theta_x \) as zero matrices.

This results in:

\[ By=\Gamma x+\zeta \] (4.12)

and this is a simultaneous equation model with observable variables only.

If (4.12) is written as

\[ y=\tilde{B}y+\Gamma x+\zeta \] (4.12a)

and \( \tilde{B} \) is specified as a zero matrix, the ‘classical’ linear model is obtained:

\[ y=\Gamma x+\zeta \] (4.13)

If (4.13) consists of only one equation, then the univariate standard linear regression model is obtained.
If only latent exogenous variables are removed from the general model i.e. \( \xi \equiv x \), so that \( \Lambda_x = I \) (identity matrix), and \( \Theta_\delta = 0 \), then:

\[
y = \Lambda_y \eta + \varepsilon \quad (4.14)
\]
\[
B \eta = \Gamma x + \zeta \quad (4.15)
\]

A special case of model (4.14) and (4.15) is the fixed-\( x \) model. In this case, the conditional distribution of the \( y \) variables for given \( x \) can be analyzed.

### 4.2.2 The Theoretical and Sample Matrices

Assuming the sample covariance matrix of \( z = (y^T, x^T)^T \) is denoted as \( S \) and the theoretical covariance matrix as \( \Sigma \). The matrix \( \Sigma \) can be expressed in terms of the eight model matrices \( \Lambda_Y, \Lambda_X, B, \Gamma, \Phi, \Psi, \Theta_\epsilon \) and \( \Theta_\delta \). Assuming \( B^{-1} \) exists, equation (4.4) can be written as:

\[
\eta = B^{-1} \Gamma \xi + B^{-1} \zeta
\quad (4.16)
\]

Substituting (4.16) into (4.1) gives

\[
y = \Lambda_y \left( B^{-1} \Gamma \xi + B^{-1} \zeta \right) + \varepsilon
\quad (4.17)
\]

Calculation of the covariance matrix of \( y \), i.e. \( E(\eta \eta^T) \), using (4.17) and the assumptions (4.6) gives:

\[
E(\eta \eta^T) = E(\Lambda_y \left( B^{-1} \Gamma \xi + B^{-1} \zeta \right) + \varepsilon \left( B^{-1} \Gamma \xi + B^{-1} \zeta \right)^T + \varepsilon^T \left( B^{-1} \Gamma \xi + B^{-1} \zeta \right))
\]

\[
= \Lambda_y \left( B^{-1} \Gamma \Phi \Gamma^{-1} \left( B^{-1} \right)^T + B^{-1} \Psi \left( B^{-1} \right)^T \right) \Lambda_y + \Theta_\epsilon
\quad (4.18)
\]

\( E(xx^T) \) and \( E(yy^T) \) are calculated in the same way. This gives:

\[
\Sigma = \begin{bmatrix}
\Lambda_y B^{-1} \left( \Gamma \Phi \Gamma^{-1} + \Psi \left( B^{-1} \right)^T \right) \Lambda_y + \Theta_\epsilon & \Lambda_y B^{-1} \Gamma \Phi \Lambda_x^T \\
\Lambda_x \Phi \Gamma^{-1} \left( B^{-1} \right)^T \Lambda_y & \Lambda_x \Phi \Lambda_x^T + \Theta_\delta
\end{bmatrix}
\quad (4.19)
\]

On the basis of prior information (expectations, theoretical considerations, etc), the elements in the parameter matrices, and thus in \( \Sigma \) may be regarded as free or constrained (Jöreskog and Sörbom, 1996). A constrained parameter is unknown but assumed to be equal or otherwise related to one or more other parameters. All free and constrained parameters contained in the matrices \( \Lambda_Y, \Lambda_X, B, \Gamma, \Phi, \Psi, \Theta_\epsilon \) and \( \Theta_\delta \), will be put in a vector denoted \( \pi \). A specific structure of \( \pi \) (that is, a specific configuration of free and constrained parameters) determines a specific structure of \( \Sigma \). The determination of the value of \( \pi \) forms the core of the estimation problem.
With regard to sample covariance matrix $S$, let $Z$ be a $M \times (p+q)$ matrix of $M$ observations of the $y$ and $x$ vectors and $\bar{Z} = (\bar{y}^T, \bar{x}^T)^T$ the sample mean vector. Then:

$$S = \frac{1}{M-1} (Z^T Z - M \bar{Z} \bar{Z}^T) \quad (4.20)$$

When there are ordinal or nominal variables among the observable variables, (4.20) cannot be used in general. In the case of ordinal or nominal $x$-variables, (4.20) can be employed when the $x$-variables are fixed. When there are ordinal variables among the $y$-variables or among the $x$-variables, which may not be considered as fixed, the LISREL 8.54 programme can estimate and analyze the matrices of polychoric, tetrachoric, biserial and polyserial correlation coefficients. In all three cases the ordinal $z$ variable is regarded as a crude measurement of an underlying unobservable continuous variable, say $z^*$, which is assumed to be standard normally distributed. The polychoric correlation coefficients is the correlation between two underlying $z^*$ variables. The tetrachoric correlation coefficient is a special case when both observables are dichotomous. The correlation between a $z^*$ variable and a normally distributed observable variable is the polyserial correlation coefficient. Through the observable variables, various correlations mentioned above are estimated (Folmer, 1986).

The sample matrix of moments about zero and the sample correlation matrix can also be used to estimate their theoretical counterparts. The sample matrix of moments about zero is defined as:

$$\frac{1}{M} Z^T Z \quad (4.21)$$

and has to be used when intercept terms and means of the latent variables are specified in the model. In the case of the correlation matrix, each variable is expressed in units of its standard deviation. The correlation matrix is defined as:

$$D^{-1} S D^{-1} \quad (4.22)$$

with

$$D = (\text{diag} S)^{1/2} \quad (4.23)$$

that is, a diagonal matrix of standard deviations.

In general, however, the use of correlations is discouraged (Jöreskog and Sörbom, 1996).
4.3 Identification and Estimation

Estimation of a LISREL model is achieved by minimizing the distance between the sample covariance matrix $S$ and the theoretical covariance matrix $\Sigma$ which can be expressed in terms of the eight model matrices $\Lambda_y$, $\Lambda_x$, $B$, $\Gamma$, $\Phi$, $\Psi$, $\Theta_e$ and $\Theta_\delta$. The vector of unknown parameters in $\Sigma$ is denoted as $\pi$.

4.3.1 Identification

The purpose of specifying econometric models is that a certain specific structure of parameters has generated the observations under consideration. The data gathered is analyzed to estimate the unknown parameters and to test certain restrictions on them. As observed earlier, the theoretical covariance matrix $\Sigma$ is fitted to the covariance matrix $S$ of the observed variables, $z$, during the process of estimation. The present discussion of identification and estimation is in terms of the covariance matrices (the same principles could be applied to the matrices of moments about zero and the correlation matrices). An assumption underlying the estimation procedure is that the distribution of the model observed variables is adequately described by the moments of first and second order. Given that the variables are assumed to be centralized, the distribution of $z$ is characterized by the independent parameters in $\Sigma$. Therefore, model estimation is conducted by fitting $\Sigma$ to $S$. In order to be able to draw inferences for the vector $\pi$ from the variance-covariance matrix of the observable variables, the structure of $\Sigma$ has to be such that it allows a unique solution of $\pi$ from $\Sigma$. Thus, the vector $\pi$ has to be uniquely determined by $\Sigma$; in other words, the model has to be identified.

Identification is the extent to which the information provided by available data is sufficient to enable parameter estimation. Possible symptoms of potential identification problems are very large standard errors for coefficients, inability of the programme to invert the information matrix, impossible estimates such as negative and non-significant error variances for any construct, and high correlation among observed variables. The failure to fix the scale of a construct may result in unidentified parameters.

A necessary condition for identification is that the number of distinct elements in $\Sigma$ is at least as large as the number of independent parameters to be estimated. Letting the number of independent parameters be $h$. Moreover, we have
\[
\frac{(p+q)(p+q+1)}{2}
\] equations in \( h \) unknowns. Therefore, a necessary condition for identification is that:

\[
h \leq \frac{(p+q)(p+q+1)}{2}
\] (4.24)

A second necessary condition for identification is that each individual parameter can be separated from the other parameters. This condition is often difficult to test. Moreover, it is not sufficient. However, the LISREL 8.54 programme gives hints about identification problems. It calculates an estimate of the expected matrix of second-order derivatives of the fitting function used to estimate the model. Under quite weak regularity conditions local identifiability is equivalent to non-singularity of the information matrix. Furthermore, the rank of the matrix indicates which parameters are not identified (Jöreskog and Sörbom, 1996). In the case of models with latent variables, the model is not identified if the latent variables have not been assigned measurement scales. One way of fixing the measurement scales of the latent variables is to set one \( \lambda \)-coefficient equal to 1 for each latent variable. It is also possible to fix or to constrain unidentified parameters on the basis of theoretical knowledge or ad hoc reasoning so as to make the model identifiable.

4.3.2 Estimation

Different estimation methods have different fitting functions. There are seven methods of estimating model parameters i.e., Instrumental Variables (IV), Two-Stage Least Squares (TSLS), Unweighted Least Squares (ULS), Generalized Least Squares (GLS), Maximum Likelihood (ML), Generally Weighted Least Squares (WLS) and Diagonally Weighted Least Squares (DWLS). The first two methods are limited-information techniques and are usually adopted to provide starting values for the other techniques. Maximum Likelihood provides consistently efficient estimation under the assumption of multivariate normality and is relatively robust against moderate departures from the latter. GLS provides similar results to ML when the multivariate normality assumption holds and is also relatively robust against violations of the latter. ULS is the only scale-dependent method whereby changes in the scale of one or more observed variables result in changes in estimates that do not reflect the scale of transformation. Unlike the scale-free methods such as ML and GLS, the changes in
the parameter estimates under ULS may only reflect the change in the scale of the observed variables being analyzed. ULS is therefore less appropriate when variables are measured in different units. WLS and DWLS are designed to avoid assumptions concerning the distribution of the observed variables. They are called asymptotic distribution-free estimators. The asymptotic covariance matrix is needed to obtain estimates by WLS while asymptotic variances are required for DWLS. ML is the most frequently used estimation method. In the case of models where all the indicators are ordinal or have few categories, estimation techniques such as WLS become necessary. Below we discuss the Maximum Likelihood technique in detail, since this technique will be applied for estimation in the empirical chapters.

4.3.3 Maximum Likelihood

Maximum Likelihood has been the ‘traditional’ estimator of LISREL models. The maximum likelihood procedure is based on minimization with respect to the unknown parameters of the non-negative function:

$$ F = \frac{1}{2} \left[ \log |\Sigma| + \text{tr} \left( \Sigma^{-1} \right) - \log |S| - (p + q) \right] $$

by means of a modification of the Fletcher-Powell algorithm. In equation (4.25) \( |\cdot| \) stands for the determinant and \( \text{tr} (\cdot) \) for the trace of the matrix concerned. When \( \xi, \zeta, \epsilon \) and \( \delta \) are multinormally distributed (and thus the observed variable, \( z \)), then:

$$ F' = -\frac{1}{2} M \left[ (p + q) \log 2\pi + \log |\Sigma| + \text{tr} \left( \Sigma^{-1} \right) \right] $$

is the log-likelihood function of the sample in the case of independent observations. From (4.25) and (4.26) it follows that under the assumptions of multi-normality and independence of the observations, minimization of \( F \) (which gives the same parameter estimates as maximization of \( F' \)), results in ‘genuine’ maximum-likelihood estimators. Under the usual regularity conditions, which are satisfied in the case of normality, the maximum likelihood estimator of \( \pi \) is asymptotically normally distributed with mean \( \pi \) and covariance matrix \( \frac{1}{M} \left[ J(\pi) \right]^{-1} \). This estimator is consistent and asymptotically efficient. From (4.25), it can be observed that \( S \) has to be positive definite. This

---

3. \( J(\pi) \) is defined as \( J(\pi) = E_{\pi} \left[ \frac{\delta}{\delta \pi_i} \log p(z;\pi) \frac{\delta}{\delta \pi_j} \log p(z;\pi) \right] \) with \( F' \) substituted for \( \log p(z;\pi) \), where \( p(z;\pi) \) is the likelihood function.
condition is satisfied when there exists no exact linear relationship between any of the 
variables, and if $M \geq p+q$. The starting values needed for the minimization algorithm
(for instance, $\pi'$) should be such that $\Sigma(\pi')$ is also positive definite. The initial
estimates provided by the LISREL programme usually satisfy this condition.

The maximum likelihood procedure also produces an estimate of the
covariance or correlation matrix of the estimators, which can be used for model
judgement purposes. Although an estimate of the covariance or correlation matrix of
the estimator is produced whatever sample matrix has been analyzed, the covariance
or correlation matrix of the estimators is only valid when a sample covariance matrix
has been analyzed.

A necessary condition for the maximum likelihood procedure to give
‘genuine’ maximum likelihood estimates is the normal distribution of the observed
variables. However, the distribution of the observables is usually unknown in practice.
Maximum likelihood under normality (i.e., application of maximum likelihood under
the assumption of normality whereas the distribution actually deviates from
normality) may, however, be defended on the basis of the fact that it usually leads to a
reasonable fitting function and to estimators with acceptable properties for a rather
wide class of distributions. Under quite weak distributional assumptions, maximum
likelihood under normality is consistent and asymptotically normal. In the case of
deviation from normality the standard errors and judgement statistics produced by the
LISREL programme should be interpreted cautiously.

Finally we observe that sample size plays an important role in estimating and
interpreting SEM results as well as the estimation of sampling errors (Oud et al.
1999). Minimum sample sizes recommended in the literature range between 100 and
200 (Hair et al. 1995). The number of parameters to be estimated also influences the
sample size. As a rule of thumb the sample size should be at least five times the
number of parameters and with an absolute minimum of fifty respondents.

4.4  Model Judgement and Model Modification

The purpose of model judgement is to judge how well an estimated model fits
in with the sample data. Various aspects of a LISREL model may be considered in
this connection, such as the model as a whole, the various submodels and the
individual parameters.

The statistics provided by the LISREL programme are related to:
- Individual parameters;
- Separate equations of the latent variables measurement models and the structural model;
- The latent variables measurement model for the endogenous and the exogenous variables jointly;
- The structural model;
- The model as a whole (i.e. the overall fit)

The statistics produced by the LISREL program will systematically be described below.

- Individual Parameters

The statistics which relate to the individual parameters are parameter estimates and, when maximum likelihood has been used, standard errors and correlations of the estimators of the individual parameters are given.

- Separate Equations

For the equation of each observed variable in each latent variables measurement model, the squared multiple correlation is given. It is defined as:

\[
1 - \frac{\hat{\Theta}_{e/\delta_i}}{s_{ii}}
\]

where \( \hat{\Theta}_{e/\delta_i} \) is the estimated error variance and \( s_{ii} \) the observed variance of the corresponding i-th y/x variable.

Statistic (4.27) is a measure of the validity and reliability of the observed variables as indicators of the corresponding latent variables. In other words, it shows how well the observable variable serves as a measurement instrument for the corresponding latent variable. A value of (4.27) close to one is an indication that the observable variable is a good instrument.
The squared multiple correlation for the i-th structural equation is defined as

\[
1 - \frac{\psi_{ii}^{\hat{\cdot}}}{\text{vár}(\eta_i)}
\]  

(4.28)

- The Latent Variables Measurement Models

The coefficient of determination for the latent variables measurement model (i.e. for the endogenous and exogenous latent variables jointly) shows how well the observed variables serve jointly as indicators of the endogenous and exogenous latent variables. It is defined as:

\[
1 - \left| \frac{\hat{\Theta}}{S} \right|
\]  

(4.29)

Where \( \hat{\Theta} \) is the estimated covariance matrix of the errors of the latent variables measurement models. A value of (4.29) close to one means a satisfactory operationalization of the latent variables.

- The Structural Model

The coefficient of determination for all structural equations jointly is defined as:

\[
1 - \frac{|\hat{\psi}|}{|\text{côv}(\eta)|}
\]  

(4.30)

Where \(|\text{côv}(\eta)|\) is the covariance matrix of the endogenous latent variables.
The Overall Fit

For the model as a whole several statistics are provided. First, there is the $\chi^2$-measure which is given if maximum likelihood is used. It is defined as:

$$\frac{1}{2} M \left[ \log|\hat{\Sigma}| + tr\left(\hat{\Sigma}^{-1}\right) - \log|\Sigma| - (p + q) \right] \quad (4.31)$$

Where $\hat{\Sigma}$ is the theoretical covariance matrix calculated on the basis of the estimated parameter vector $\hat{\Pi}$. The number of degrees of freedom of the $\chi^2$-measure is equal to:

$$\frac{1}{2} (p+q) (p+q+1) - h \quad (4.32)$$

Where $h$ is the total number of independent parameters estimated in the hypothesized model.

Another measure for the overall fit, when maximum likelihood is used, is the goodness of fit index (GFM) defined as:

$$GFM = 1 - \frac{tr\left(\hat{\Sigma}^{-1} S - I\right)^2}{tr\left(\hat{\Sigma}^{-1} S\right)^2} \quad (4.33)$$

This measure, adjusted for degrees of freedom (AGFM), is defined as:

$$AGFM = 1 - \frac{(p+q)(p+q+1)}{2h} \left(1 - GFM\right) \quad (4.34)$$

Measures similar to (4.33) and (4.34) are given for unweighted least squares. Then GFM is replaced by GFU defined as:

$$GFU = 1 - \frac{tr(\hat{S} - \hat{\Sigma})^2}{tr(S^2)} \quad (4.35)$$

All measures (4.33) – (4.35) are expressions of the relative share of variances and covariances accounted for by the model. They usually fall between zero and one. A good fit corresponds to values close to one.
A measure of the average of the residual variances and covariances is the root mean square residual. It is given both when maximum likelihood and unweighted least square is used. It is defined as:

\[
\left[ 2 \sum_{i=1}^{p+q} \sum_{j=1}^{pq} (s_{ij} - \hat{\sigma}_{ij})^2 / (p + q)(p + q + 1) \right]^{1/2}
\] (4.36)

A small value of the statistic in relation to the sizes of the elements in S is an indication of a good fit.

Finally, the LISREL programme gives normalized residuals which are approximately standard normal variates. A normalized residual is defined as:

\[
\frac{s_{ij} - \hat{\sigma}_{ij}}{\sqrt{s_{ij}s_{ij} + s^2_{ij}}} / M
\] (4.37)

As a rule of thumb, a normalized residual larger than 2 is an indication of specification errors.

The LISREL programme can also give a summary of the normalized residuals taken together in the form of a so-called Q-plot. This is a plot of the normalized residuals against normal quantiles. A slope of the plotted points equal to or smaller than 1 is an indication of a moderate or a poor fit. Non-linearities in the plotted points are indications of specification errors or of deviations from normality.

- Diagnostic Checking.

Model deficiency is a consequence of specification errors. The following types of specification errors can be distinguished:

(a) Near non-identification;

(b) Specification errors with respect to the distribution of the observable variables:

(c) Parameters which are incorrectly fixed (usually at zero);
(d) Parameters which are incorrectly assumed to be different from zero and thus are incorrectly specified as free parameters;
(e) Specification errors with respect to the form of the model, i.e. non-linearities in models which are assumed to be linear;
(f) Missing Variables.

Let us first pay attention to nearly non-identified parameters. This kind of problem may arise as a consequence of the fact that some parameters cannot be determined from the data. Nearly non-identified parameters usually reveal themselves in extremely large standard errors of, and high correlations between, the estimators of the parameters concerned. Near non-identification can usually be solved by fixing parameters or by specifying linear equality constraints between the parameters of which the estimators are highly correlated.

The other types of specification errors under consideration here, c) – f), are generally reflected in unreasonable values of one or more of the statistics mentioned above: variances, squared multiple correlations or coefficients of determination which are negative; correlations which are larger than one in absolute value; covariance or correlation matrices which are not positive definite.

When one or more of these statistics have unreasonable values two problems arise:
- Which type of specification error has been made?
- When the error is of the type c) or d), the misspecified parameters have to be detected, and when the error is of the type f) the missing variables have to be counterbalanced.

Both problems are highly dependent on the nature of the investigation. The more explorative the investigation, the higher the uncertainty with respect to the form of the model, the relevant variables to be included in the model and the status of the parameters.

Let us first pay attention to the parameters which have incorrectly been fixed. As mentioned above, the question as to whether the status of a parameter is free, fixed or constrained is in the first instance determined by theory or ad hoc knowledge. Furthermore, in case of doubt about the status of a parameter, it is usually fixed according to the ‘principle of parsimony’. However, incorrectly fixed parameters usually lead to inconsistent and biased estimators for all parameters. Therefore, when one or more judgement statistics have unreasonable values, as mentioned above, a
first step to improve the model may be to specify ‘suspicious’ fixed parameters as free parameters. In addition to prior theoretical or ad hoc knowledge, the modification indices and the normalized residuals, given by the LISREL programme, may be used to detect the suspicious parameters. The modification index, given for each fixed and constrained parameter, is defined as:

\[
\frac{M(fod)^2}{2(sod)}
\] (4.38)

Where “fod” and “sod” are the first- and second-order derivatives of the fitting function with respect to the fixed or constrained parameter. When maximum likelihood is used, (4.38) is equal to the expected decrease in \(\chi^2\) if the corresponding constraint is relaxed and all estimated parameters are held fixed at their estimates (Sörbom and Jöreskog, 1981). Under these conditions the parameter with the largest modification index in absolute value will improve the model maximally. The modification indices may at best give indications about incorrectly fixed parameters and they should only be applied to parameters which could be relaxed from a theoretical point of view.

For the normalized residuals, Jöreskort and Sörbom (1981) give as a rule of thumb that an absolute value larger than 2 may be an indication of a parameter that is incorrectly fixed. The indices i and j of such a given normalized residual (see Section 4.37) may indicate that the equations in which the i-th and j-th observable variables are present (either directly, or indirectly via the corresponding latent variables) contain the parameters that are incorrectly fixed.

When the maximum likelihood fitting function has been used, the correct relaxation of a fixed or constrained parameter is reflected in a large drop in the \(\chi^2\) value compared to the loss of degrees of freedom. Furthermore, the other relevant judgement statistics also show substantial improvement. On the other hand, the \(\chi^2\) values which are close to the loss of degrees of freedom usually lead to a minor improvement of the fit. The same applies to minor changes in the other relevant statistics. When the iterative unweighted least squares procedure is used, the correct or incorrect relaxation of fixed parameters is also reflected in substantial, respectively minor improvements of the relevant statistics.
Let us now pay attention to incorrectly specified, free parameters. Such parameters have no influence on consistency, provided the model is identified. The most serious consequence of incorrect free parameters is that the estimators are not optimal.

The way of detecting and handling incorrect free parameters, is opposite to the way of detecting and handling incorrectly fixed parameters. Indications can be found in implausible estimates and, when likelihood has been used, in the standard errors. When the model is re-estimated with the suspect parameters fixed, the relevant statistics should not show a substantial decrease in quality.

When there are no further indications of incorrectly fixed, constrained or free parameters and when one or more judgement statistics still have unsatisfactory values, some of the relationships in the model may be non-linear or non-additive, or essential variables may be missing. The former types of specification error may be detected by inspection of the plotted normalized residuals (see section 4.37). Many of the non-linear or non-additive relationships can be transformed into linear ones. The graph of the residuals may give hints about the kind of transformation to be used. In the case of non-linearities a logarithmic or reciprocal transformation may often be helpful.

When relevant variables have been omitted, the estimated coefficients may be seriously biased. Furthermore, the residual variance will have an upward bias. Therefore, substantial residual variance may be an indication of omitted relevant variables. If it is known which variables are missing but if no data is available, the use of proxy variables may be suitable.

- Hypothesis Testing

When the observed variables are multi-normally distributed\(^4\), when the sample size is sufficiently large and when a covariance matrix is analyzed to investigate a given theory, model judgement may take the form of ‘genuine’ hypothesis testing. It

---

\(^4\) Concerning the distribution we remind the reader that normality is only of importance when “genuine” maximum likelihood estimates are desired. When the distribution deviates from normality the tests to be discussed here are not quite valid and the results should be interpreted cautiously. Alternatively, the bootstrap or the jackknife can be used for the purpose of hypothesis testing. These methods can also be used when initial estimators or unweighted least squares, which do not give standard errors and do not assume normality, are used. So, in order to avoid specification errors with respect to the distribution, multi-variate normality should be assessed and when there is evidence that the observables are not normally distributed, alternatives to the test discussed in this section should be used.
is assumed here that maximum likelihood proper is used because in that case the distribution of the various test statistics is known.

Let us first pay attention to testing the overall fit model. In large samples this can be done by a likelihood-ratio test, which goes as follows:

Let:

\[ H_0 : \Sigma = \Sigma(\pi) \text{ and} \]

\( (4.39) \)

\( H_a : \Sigma \) is any positive definite symmetric matrix

In (4.39) \( \pi \) is the specific structure of the model under consideration. The likelihood-ratio test statistic \( L \) is:

\[ L = \frac{L_0}{L_a} \]

(4.40)

Where

\[ \log L_0 = -\frac{1}{2} M \left[ \log |\hat{\Sigma}| + \text{tr}(\hat{\Sigma}^{-1}) \right] \]

(4.41)

is the maximum of the likelihood function, given the constraints imposed by \( H_0 \). In (4.41), \( \hat{\Sigma} \) stands for estimate of \( \Sigma \) under \( H_0 \). The denominator in \( L \) is the maximum of the likelihood function over the parameter space for all identified models. This maximum is reached when \( \hat{\Sigma} = \Sigma \). Thus:

\[ \log L_a = -\frac{1}{2} M \left[ \log |\Sigma| + (p + q) \right] \]

So, \( M \) times \( F \) is minus 2 times the logarithm of \( L \) with \( F \) given above. Under certain regularity conditions, \(-2 \log L\) is asymptotically distributed as a \( \chi^2 \)-variable with \( \left[ \frac{1}{2} (p + q)(p = q + 1) - h \right] \) degrees of freedom, where \( h \) is the total number of independent parameters estimated in the hypothesized model.

A sequence of nested hypotheses can be tested sequentially by means of likelihood ratio statistics. The difference in values of \(-2 \log L\) for the models under
comparison is asymptotically distributed as a \( \chi^2 \)-variable, with degrees of freedom equal to the number of independent restrictions, which is independent of the fact that the less restrictive hypothesis is true or not. So, it is possible to test whether a given model is ‘worse’ than a less restrictive ‘bad’ model. It should be noted that when testing a sequence of nested hypotheses, one should start with the less restrictive hypothesis of the sequence.

The maximum likelihood procedure also allows the construction of confidence intervals for individual parameters. Therefore, the validity of the sign or specific values of each parameter can be tested. Under the prevailing conditions the standardized estimator of each parameter is asymptotically standard normally distributed.

4.5 Summary and Conclusion

In this chapter SEM is discussed in detail in order to prepare for the analysis that will be adopted in chapters 6 and 7. Model conceptualization is concerned with the development of theory-based hypotheses to serve as a guide for linking the latent variables to each other and to their corresponding indicators. Model specification involves describing the nature and number of parameters to be estimated. During the model identification stage, the information provided by the data is examined to determine if it is sufficient for parameter estimation. This is necessary in order to obtain a single and unique value for every specified parameter from the observed data. Parameter estimates for the model are obtained via minimizing the distance between the theoretical and the sample covariance matrix. Significance tests can be performed to test if the parameters obtained are significantly different from zero. By examining various fit indices, the quality and soundness of the measurement and structural parts of the model are evaluated.

The evaluation of the measurement part of the model is undertaken by assessing the relationships between the latent variables and their indicators. The validity and reliability of the measures used to represent the constructs of interest are determined at this stage. Validity reflects the extent to which an indicator actually captures the latent variable while reliability refers to the consistency of measurement (the extent to which an indicator is free of random error). When assessing the structural part of the model, the focus is on the linkages between the various endogenous and exogenous latent variables. The purpose is to determine whether the
theoretical relationships specified at the conceptualization stage are supported by the data. The signs of the parameters indicate if the direction of the hypothesized relationships is as expected. Magnitudes of the estimated parameters provide information on the strengths of the hypothesized relationships. The squared multiple correlations ($R^2$) for the structural equations indicate the amount of variance in each endogenous latent variable that is accounted for by the independent latent variables that are expected to impact upon it.

Model modification may be necessary, depending on the results obtained. Finally, model cross-validation may be undertaken in cases where substantial modifications are made on the original model.
CHAPTER 5

5. DATA COLLECTION

5.1 Introduction

This chapter provides a description of how the data used for the analysis was
gathered and of the type of data obtained. Time-use data by tourists at the destination
and the resulting expenditure and satisfaction is required in order to test the
hypotheses related to the research questions stated in chapter 1. Experiences
encountered during the data collection exercise are also discussed.

Data collection was divided into two phases. The first phase was the review of
secondary information from various publications and reports and pre-testing of the
questionnaire. During the second phase, data related to purpose of visits, lengths of
stay, expenditure, satisfaction and socio-economic characteristics of the tourists was
collected. The questionnaire was administered to departing tourists during the second
phase of data collection.

During the phase, an exit survey of international tourists leaving the country
was carried out just before they boarded their flights. Section 5.2 presents the
operational definitions used in the study. Section 5.3 gives sources of various types of
data and section 5.4 focuses on primary data collection. Section 5.5 provides the
questionnaire design and section 5.6 gives commentaries on the survey. Lastly,
section 5.7 gives the summary and conclusion of the chapter. The questionnaire is
included in the appendix.

5.2 Operational Definitions

The definitions and procedures adopted for this study are those recommended
by the World Tourism Organization (WTO). The manuals referred to are ‘Technical
Manual No.1’ (Concepts, Definitions, and Classifications for Tourism Statistics),
‘Technical Manual No.2’ (Collection of Tourism Expenditure Statistics) and
‘Technical Manual No.4’ (Collection and Compilation of Tourism Statistics). The
operational and practical definitions of various types of tourists, activities they
undertake and consequences of these activities are provided in these manuals.

Visitor

The definition of a ‘visitor’ is related to that of a ‘traveller’. A traveller is any
person on a trip between two or more countries or between two or more localities
within his/her country of usual residence. Travellers can be classified in two
Data Collection

categories, 'visitors' and 'other travellers'. An international visitor is any person who travels to a country other than that in which she/he has his/her usual residence. In addition, it implies travel outside his/her usual environment for a period not exceeding twelve months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited. An international visitor stays at least one night in a collective or private accommodation in the country visited. A same-day international visitor does not spend the night in a collective or private accommodation in the country visited.

Tourists are visitors who make at least one overnight stop in a country or region and stay for at least 24 hours. Those who do not make an overnight stop and stay for less than 24 hours are excursionists. Only non-excursionist-tourists who were visiting for purposes of leisure, recreation and holidays were covered in this survey. The remaining tourists were excluded at the beginning of interviews.

Purpose of Visit Classification

The main purpose of a visit is the purpose in the absence of which the trip would not have taken place. Possible purposes of visits cover the categories shown in table 5.1.

Table 5.1: Categories of Possible Trip Purposes

| Leisure, recreation and holiday | Includes sightseeing, shopping, attending sporting and cultural events, recreation and cultural activities, non-professional active sports, trekking and mountaineering, use of beaches, cruises, gambling, rest and recreation for armed forces, summer camp and honeymooning. |
| Visiting friends and relatives (VFR) | Include visits to relatives or friends, home leave, attending funerals, care of invalids. |
| Business and professional | Includes those attending meetings, conferences or congresses, trade fairs and exhibitions; employer incentive tours; participating in professional sports activities. |
| Health treatment | Includes spas, fitness, thalassotherapy, health resorts and other treatments and cures. |
| Religion/pilgrimages | Includes attending religious events and pilgrimages |
| Other purposes | Includes aircraft and ship crews on public carriers, transit and others or unknown. |
Tourism Expenditure

Tourism expenditure is defined as the total consumption expenditure made by a tourist or on behalf of a tourist for and during his/her trip and stay at a destination. Expenditure by tourists may be classified as:

- advance outlays necessary for the preparation and undertaking of the trip (pre-trip expenditure);
- expenses arising when travelling and at the places visited (on-trip expenditures), and
- travel-related outlays made in the country/place of residence after returning from a trip (post-trip expenditure).

Tourism expenditure is considered to occur at the time at which the visitor purchases a product, i.e., when she/he acquires legal title to the goods or, for lack of such a title, when a service is rendered. For the purchase of a package or international transportation to another country, the title is assumed to be acquired in the visitor's residence (origin) country.

Items Included/Excluded from Expenditure

The concept of tourism expenditure covers a wide variety of items, ranging from the purchase of consumer goods and services normally associated with travel and stays to the purchase of small durable goods for personal use, souvenirs and gifts for family and friends.

The type of pre-trip and on-trip expenditures that were included or excluded in the survey are shown in table 5.2, panels A and B, respectively.

Table 5.2: Type of Expenditures Included or Excluded in the Survey

<table>
<thead>
<tr>
<th>Panel A. Pre-trip Expenditure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes</td>
<td>Services that will be used entirely on the trip e.g. transport</td>
</tr>
<tr>
<td></td>
<td>Package tours</td>
</tr>
<tr>
<td></td>
<td>Accommodation</td>
</tr>
<tr>
<td></td>
<td>Travel insurance</td>
</tr>
<tr>
<td>Excludes</td>
<td>Important acquisitions such as tour-vans and personal cars</td>
</tr>
<tr>
<td></td>
<td>Second homes even though they may be used in the future for tourist travel</td>
</tr>
<tr>
<td></td>
<td>Durable items or consumables which are purchased or hired for this trip</td>
</tr>
<tr>
<td></td>
<td>Services obtained prior to the trip and directly related to the trip e.g. motor vehicle servicing for instance by tourists from neighbouring countries.</td>
</tr>
</tbody>
</table>
Panel B. On-trip Expenditure

Includes

- Expenditure on everyday purchases made on a trip outside usual environment whose purpose is to take advantage of lower prices of such goods e.g. cross-border shopping trips
- Other expenditure items such as extensive car repairs
- Small durable items or consumables, irrespective of whether used on tourist travel or at home
- Items such as ornamental/decorative items, which are primarily mentors of the trip e.g. souvenirs irrespective of cost
- Services acquired on the trip e.g. transport and accommodation
- Purchases of goods/services received at any destination irrespective of cost or use, including duty-free purchases but excluding business or investment purchases

Excludes

- Purchases for commercial purposes, such as for resale, investment or other business use, made by any category of visitor
- Cash given to relatives or friends during a holiday trip which does not represent payment of tourism goods or services, as well as donations made to institutions
- Capital type investments or purchases engaged in by visitors, such as land, housing, real estate, and other important acquisitions, such as cars, caravans, boats, second homes, even though they may be used in the future for tourist travel purposes.

Post-trip expenditure excludes goods/services obtained after the trip which are directly related to the trip, e.g., photographic processing plus repairs to motor vehicles damaged during the trip and important acquisitions and capital type investment. These costs were excluded from the survey since the tourists were still in transit. However, promissory payments on services offered during holidays at the destination were included.

Expenditure Groups

Data on tourism expenditure was collected and presented under the groups shown in table 5.3.

Duration of Stay/Trip Classification

For international tourism, duration is measured as time spent in the receiving country for inbound tourism. The 'duration of stay' is the measurement used from the standpoint of the destination country or place.
### Table 5.3: Expenditure Groups Included in the Survey

<table>
<thead>
<tr>
<th>Travel arrangement</th>
<th>Accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Collective accommodation covers: Hotels and similar accommodation; Specialized accommodation includes health facilities, work and holiday camps and conference centres; Other collective accommodation includes holiday dwellings, tourist campsites and others.</td>
</tr>
<tr>
<td></td>
<td>Private accommodation covers: Owned dwellings; Rented rooms in family homes; Dwellings rented from private individuals/professional agencies; Accommodation provided without charge by friends and relatives and others.</td>
</tr>
<tr>
<td></td>
<td><strong>Food and drinks</strong></td>
</tr>
<tr>
<td></td>
<td>Covers prepared food and beverages consumed on premises, and food and beverages for preparation and/or consumption elsewhere.</td>
</tr>
<tr>
<td></td>
<td><strong>Transport</strong></td>
</tr>
<tr>
<td></td>
<td>Covers air, waterways, land and other transport items. Air transport includes scheduled and non-scheduled flights and other air services. Waterways include passenger lines and ferries, cruise and other waterway transport. Land transportation covers railway, motor-coach or bus and other public road transport, private vehicles with capacity for up to eight persons (gasoline and oil, repair services, and parking fees, tolls, fines and others), vehicle rental and other related means.</td>
</tr>
<tr>
<td></td>
<td><strong>Attractions</strong></td>
</tr>
<tr>
<td></td>
<td>Wildlife-viewing, beach and cultural tourism and sporting activities.</td>
</tr>
<tr>
<td></td>
<td><strong>Shopping</strong></td>
</tr>
<tr>
<td></td>
<td>Involves souvenirs, duty free goods, clothing and footwear, luggage, tobacco and personal care products and other goods.</td>
</tr>
<tr>
<td></td>
<td><strong>Other categories</strong></td>
</tr>
<tr>
<td></td>
<td>Include financial services; travel items not classified elsewhere, health/medical services, education/training services and other unclassified services.</td>
</tr>
</tbody>
</table>

### 5.3 Types of Data Sources

#### 5.3.1 Secondary Data

Secondary data was collected from government publications such as statistical abstracts, economic surveys, development plans and sessional papers. General information on pricing of various expenditure components was extracted from travel brochures of tour firms and at their websites in order to reduce the load on the questionnaire administered. The National Tourism Master Plan (1995) and various publications by Kenya Tourist Board, Tourist Trust Fund, Ministry of Tourism, World Tourism Organization were useful sources of data and information on Kenya's international tourism.
5.3.2 Informal Interviews

Before the commencement of the pilot and main survey, the researcher familiarized himself with the physical plans and designs of the two international airports where the interviews were held. Schedules of arriving and departing flights were scrutinized in order to establish their frequency, traffic volume, intermediate and final origins and destinations. Such patterns were established from the data collected by Kenya Airports Authority (KAA), immigration office and local offices of the major international airlines. One-year data covering all four seasons of tourism activity was utilized for the purposes of drawing up a representative sample. Informal pilot interviews of tourists were held to test the comprehensiveness of the questionnaire in capturing the stated objectives.

5.4 Primary Data Collection

5.4.1 Survey Venue

International tourists leaving Kenya by air mainly depart from Jomo Kenyatta international airport (JKIA) in Nairobi or Moi international airport in Mombasa. The survey was conducted at the two airports. Both chartered and unchartered flights were targeted in order to capture a wide variety of tour-packages adopted by tourists for travel. A survey of tourists leaving by sea was not conducted since this mode of travel by international tourists from Kenya is still under-developed. Only tourists visiting for holiday purposes were sampled for the survey as they departed the country. The aircrafts landing in Mombasa are mostly chartered from tourist-generating countries directly to Kenya. On the other hand, those using JKIA are usually scheduled flights. Data was collected from international tourists who visited Kenya between April 2002 and March 2003 the following year. Questionnaires were administered at the two main airports to tourists leaving the country after their holidays.

The fact that the results of the study would be used to improve tourism facilities and services in Kenya boosted the morale of the tourists in completing the questionnaire.
5.4.2 Sampling Design

The sampling design defines the target population and the sampling plan. It identifies the whole process of obtaining a sample meant to provide consistent and reliable information on the population under study.

5.4.2.1 Target Population

Tourists from Europe form about 69% of all holiday-makers to Kenya, North America 7.6%, Asia 5.3%, rest of Africa 9% and 9.1% from the rest of the world. The universe of respondents consisted entirely of international tourists visiting Kenya for holiday purposes. Tourists visiting for holiday purposes make significant decisions on the type of package to adopt for travel, facilities to utilize and attractions to visit compared to those travelling for alternative reasons. This study concentrated on this segment of visitors since they form over 78% of departures. Tourists visiting friends and relatives (VFR) while on holiday have limited decisions to make since their choice sets are constrained by their hosts. In most cases such tourists have fixed abodes while at their destinations and may be motivated by multiple motives for travel. Likewise, tourists on business such as those attending conferences usually have their expenses settled by employers and sponsors. They are left with little room for choice amongst competing alternatives and consequently expenditure. Transit tourists are even more peripheral since their intention is not to visit the destinations under study.

5.4.2.2 Sampling Plan

This section describes the methodology used to select a representative sample from the population described earlier. A daily survey period of three weeks in each quarter of the year was adopted to generate a random sample. All departing aircrafts were sampled by interviewing every fifth tourist in the queue (at the immigration section) who satisfied the set conditions (that is, international tourists visiting Kenya for holiday purposes only). Kenya, British and French airways, KLM, and Swiss Air carried almost 65% of the tourists visiting Kenya in the year preceding the study.
Sample Unit

The unit for the collection and presentation of the tourism statistics was the individual tourist. With regard to expenditure statistics, the leader of the travel party was interviewed in addition to the respondent in order to assist in apportioning expenses incurred commonly by the group. The head of a travel party such as a family or group of friends travelling together and with collective spending during the trip is in a better position to apportion expenditure. This was the case when the group’s expenditure was from a common pool and an individual member’s expenditure could not be identified separately. An example is a family group where a parent is responsible for the finances of the whole group’s expenditure. The person who was usually interviewed was the head of the travel party (family or group of friends) travelling together and spending collectively during the trip. The total expenses incurred by the group on certain items were then divided amongst the individuals concerned in order to derive the per capita spending for adults. Expenses by children were amalgamated with those of the adults responsible for them. This method was, therefore, used to calculate daily average expenditure per tourist.

Sampling Selection Method

An exogenously stratified random sample was used as sampling strategy. The stratified random sampling was adopted since it is the most appropriate sampling selection method with regard to large populations. This method allows for detailed information on visitor and trip characteristics, consumption behaviour and expenditure patterns. Such information is useful for marketing purposes, for instance, when undertaking market segmentation. The method also minimizes the sampling error and hence a sample that is truly representative of the target population can be drawn. The venue and location of the survey determined the sampling plan and the stratification characteristics dependent on the flow of respondents through the survey location. The tourist population was stratified by tourism seasons. In any given year, the Kenyan tourism seasons can be divided into four periods, i.e., November to January, February to April, March to July and April to October. Given that arrivals are almost evenly distributed throughout the year, relatively similar numbers of questionnaires were administered in each quarter.

In the case of scheduled flights, departure schedules were used to cover all possible routes emanating out of Kenya during the research period. Every fifth person
in the queue at the passport section was approached and asked for the purpose of her/his visit. In the case of group travel, only the member(s) targeted were interviewed. The interview proceeded only for those who had visited Kenya primarily for holidays. One thousand five hundred and sixty six tourists were interviewed. The response rate was about 90 per cent of the planned questionnaires.

Pre-testing the Questionnaire

The purpose of pre-testing the questionnaire was to ascertain the appropriateness and relevance of questions. Two documents were prepared at this stage. One was a questionnaire and the other a diary. The diary was issued for completion to tourists who were arriving at the airport for their stay in Kenya and was to be returned before departure after their holidays. Expenses and time-use were to be recorded at the end of each day of the holiday while within the destination. This was meant to minimize recall bias. The questionnaire was administered to the tourists who were preparing to depart from the airport after their holidays. After a month, the response rate from the diary method was only about 5%. Compliance in filling the diary on a daily basis was minimal. Most of those who managed to get back to the airport with the documents had incomplete ones. Loss of the document was rampant and in certain instances the diary was not usable after holidays due to physical damage. Excuses such as poor travel conditions that made many people tired by the end of each day were recorded. Frequent change of transport modes and accommodation led to loss of several documents. In retrospect, this implied that the use of postage methods whereby tourists can send back questionnaires after arriving in their home countries was bound to fail.

There were few hitches with questionnaires which were adequately completed with the assistance of enumerators and other research assistants. The interactive nature of the exercise meant that subjective issues could also be addressed sufficiently. Adequate time after check-in at the airport led to higher compliance and response rates. On average, this time interval was about three hours. However, about thirty minutes was adequate for the exercise of filling the questionnaire. Therefore, the questionnaire method was adopted for the main survey since the recall bias was not very serious given that the length of stay was on average between seven and fourteen days.
5.4.3 Recruitment and Training of Interviewers

Enumerators qualified in tourism studies at certificate, diploma and degree level were recruited to participate in this exercise. Those holding degree level qualifications were engaged as supervisors and coordinators. Besides academic qualifications, mastery of any of the internationally spoken languages was a pre-requisite for recruitment. English, French and German speakers were readily available since most tourism training institutions in Kenya offer at least one or two foreign languages as part of their curricula. However, Italian and Spanish speakers who have undergone tourism training were rare. All the enumerators selected were then screened by the Kenya Airport Authority to allow them access to some restricted premises within the airports such as immigration room and duty-free shopping areas. Training of the enumerators was undertaken before the pilot survey and also before the main survey. Research objectives, aims and goals were explained. Training also included skills in interview techniques, recording of verbal information and methods of reporting to supervisors. Every question in the questionnaire was interpreted by putting emphasis on its purpose and relation to others. Methods of handling questionnaires in an unfamiliar language were also considered.

5.5 Questionnaire Design

The questionnaire was divided into five sections comprising tourist demographic and socio-economic characteristics, trip attributes, package attributes, and a general section on satisfaction and rating of experiences. Demographics and socio-economic variables included nationality, current country of residence, gender, marital status, age, level of education, occupation and travel group characteristics. Elements captured under trip characteristics were the number of trips to Kenya in the past, length of stay, sources of information, reasons for visitation, attractions visited and concerns of tourists before arriving in the country. Package attributes of interest were the duration of time between package booking and travel, costs and associated discounts, components of the package, extra expenses in Kenya, reasons for travel on package, frequency of using various modes of transport and proportion of nights spent at different accommodation facilities while in the country. Information solicited from tourists with regard to independent travel included reasons for adopting this type of travel, methods of making reservations, duration of period between flight and accommodation reservations and travel, expenses on various items utilized during the
stay in Kenya and frequency of using various modes of transport and accommodation facilities.

Under the general section, tourists were asked to rate their assessment of facilities and services utilized, to indicate if they would recommend friends and relatives to visit Kenya, rank Kenya as a tourist destination worldwide in terms of experiences and cost, assess their holidays plus satisfaction levels and finally restate their concerns before departure from the country. Family incomes in the tourists’ own currency was captured under this section.

The socio-economic characteristics of tourists, their trip attributes and related measurements collected by the survey method are listed in table 5.4.

5.6 Survey

Accuracy and Reliability of Information from Interviews

Reliability of data was determined by the extent to which the information collected is accurate. Unreliability of data collected could be attributed to a number of factors. Recall bias with regard to expenditure and time allocation is possible. The interview required the respondent to trace expenditures beginning from the country of residence. Tourists on package-tours make prepayments before commencement of their holidays. The amount and category of expenditure may not be easy to recall. Furthermore, such prepayments are normally made as lump-sum outlays. Disaggregating such an expense is not possible in some cases due to the inclusion of discounts and commissions on total figures by travel and tour agents.

Tourists were thus not required to break down prepayments in great detail. Expenses incurred during the trip were not expected to suffer from heavy recall bias. However, appropriation of expenses amongst group members was a problem due to sharing of facilities and other services paid from a common pool of resources. The leader of the group or family responsible for expenditure was thus interviewed to allocate expenditure. Questions were designed in such a way that only expenditure incurred for services and other commodities consumed for purposes of holidaying in the current destination were captured as closely as possible. Expenses incurred by and on behalf of dependants were recorded separately and where this was not possible estimates were made. Time allocation among available attractions was not easy to apportion. Some tourism products are consumed jointly and in some situations they are either complementary or substitutes. Cultural tourism products could be consumed
in conjunction with the beaches, for instance. Other products are consumed at secondary level, for instance, along the route to primary attractions. In such cases, the tourist was asked to apportion the stated time amongst the attractions consumed jointly or concurrently. Under this study, time was not allocated to travel since it was assumed that travel is part of an experience at long-haul destinations.

Table 5.4: Measures of Socio-economic and Trip Characteristics in the Survey

<table>
<thead>
<tr>
<th>Socio-economic characteristics</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>Data on this variable was stated in years</td>
</tr>
<tr>
<td><strong>Sex</strong></td>
<td>Male/Female</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Given the diversity of education systems, a basic four-part classification was adopted: elementary, secondary, post-secondary non-university, and university</td>
</tr>
<tr>
<td><strong>Occupational Status</strong></td>
<td>Categories included employed full-time, employed part-time, retired (reference to former occupation), student, unemployed</td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td>If currently employed on part or full time basis, the nature of employment was requested</td>
</tr>
<tr>
<td><strong>Annual Income</strong></td>
<td>The basis of measure was the household (where a family has travelled together that was later transformed into per capita figures) and individual income (where the traveler is not accompanied by any of his/her family members nor has no family)</td>
</tr>
<tr>
<td><strong>Family Composition</strong></td>
<td>Family classification included single individuals living alone, husband-wife family, family with children under 18 years and single-parent families</td>
</tr>
<tr>
<td><strong>Party-composition</strong></td>
<td>The levels included a person or couple travelling alone, families with children, and organized groups</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trip characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country of Origin</strong></td>
</tr>
<tr>
<td><strong>Package</strong></td>
</tr>
<tr>
<td><strong>Season or trip period</strong></td>
</tr>
<tr>
<td><strong>Trip duration</strong></td>
</tr>
<tr>
<td><strong>Purpose of Travel</strong></td>
</tr>
</tbody>
</table>

Travel time was amalgamated with the time spent at a particular attraction of interest that motivated the need to travel. Attractions such as geographic landscapes along the route are assumed to contribute to the tourism product. The failure to make use of diaries during the pilot survey in recording time-use left this as the only option.
Several formats were adopted to elicit the satisfaction levels by tourists on completion of their holidays within the destination. Ratings and rankings elicited expectations and concerns before travel and experiences after holidays. Comments arising from deeper interrogation by interviewers supplemented the information derived by questionnaires in order to improve on response accuracy and reliability.

Socio-economic, trip and package issues were reasonably well covered with satisfactory accuracy and reliability. Given the literacy level of respondents and the fact that questionnaires were translated into five international languages, the information extracted on these aspects was bound to be reliable. Socio-economic and demographic characteristics of tourists were the most reliable followed by information on trip attributes.

Classification of packages adopted for travel was undertaken by the researcher. The respondents only gave the elements of packages that included prepaid items and the type of facilities utilized during the holidays.

5.7 Summary and Conclusion

Detailed information was extracted from the respondents. The information ranged from tourists’ characteristics and trip attributes to pre-paid items. In addition, data on time and expenditure while on holiday at the destination was also collected. Subjective information on expectations, perception, experiences and satisfaction was elicited. Efforts were put into place to achieve accuracy and hence reliability of data collected as much as possible. Data collection procedures, particularly on expenditure, closely followed those recommended by World Tourism Organization (WTO).

A number of indicators of unobservable characteristics and feelings of tourists are used in the following two chapters to test a variety of hypotheses in order to answer the research questions specified in the first chapter.
Appendix 5.1: Questionnaire

Kenya International Tourist Survey – Exit survey

Thank you for accepting this survey. It should take approximately thirty minutes of your time to complete. The survey will be used to help the tourist industry in Kenya to improve the services offered to tourists like you and promote sustainable tourism. The information collected by this questionnaire will be utilized in confidence. Kindly complete the whole questionnaire.

Please indicate DATE / / ; TIME HRS MIN

1. What is the purpose of your visit?
   □ Holiday
   □ Holiday in combination with other purposes such as business
   □ Other (please specify) ______________________________________

   If other, thank the respondent, terminate and replace

SECTION A: DEMOGRAPHICS
2a. What is your nationality?________________________________
2b. What is your current country of residence?_________________
3. What is your
   a. Gender □ Female □ Male
   b. Marital status □ Single □ Living with a partner
   c. Age_________
   d. What is your level of education:
      □ Elementary
      □ Post – Secondary i.e. non university □ Secondary
      □ Other (please specify) □ University
   e. What is your occupation?____________________

4a. Did you book this trip as a group i.e. sharing expenses
   □ No ___________
   □ Yes ______ if yes, how many people are involved ______________________

4b. How many people in your group fit the following description
   ______ Spouse
   ______ Partner
   ______ Income dependent children
   ______ Relatives
   ______ Friends
   ______ Other (please specify) __________________________

SECTION B: TRIP CHARACTERISTICS
5. How many trips have you taken to Kenya in the past five years? ______ trips

   Are you a frequent resident in Kenya for some periods in a year?
   □ No ____________ Go to next question (7)
   □ Yes ____________ If Yes, how many months do you live in Kenya in a year? ____________________________
6. How many nights did you spend in Kenya away from home on this trip?
   ______ Nights in Kenya
   ______ Nights outside Kenya
If outside Kenya, state the appropriate countries _____________________________

7. How did you obtain information used to plan your trip?
   □ Travel agency
   □ Airlines directly
   □ Friends or Relatives
   □ Institution(s)
   □ Travel guide/operators Travel agency
   □ TV/Radio
   □ Newspaper/ Magazine/ brochure
   □ Internet
   □ Other (please specify) _______________________________________

8. What were your reasons for visiting Kenya? (mark all that apply)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Very Important</th>
<th>Important</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better weather in Kenya than at home</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country at this time of the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s culture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s wildlife</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s scenery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s beaches</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya’s sports facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non- holiday activities in Kenya</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10a. Please estimate the number of days you spent at the following attractions within Kenya:

<table>
<thead>
<tr>
<th>Attraction</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game parks/Reserves</td>
<td></td>
</tr>
<tr>
<td>Beaches</td>
<td></td>
</tr>
<tr>
<td>Cultural Activities e.g. visiting museums</td>
<td></td>
</tr>
<tr>
<td>Sporting Activities</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
<tr>
<td><strong>Total number of days</strong></td>
<td></td>
</tr>
</tbody>
</table>

10b. List the main attraction you visited in Kenya:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
11. Before the visit, were you concerned about the following issue in Kenya (Tick where appropriate)

<table>
<thead>
<tr>
<th>concern</th>
<th>Very much</th>
<th>Little</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality of the people</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political instability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Racial conflicts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopping facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of attractions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C: PACKAGE TOURIST

12a. Excluding airfare, when several components of a trip such as accommodation, local transport at destination and guidance are prepaid in a tourist’s own country, we speak of a tourist package.

Are you on a tourist package?

☐ Yes ______
☐ No ______ (IF YOU DID NOT TRAVEL ON A PACKAGE, PLEASE GO TO SECTION D)

12b. How long before departure did you book your package
Days ______
Months ______
Years ______

12c. Who organised the tour package_____________________

13a. Please estimate the total amount of money you paid for the tour – package (per person)

☐ Adult _____ (per adult)
☐ Children _____ (per child)

13b. Did you get a discount?

☐ Yes
☐ No

If yes, how much was the discount? ______
Why were you given discount? ______

14. What kind of services were included in the tour package?

<table>
<thead>
<tr>
<th>Item</th>
<th>Tick the appropriate answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-fare/ Airport tax</td>
<td>Yes / No</td>
</tr>
<tr>
<td>Visa fees</td>
<td>Yes / No</td>
</tr>
<tr>
<td>Bed plus Breakfast (BB)</td>
<td>Yes / No</td>
</tr>
<tr>
<td>Lunch</td>
<td>Yes / No</td>
</tr>
</tbody>
</table>
Dinner     Yes / No
Local tours / taxi services Yes / No
Entertainment/drinks Yes / No
Tickets for museums, park entry, exhibitions etc. Yes / No
Souvenirs & other shopping Yes / No
Other (specify) _____________

15. How much did you spend in Kenya (in addition to the amount you paid for the tour package)

<table>
<thead>
<tr>
<th>Item</th>
<th>Per Adult</th>
<th>Per child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Transport/ Sightseeing /cultural village</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Transport and Airport transfers</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Entertainment &amp; Recreation</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Tips, gifts, souvenirs, other purchases</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Communication (telephone, Internet, postal services etc.)</td>
<td>______</td>
<td>______</td>
</tr>
<tr>
<td>Other (specify)</td>
<td>_____________</td>
<td></td>
</tr>
</tbody>
</table>

16. Why did you decide to travel on a tour-package rather than travel independently

Very Important  Important  Not important
I had little time for planning my trip □ □ □
Advertising and promotion □ □ □
I knew little about Kenya □ □ □
Package was cheap □ □ □
Good experience with packages in the past □ □ □
Other (specify) _______________________

SECTION D: INDEPENDENT TRAVEL

17. You decided to make all reservations yourself. When you made your reservations were you aware of the possibility of buying a package?

□ Yes ______ Go to 18
□ No ______ Go to 19

18. Why did you decide to adopt independent travel rather than a tour-package?

Very Important  Important  Not important
I wanted to make own arrangements □ □ □
I wanted to be independent □ □ □
I had enough time for planning my trip □ □ □
I could gather the necessary information □ □ □
I am a frequent traveler □ □ □
I knew Kenya well □ □ □
Packages were expensive □ □ □
Others (specify) _______________________

111
19a. How did you make airline reservations for this trip?
□ Travel agent/Tour operator
□ Internet
□ Travel club
□ Airline directly
□ Company’s travel department
□ Other (please specify) ______

19b. How long before departure did you book your flight
Days ______
Months ______
Years ______

19c. Did you get a discount?
□ Yes
□ No
If yes, how much was the discount? ______
Why were you given the discount? ______

20. How much money have you spend on airfare (round –trip) per person
□ Adult ______ (Per adult)
□ Children ______ (Per child)

21a. Did you make accommodation reservation for this trip before you left home?
□ No ______ Go to Q. 21b
□ Yes ______ if yes, reservations were made through:
□ Travel agent
□ Hotel staff directly
□ Tour staff
□ Internet
□ Friends or relatives
□ other (please specify) ______

21b. How did you make accommodation reservations while in Kenya?
□ Local travel agent
□ Friends or relatives
□ Hotel directly
□ Other (please specify) ______

21c. Did you get the discount?
□ Yes
□ No
If yes how much was the discount? ______
Why were you given the discount? ______

21d. Did you encounter any problems when making accommodation, transportation and tour reservations by yourself?
□ No ______
□ Yes ______ If yes please specify _______________________

22a. Please estimate how much money you have spent in Kenya [outside your own country and other countries visited] on this trip (per person).
□ Adult ______ (per child)
□ Children ______ (per child)
22b. Of the total expenditure given above (22a), please estimate how much was spent on the following items

<table>
<thead>
<tr>
<th>Item</th>
<th>Per Adult</th>
<th>Per Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Beverages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport/ Sightseeing/cultural village</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and Airport transfers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment &amp; Recreation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trips, gifts souvenirs, other purchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication (telephone, Internet, Postal services etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION E: GENERAL

23. How did the following aspects determine your choice of the mode of travel (tick as appropriate)

<table>
<thead>
<tr>
<th></th>
<th>Very Important</th>
<th>Important</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited time to organize the trip</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Prior experience to similar destination</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Cost of travel options</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Concerns about the destination</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Influence from others</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

24. List your assessment of the tourism facilities/services utilized on the current trip in order of expectation (1-above expectation 2-according to expectation 3-below expectation).

<table>
<thead>
<tr>
<th>Facility</th>
<th>Quality (1 to 3)</th>
<th>Value for money (1 to 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation only</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals/Drinks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and communication used within Kenya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tour-guidance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Souvenirs and other commodities purchased</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gate/Entry charges at various attraction sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (Specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

25. Would you recommend friends and relatives to visit Kenya?

NO ______ If not, give reasons ______

YES ______ If yes, on what travel arrangement:

□ Do-it-Yourself (DIY) i.e. Free Independent Traveller (FIT)
□ All-inclusive Package (airfare, Hotel, Meals, Tour-guidance, Entertainment/Shopping)
□ Inclusive Package (Airfare, Hotel, Meals, Tour-guidance)
□ Partial package (Airfare, Hotel, Meals)
□ Limited package (Airfare and Hotel)
□ Other (Please specify) ________________________
26a. How would you rank Kenya amongst other tourist destinations you have visited in the past?

☐ Among the best
☐ Average
☐ Below average

26b. Please list your top five most favourite destinations worldwide

_______________________________________

_______________________________________

_______________________________________

_______________________________________

_______________________________________

27. How would you Rank Kenya in terms of total costs (including airfare) as a tourist destination?

☐ Very expensive
☐ Expensive
☐ Cheap
☐ Quite

28. How would you rank your holiday in Kenya?

☐ Excellent
☐ Very good
☐ Normal
☐ Bad

29. After your visit, are you still concerned about the following issues in Kenya (Tick where appropriate)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Very much</th>
<th>Little</th>
<th>No concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality of the people</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political instability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Racial conflicts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopping facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of attractions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

30. Please estimate your net monthly income in your country’s currency

Net income ________________ per month (please specify currency)

Thank you for completing this questionnaire.
CHAPTER 6

6. CHOICE AND EXPENDITURE

6.1 Introduction

In this chapter, we analyze the determinants of choice and expenditure. In this context we take segments based on tour packages into account. As mentioned in chapter 3, choice and expenditure are influenced by tour packages. The two types of packages are the all-inclusive and the basic packages. The basic package implies free independent travel arrangement whereby an individual plans and organizes most of the travel requirements. The choice alternatives faced by tourists, given the constraints of time, are wildlife viewing, beach tourism and cultural excursions. The results discussed address some of the research questions stated in chapter 1:

- Do tourists travelling on different packages differ in terms of choice and expenditure?
- Given the packages chosen for travel, what are the main determinants of choice and expenditure in terms of personal characteristics and trip attributes?

Section 6.2 discusses the hypotheses adopted for the analysis. Section 6.3 presents the descriptive statistics. Section 6.4 presents the model of choice and expenditure. Section 6.5 gives the results of the test for pooling and empirical results of the pooled model. The conclusions and summary of the chapter are given in section 6.6.

6.2 Hypotheses

The main variables of interest are the proportions of time spent on wildlife viewing, beach activities, cultural excursions and per capita expenditure per day. The nature and dimensions of these attractions are diverse. The nature and dimensions of constraints and opportunities in choosing the activities differ with respect to the type of attraction. Wildlife viewing is expected to be demanding in terms of physical travel, time and risks associated with such travel. Beach tourism is a more homogenous activity with mobility usually limited within the destination. Cultural tourism requires more in terms of interpersonal relations and skills. It may require more travelling time and ‘immersion’ in the host community. Choices made by tourists based on their preferences for certain attractions and facilities affect their expenditure levels.

An analysis of the literature discussing the general forms of travel choice and expenditure models indicate that the variables used to explain and predict one’s
choices can be classified into two broad categories, i.e., personal and travel characteristics (Fesenmaier et. al., 2003). Personal characteristics encompass socioeconomic status and demographic characteristics. Indicators of socio-economic status are education and occupation. Other predictors of the dependent variables are demographic characteristics such as age and gender. Travel characteristics encompass situational factors that characterize travel forms. Trip characteristics include length of stay and group size, i.e., number of people in a travel party. Below, we discuss various determinants of choice and expenditure (Table 6.1).

**Age**

The availability of time over one’s life span influences the level and type of holiday participation (Dardis, et. al, 1994). The greatest amount of time available appears to be concentrated at the extreme ends of the age continuum with the adolescent and the retired having considerably more time at their disposal than the middle age group who live under a greater degree of time pressure. In addition to age, life cycle changes such as getting married and having children affect participation time. The type of preferred attractions is likely to be influenced by the stage in the family life cycles (Appendix 6.1). Participation may increase when children leave home or when individuals retire from work.

Families evolve through a certain life cycle and the characteristics of the family at the various stages of its lifecycle offer certain opportunities or exert various pressures that affect preference and purchasing behaviour (Opperman, 1995). In *Stage I* single people have low earnings. In *stage II* newly married couples are financially well endowed since both partners are likely to be working. In *Stage III* the arrival of children puts strain on savings and creates loss in income since at least one of the partners leaves the labour market. In *Stage IV* some recovery in family income occurs since both partners can now rejoin the labour market. In *Stage V* family income is now devoted to the needs of older children. The last stages of empty nests and survivorship imply that both time and income are now available for holiday pursuits. However, other needs such as health care and social security become increasingly significant. For the purposes of this study, we treat these stages as three loosely defined categories, i.e., lower, middle and upper aged individuals. In our statistical analysis, we allow for non-linear age effects by including both age and age-squared variables.
Age as a measure of physical ability may influence the preferences of tourists. Weaver et al (1994) found that age was a discriminating demographic variable that influenced holiday behaviour. Middle-aged individuals would engage in different activities compared to both their younger and older counterparts. In order to test the role of age and hence lifecycle in holiday participation and expenditure, we outline the expected impacts of age and age-squared on expenditure and preferences.

**Wildlife**

Due to differences in time horizons among individuals, their preferences are not expected to be the same. At lower age, individuals are likely to have strong interest in spectacular activities such as wildlife viewing. Due to physical demand, the higher-aged individuals will be less inclined to undertake such an activity. Age is expected to have a positive impact on the proportion of time allocated to wildlife tourism and age-squared a negative impact.

**Beach**

Beach tourism is a more relaxing, time-intensive and less physically demanding activity that is normally dominated by those in middle age bracket (BongKoo, 2001, WTO, 2001c). These tourists are normally accompanied by children and/or prefer more solitary holidays with family members. Age is expected to have a positive impact on the time allocated to beach tourism while age-squared is expected to have a negative one.

**Culture**

Individuals in upper age bracket are likely to be experienced travellers who have visited several nature-based attractions elsewhere or at the same destination. They are likely to allocate proportionately more time to culture-based tourism. Age is expected to have negative impact on the proportion of time allocated to cultural tourism and age-squared a positive impact.

**Expenditure**

Young people tend to be small spenders since they are not financially well-endowed (Dardis, et. al, 1994; Thrane, 2002; Taylor et. al.1993; Lawson, 1991; Mok and Iverson, 2000). Because the middle-aged group usually enjoys the highest income
in their lifetime, they will generally spend the most. However, due to financial constraints of this group, the older category of tourists is likely to spend more. Age is, therefore, expected to have a negative impact on expenditure whereas age-squared is expected to have a positive impact.

In the tourism literature, results of the influence of age on expenditure have been mixed. Jang et al. (2004) undertook a study of the expenditure patterns of Japanese pleasure tourists to the US. Their findings were that older travellers tend to spend more. Some studies, however, identified negative relationships. Dardis et al. (1981) used data from Bureau of Labour Statistics’1972–73 Consumer Expenditure Survey (CES) to study expenditure behaviour. Recreation expenditures were influenced negatively by age of household head. Dardis et al. (1994) identified factors that explain variations of household expenditures on three categories of recreation items, i.e., visiting museums, attending sports events, and other recreation. Age was found to have a negative effect on all expenditure categories. In some cases, age was found to be insignificant in explaining expenditure (Leones et. al., 1998; Agarwal and Yochum, 1999; Anderson and Littrell, 1996). Intuitively, it appears that age positively influences expenditure when holidays are taken to long-haul destinations. The converse holds for recreational and holiday-activities near home. Age has generally been treated as having a linear relationship with expenditure. This may also explain why its effect has been found to be positive or negative and in some cases insignificant.

**Gender**

There are gender differences in the interests tourists pursue while on holiday (Ryan et. al, 1998). Women and men have different holiday involvement (Deem, 1996), activity preferences (Wall and Norris, 2003), participation patterns and commitment to various holiday activities (Wiley et. al., 2000). Studies on women’s leisure show that women are more cautious than men and in general prefer safer activities (Scraton and Watson, 1998). Gender creates differences in preferred landscapes and scenery (Kay, 1991; Virden and Walker, 1999). One of the reasons that men and women may want different things from tourism experiences is that they are ‘getting away from’ different things in their work and home environments, respectively (Swain, 1995). Product evaluations differ according to the relative
importance each gender assigns to individual characteristics of a product (Holbrook, 1986).

Women are more likely to be involved in cultural activities than men. Williams and Lattey (1994) indicate that the traditional responsibilities of females relating to domestic work and child care have led them to view holiday activities in a way that is task-oriented rather than time-oriented; social rather than physical, and relational as opposed to self-interested. These characteristics are associated more with cultural activities than with other holiday activities. In addition, according to BongKoo (2001), women tend to undertake less stressful activities than men. Below, we outline the expected impacts of gender on the three kinds of activities and expenditure levels.

**Wildlife**

International travel on a long-haul trip involves many uncertainties and hence female tourists may not like activities that compound risks. Due to its risky nature, inconvenience and physical stress, female tourists are expected to have less preference for wildlife tourism. If they choose it at all, they would generally prefer organized tours because they tend to be safer. Although wildlife viewing has traditionally been packaged fully by tour operators in order to minimize uncertainties and risks among other inconveniences, it is expected that female tourists allocate less time to wildlife viewing than men.

**Beach**

Beach tourism is relatively organized with little exposure to risks. Due to this attribute, and given their higher relative risk aversion, female tourists are likely to allocate proportionately more time to this type of tourism.

**Culture**

Women are expected to have higher preference for cultural tourism particularly when it is safe and organized due to its task-oriented nature (Meyers-Levy and Sternthal, 1991). Male tourists have less preference for cultural tourism, but if they participate in it, they are likely to opt for an adventurous type such as bull fighting. In general, female tourists are expected to allocate proportionately more time to cultural tourism.
Expenditure

Women and men have different financial budgets for leisure (Thrane, 2000). In general, female tourists have been found to spend less than their male counterparts due to their tendency to opt for organized holidays, although they are likely to spend more on souvenirs (Anderson and Littrell, 1995).

Income

Income is an essential factor in determining the demand for tourism commodities. During holidays, costs are incurred and the tourists pay for services provided at destinations. Expenditure may also be required in the form of specialized equipment for engaging in various recreational activities while at the destination or en-route. Studies indicate a positive correlation between income and holiday expenditures and in some cases the increase in the latter is proportionately higher, implying that holiday services are luxury items (Bammel and Bammel, 1992). Hence, it is expected that higher income tourists will spend more per day than those with lower income.

Wildlife

Certain attractions, such as wildlife, are popular among high-income earners since they allow them to engage in luxury activities such as ‘balloon safaris’. Convenient and exclusive modes of watching wildlife are normally designed for certain tourists who are willing to pay special prices. Such arrangements include aerial wildlife-viewing and exclusive clubs. Income is, therefore, likely to induce proportionately more time allocation to wildlife viewing.

Beach

Beaches may also be attractive to high income-earners since such tourism locations are normally well served with quality and standard infrastructure. Most three to five star accommodations are located along the Indian Ocean beach. Higher income is therefore likely to be associated with proportionately more time allocation to beach tourism.
Culture

Cultural tourism is not normally associated with quality inputs such as luxury accommodation in its production and consumption. Therefore, we expect an insignificant effect.

Expenditure

More income enables individuals to spend more money during holidays (Pizam and Reichel, 1979; Mok et al. 1977; Cai et. al. 1995; Fish and Waggle, 1996; Long and Purdue, 1990; Taylor et. al. 1993; Tierney, 1993; Thrane, 2002; Dardis et. al 1981; Taylor et. al. 1993; Mudambi and Baum, 1997; Agarwal and Yochum, 1999; Cannon and Ford, 2002; Jang et.al. 2004). High-income earners prefer high-class activities and facilities. In general, income is expected to have a positive impact on expenditure during holidays.

Socio-economic status

The socio-economic status is indicated by a number of factors. Usually education and occupation are adopted as proxies for this latent variable (Mok and Armstrong, 1996). The level of education of an individual tends to influence the preference for certain holiday attractions, facilities and activities. The amount of education obtained most likely determines the nature of work and holiday-activities. By widening one’s horizons of interest and enjoyment, education influences the type of activities undertaken and the variety of options that can be considered. Education itself can also serve as a primary reason for travel. The more educated prefer those activities that require interpretive and expressive skills (Mathielson and Wall, 1982). More educated tourists tend to be more sophisticated in their tastes. They may not, however, be higher spenders. A study of visitors to Hawaii found that visitors with less education spent more per day while on vacation (Mill and Morrison, 2002). The authors suggested that the less educated visitors may equate having fun with spending money. Higher educated individuals are expected to be more inquisitive, more selective and more likely to choose a tourism product that is experiential rather than purely hedonic (Kenny and Nankervis, 2001).

Roberts (1970) argued that occupations affect leisure pursuits. Tourism is a compensatory action that is used to offset elements of the day-to-day environment.
Manual occupations are physically arduous and therefore may result in the need to spend holidays simply by relaxing or recuperating. Non-manual occupation may create the need for one to acquire extra skills and knowledge in holiday pursuits. Holiday habits tied to type of occupation may emerge as status attitudes and hence influence the preferences of individuals. Holiday activities are assumed to spill over from, or as compensating for, work experiences. Participation in recreation activities is related both to experience and associations established during the training period and the actual type of employment gained. After reviewing related literature, Zuzanek (1978) concluded that leisure behaviour is closely related to the social status and prestige of one’s occupation. Individuals in the highest or professional occupations exhibit a greater variety of activities and participate more frequently in activities requiring a certain level of expended energy (Burdge, 1969; White, 1975 in ‘Bammel and Bammel, 1992’). Certain activities tend to be distributed along the occupational prestige continuum. The amount and degree of creativity demanded by one’s occupation is related to holiday patterns. Workers engaged in an occupation that requires application of one’s ability are also intellectually active in their holidays. Workers with undemanding employment do not appear to frequently participate in leisure holiday activities that require planning, coordination and purposeful action (Godbey and Parker in ‘Bammel and Bammel, 1992’).

The effect of socio-economic status on wildlife viewing and cultural tourism is expected to be positive while the effect on preference for beach tourism is hypothesized to be negative. Tourists with higher status have greater preference for all attractions except beach tourism. These forms of attractions have the ability to satisfy specific interests and they provide an opportunity to utilize interpretive and expressive skills that are normally possessed by those with higher socio-economic status. Higher status is associated with sophisticated tastes and the need for experiential products that beach tourism may not adequately provide due to its homogeneity and specificity. Similar results have been observed in the literature. In their categorization of Japanese tourists to the USA and Canada, Jang et al. (2002) noted significant differences among them with respect to occupation status. Escape/relaxation seekers had a particularly high proportion of white-collar workers while family/outdoor seekers were mainly unemployed or housewives. White-collar workers were the largest occupational group of all the three clusters that included novelty/nature seekers. However some studies found socio-economic status to be insignificant as a basis of
differentiation. Gitelson and Kerstetter (1990) observed that no significant differences existed between benefits sought and level of education. Yannopoulos and Rotenberg (1999) used data collected from residents of Upper New York State to study visitor preferences. Education was not significantly different across clusters based on attraction preferences. Contradictory results may be due to the direct and single use of observable variables such as education and occupation to measure status. In this study, the two variables are jointly used as indicators of status and hence they are expected to yield more consistent results. Below, we outline the expected impacts of socioeconomic status on preferred attractions and expenditure.

**Wildlife**

Tourists of higher socio-economic status are expected to visit specific attractions within their interest (Zimmer et. al., 1995). Therefore, the time allocated to wildlife viewing will be proportionally high among the higher social class since this type of attraction offers a variety of specific and unique interests such as research opportunities on conservation. Tourists with lower social class are expected to be content with only viewing. They will be less interested, for instance, in issues such as human–wildlife conflicts that may require more time to understand. Socio-economic status is, therefore, positively related to the proportion of time allocated to wildlife viewing.

**Beach**

Beaches are usually restricted to coastal parts and in a few patches around interior lakes. In Kenya, beach environment is artificially kept exclusive and allows only minimal contacts with the host community. Due to the monotony of activities under beach tourism, tourists with higher social class will allocate proportionately less time to it.

**Culture**

Cultural attractions are likely to match the interests of higher social classes (Godbey and Parker in ‘Bammel and Bammel’, 1992; Dardis et al. 1994). Higher socio-economic status increases the possibilities of engaging in people-centered activities and understanding how they live in given environments. Hence, socio-
economic status is expected to have a positive relationship to the proportion of time allocated to cultural tourism.

Expenditure

Generally, higher socio-economic status is associated with preference for quality commodities and standard of service (Dardis et al. 1981; Legoherel, 1998; Thrane, 2002). Higher status is expected to have a positive impact on total expenditure due to preference for high quality services.

Positive effects of socio-economic status on expenditure have also been observed by other studies. Dardis et al. (1981, 1994) using the Consumer Expenditure Survey data from the US Bureau of Labour Statistics showed that education and occupation were among the important variables that positively influenced the expenditure of US households. According to Cai et al. (1995), in their study on US consumers’ expenditure patterns for tourism products and services, education level of the household head significantly contributed to the explanation of household’s tourism expenditure behaviour. Cai (1998) observed that spending variations in food expenditure on vacation trips were determined by various variables including education, occupation, and employment status. In another study on US household lodging expenditure patterns on vacation, Cai (1999) showed that education and employment were among the significant variables enhancing expenditure. In the study of Japanese pleasure travellers to the US, Jang et al. (2004) concluded that those of higher employment status tend to spend more. However, other studies in the literature have found contradictory results. Mak et al. (1977b) observed that those tourists with higher income and lower education levels tended to spend more per day. When income is not controlled for, the other indicators of status are likely to show unexpected results. Individuals with higher incomes do not necessarily possess higher educational and occupational achievements.

Socio-economic status has been used as a basis for preference differentiation, besides expenditure levels and patterns, among tourists in previous studies. Socio-professional category was significant in defining homogenous groups according to expenditure levels, whereby higher categories were associated with more expenditure (Legoherel, 1998). Heavy spenders who participated in the 1972 Consumer Expenditure Survey were significantly different from light spenders in terms of socio-economic characteristics such as education and occupation status (Pizam and Reichel,
However some studies found socio-economic status to be insignificant as a basis for differentiation. Gitelson and Kerstetter (1990) observed that no significant differences existed between benefits sought and level of education. Yannopoulos and Rotenberg (1999), using data collected from residents of Upper New York State, concluded that education was not significantly different across clusters based on attraction preferences. Cannon and Ford (2002) analyzed sports travel visitors across time in order to measure the significance of demographic and trip characteristics in their spending patterns. Education level was among the insignificant factors in explaining visitor expenditures. As mentioned above, such contradictory results may be due to the use of direct and single observable variables to measure socio-economic status. When indicators of status are used jointly, they are likely to yield more consistent results.

**Group-size**

In many cases, tourism is group-oriented rather than being an individual consumption activity. In large travel parties many varied interests have to be satisfied in order to ensure group satisfaction. Since every individual has different expectations from the holiday, a large group may be compelled to visit more destinations than a small one in order to satisfy members’ diverse needs (Fesenmaier and Lieber, 1985, 1988; Lue, Crompton and Fesenmaier, 1993). Larger group size has a bearing on the heterogeneity of benefits sought (Tideswell and Bill, 1999).

**Wildlife**

Wildlife tourism offers a wider variety of attractions such as camping in diversified locations that may satisfy a wide range of interests. Several institutions such as wildlife clubs provide large groups with convenient forums for excursions. Therefore, large travel groups are likely to allocate proportionately more time to wildlife viewing.

**Culture**

Cultural tourism also offers a wide variety of attractions such as museums, historical monuments, archaeological works and the daily life of the host community that are likely to satisfy a wide range of interests. Institutions and other clubs that organize cultural excursions make it easier for large groups to participate in this kind
of tourism. Therefore, large travel groups are likely to allocate proportionately more time to cultural tourism.

**Beach**

Beach tourism is more homogenous in activity composition and hence less appealing to large groups of travellers. Congestion may further reduce the appeal of beaches as destinations for holidays. Therefore, large travel groups are likely to allocate proportionately less time on the beach.

**Expenditure**

Due to economies of scale, members of large travel groups on average are expected to have lower expenditure levels per capita per day than those travelling in smaller parties (Mak et. al. 1997; Fish and Waggle, 1996; Spotts and Mahoney, 1991; Taylor et. al. 1993; Hsieh et.al. 1997; Thrane, 2002; Mok and Iverson, 2000; Legoherel, 1998). However, due to peer or group members’ influence, expenditure may rise with travel group size. The purchase of souvenirs, for instance, may be spontaneously dependent on the purchasing behaviour of others. Therefore, the ultimate sign is uncertain.

These results have some support in the literature. Hsieh et al. (1997) studied four foreign travel markets to Canada including France, Germany, Japan, and the United Kingdom. Travel party size was one of the most significant factors positively associated with the level of average travel expenditure per day. On the other hand, some studies have observed a negative association between average daily expenditure and group size. Mak et al. (1977b) found that large groups of tourists tended to spend less per person per day. Taylor et al. (1993) using data collected from visitors to four counties in north central Wyoming concluded that average daily per person expenditure of non-resident visitors decreased as the size of the travelling party increased. Cannon and Ford (2002) analyzed sports travel visitors and found that total party size was not a significant factor in explaining visitor expenditures. Mixed results may be due to the effect of economies of scale obtainable by operating in a group and the effect of peer influence that encourages expenditure. The relative magnitudes of these two effects may vary depending on a number of factors such as group composition and on the fact that the trip under study was long haul.
Spotts and Mahoney (1991) segmented visitors to Michigan’s Upper Peninsula based on total party expenditure. Heavy spenders differed from other segments based on larger party sizes. Size of group is significant in defining homogenous groups according to expenditure levels (Legohereal, 1998). Mok and Iverson (2000) carried out a study on Taiwanese tourists to Guam to identify heavy spenders. Smaller party sizes were associated with heavy spending per person. Results differ according to the unit of measurement used i.e. total or per day average expenditure with respect to individuals in a group.

**Length of Stay**

Length of stay indicates the time available for an individual in a particular destination and is likely to affect preferences and expenditure. We expect that tourists with limited time budgets would prefer attractions that meet a greater variety of interests and that are unique. Therefore, scarcity of time results in activity-intensive consumption. This entails joint consumption either as simultaneous or as consecutive consumption of a variety of attractions. Simultaneous consumption occurs if different activities take place at the same time; consecutive consumption occurs if one jumps from one activity to the other in a certain period. Wildlife and cultural tourism, for instance, can be undertaken simultaneously. Most wildlife sanctuaries are located remotely from the main urban centres and hence they provide opportunities to undertake cultural excursions en-route. Beach and cultural tourism may also provide opportunities for simultaneous consumption. The idea of activity-intensive consumption can also be applied to the different attractions themselves. Given the heterogeneity of wildlife attractions, tourists with limited time are likely to allocate proportionately more time to them. Wildlife viewing offers opportunities for viewing a wide range of unique animals such as mammals, birds, reptiles, fish and plants. Cultural resources are also varied and unique, ranging from material to non-material attractions.

**Wildlife**

Because of its uniqueness, we consider wildlife as a first priority for tourists visiting Kenya with limited time. An increase of the length of stay is likely to lead to a diversification of activities and hence proportionally less time spent on wildlife viewing. Hence, we expect a negative impact.
Choice and Expenditure

*Beach*

With abundance of time, time-intensive consumption attractions such as beach tourism become attractive. Therefore, the effect of this variable on the proportion of time allocated to beach tourism is expected to be positive.

*Culture*

More time available for holidays is expected to result in more time allocation for cultural attractions. Therefore, the effect of this variable is expected to be positive.

*Expenditure*

The more sites a tourist visits, the more time he spends at each destination with positive consequences on expenditure. On the other hand, longer overall trips at one or a few sites could have a negative effect on the marginal per day expenditure levels (Mok et al. 1977; Taylor et al. 1993; Cannon and Ford, 2002). Tourists on short trips are expected to be willing to pay more for services that save time given the scarcity of time. With increased length of stay, individuals spend more in aggregate terms but less per day. Therefore, the effect of this variable is expected to be negative.

Mak et al. (1977b) tested the notion that the length of stay in a destination determines a tourist’s daily per capita expenditures. Tourists staying longer at a destination tended to spend less per person per day. Taylor et al. (1993) observed that average daily per person expenditure of non-resident visitors decreased as the number of nights increased. Cannon and Ford (2002) analyzed the spending behaviour of sports travel visitors. Spending per day decreased with longer trip duration.

Length of stay has been used as a basis for differentiating tourists spending levels in terms of the activities they undertake. Spotts and Mahoney (1991) segmented visitors to Michigan’s Upper Peninsula based on total party expenditure. Heavy spenders differed from other segments based on trip duration. Nogawa et al. (1996) studied participants at Japanese sporting events. Trip duration was the primary explanatory factor of visitor spending behaviour. Downward and Lumsdon (2000) investigated factors that determine the level of visitor spending with reference to Cheddar in the West Country of England. Duration of stay on the day of the visit was one of the most important variables positively linked to spending level. Downward and Lumsdon (2003) in a study of short-break and longer-stay holidays at a rural
destination in the UK, observed that duration of activity and stay are important in stimulating additional spending.

**Effects of Attractions on Expenditure**

Preferences for wildlife viewing and cultural tourism are positively significant with respect to spending levels. Activities and benefit sought have been used as bases for differentiating the expenditure levels of individual tourists and travel parties. Heterogeneous attractions are associated with high spenders due to their capacity to satisfy wider interests and present more opportunities that obligate expenditure. Spotts and Mahoney (1991) segmented visitors to Michigan’s Upper Peninsula based on total party expenditure. Heavy spenders were more likely to engage in recreational activities. Nogawa et al. (1996) studied participants at Japanese sporting events and found that sports tourists differed from traditional tourists in terms of spending patterns, whereby the former recorded higher spending levels. Taylor et al. (1993) found that visitors to historical sites in Wyoming had higher spending levels than those visiting other sites at the same destination. Leones et al. (1998) observed that nature tourists to Arizona spent more per person per day during their stays than did other visitors. Thrane (2002) concluded that greater interest in an attraction enhances expenditure while visiting it.

Both wildlife and cultural tourism are expected to have positive effects on expenditure relative to beach activities. The two forms of attractions are associated with dispersed travel and greater consumption variety within a destination. Wildlife viewing consumption requires greater diverse inputs in its consumption such as transport and accommodation (Leones et al., 1998).

The relationships hypothesized are summarized in Table 6.1.
Table 6.1: Hypothesized Relationships

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Measurement</th>
<th>Variable Names</th>
<th>Hypothesized influence on:</th>
<th>Expenditure (per day)</th>
<th>Wildlife</th>
<th>Beach</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Number of years</td>
<td>Age</td>
<td></td>
<td></td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Age-squared</td>
<td>Number of years squared/100</td>
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<td>+</td>
<td>−</td>
<td>−</td>
<td>+</td>
</tr>
<tr>
<td>Gender</td>
<td>0=male, 1=female</td>
<td>Gender</td>
<td></td>
<td>−</td>
<td>−</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Income</td>
<td>Earnings in Kenya shillings (Ksh)</td>
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<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Socio-economic status</td>
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<td>+</td>
<td>+</td>
<td>−</td>
<td>+</td>
</tr>
<tr>
<td>Group size</td>
<td>Number of people in travel party</td>
<td>Grpsize</td>
<td></td>
<td>+/−</td>
<td>+</td>
<td>−</td>
<td>+</td>
</tr>
<tr>
<td>Length of stay</td>
<td>Number of nights spent in Kenya</td>
<td>Lenstay</td>
<td></td>
<td>−</td>
<td>−</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Wildlife</td>
<td>Proportion of days in Kenya spent on wildlife viewing including travel time to attraction sites</td>
<td>Wildlife</td>
<td></td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beach</td>
<td>Proportion of days in Kenya spent on beach tourism including travel time to attraction sites</td>
<td>Beach</td>
<td></td>
<td>−</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>Proportion of days in Kenya spent on cultural tourism including travel time to attraction sites</td>
<td>Culture</td>
<td></td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.3 Descriptive Statistics

Table 6.2 presents the means and standard deviations of dependent and independent variables for the pooled model and for all inclusive and free independent travellers separately.
Table 6.2 Descriptive Statistics of the Sample

<table>
<thead>
<tr>
<th>Variables</th>
<th>Values</th>
<th>Pooled model</th>
<th>All-inclusive</th>
<th>Free Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Years/10</td>
<td>3.786 (1.355)</td>
<td>3.783 (1.344)</td>
<td>3.796 (1.388)</td>
</tr>
<tr>
<td>Gender (%)</td>
<td>Male</td>
<td>49.8</td>
<td>49.5</td>
<td>50.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>50.2</td>
<td>50.5</td>
<td>49.4</td>
</tr>
<tr>
<td>Income per day</td>
<td>Kshs. × 10,000</td>
<td>1.042 (1.440)</td>
<td>1.023 (1.376)</td>
<td>1.097 (1.613)</td>
</tr>
<tr>
<td>Level of Educ. (%)</td>
<td>Elementary</td>
<td>4.6</td>
<td>4.3</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>24.9</td>
<td>26.0</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>Post-secondary</td>
<td>27.1</td>
<td>26.3</td>
<td>29.7</td>
</tr>
<tr>
<td></td>
<td>University</td>
<td>43.4</td>
<td>43.5</td>
<td>43.1</td>
</tr>
<tr>
<td>Occupation (%)</td>
<td>Unemployed</td>
<td>4.6</td>
<td>4.0</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>Students</td>
<td>4.8</td>
<td>4.7</td>
<td>5.0</td>
</tr>
<tr>
<td></td>
<td>Housewives</td>
<td>3.1</td>
<td>3.4</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Manual workers</td>
<td>28.8</td>
<td>27.6</td>
<td>32.2</td>
</tr>
<tr>
<td></td>
<td>Middle level</td>
<td>23.7</td>
<td>23.0</td>
<td>25.7</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>12.5</td>
<td>12.9</td>
<td>11.1</td>
</tr>
<tr>
<td></td>
<td>Executives</td>
<td>22.6</td>
<td>24.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Group Size</td>
<td></td>
<td>2.924 (2.677)</td>
<td>2.957 (2.647)</td>
<td>2.826 (2.764)</td>
</tr>
<tr>
<td>Length of stay</td>
<td>Months</td>
<td>0.426 (0.254)</td>
<td>0.412 (0.227)</td>
<td>0.469 (0.315)</td>
</tr>
<tr>
<td>Expenses per day</td>
<td>Kshs. × 10,000</td>
<td>0.150 (0.148)</td>
<td>0.153 (0.130)</td>
<td>0.143 (0.191)</td>
</tr>
<tr>
<td>Time allocation (%)</td>
<td>Wildlife</td>
<td>0.342 (0.286)</td>
<td>0.364 (0.289)</td>
<td>0.277 (0.268)</td>
</tr>
<tr>
<td></td>
<td>Beach</td>
<td>0.535 (0.317)</td>
<td>0.518 (0.317)</td>
<td>0.583 (0.312)</td>
</tr>
<tr>
<td></td>
<td>Culture</td>
<td>0.078 (0.131)</td>
<td>0.074 (0.126)</td>
<td>0.089 (0.144)</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>0.046 (0.123)</td>
<td>0.044 (0.118)</td>
<td>0.052 (0.136)</td>
</tr>
</tbody>
</table>

NB: Standard deviations are shown in brackets

With regard to the pooled/model, the distribution of the sample according to gender is almost even. The average age is about 38 years implying that the group is youthful. Over 95% of the tourists completed secondary or higher level of education. Almost 45% have university education. The respondents are also characterized by high occupational status where only about 12% are in the lower cadre of employment. On average beach tourism takes 53% of the time spent at the destination followed by wildlife (34%), culture (8%) and other (5%).

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6.4 The Model

The relationships between the observed and latent variables are given in the latent variables measurement models (Appendix 6.2a) whereas the structural relationships are given in Appendix 6.2b.

6.5 Estimation Results

6.5.1 Statistical Test for Pooling

A likelihood ratio test (LR) was conducted in order to test the null hypothesis that the covariance structure of the all-inclusive model and that of the free independent travel model are different (See chapter 4). The test consists of computing $-2\log_e \left( \frac{L_1}{L_2} \right)$ which has a chi-squared distribution with degrees of freedom equal to the number of restrictions. The likelihood ratio was equal to 0.217 (df= 35; 0.05). The hypothesis of pooling was accepted and the pooled model was adopted for further analysis.

6.5.2 LISREL Estimates

6.5.2.1 Overall Fit

A comparatively well-fitting model is indicated by a chi-squared value that approximates the degrees of freedom (Joreskog and Sorbom, 1989: p.43) and in practice the ratio of the chi-squared to degrees of freedom of 5 (Wheaton et al., 1977) or even 2 (Carmines and McIver, 1981) have been used as thresholds. The ratio for the pooled model market equals 4.71 as calculated from the minimum fit function value and the respective degrees of freedom for the model. Therefore, the aggregate market model fitted the data well. The other goodness of fit statistics also indicate reasonable fit (appendix 6.3) The root mean squared error of approximation (RMSEA) of .048, for instance, is within the acceptable range. Brown and Cudeck (1993) suggested that RMSEA values not exceeding .05 indicate a close fit of the model in relation to degrees of freedom, and values of .08 or below indicate a reasonable fit. Goodness of fit statistics show that high proportions of variances and covariances are accounted for by the model. In this case the goodness of fit index (GFI), for instance, equals .99.
6.5.2.2 Measurement Model

With regard to the measurement model, only the socio-economic status variable had more than one indicator. The indicators were occupational status and education levels of individuals. Education was used as a reference variable for the scale of socio-economic status by fixing the relevant parameter value to 1 (Table 6.3).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Socio-economic status (SES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDUCAT</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>(fixed)</td>
</tr>
<tr>
<td>OCCUPAT</td>
<td>3.152</td>
</tr>
<tr>
<td></td>
<td>(52.266)</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.88</td>
</tr>
</tbody>
</table>

The non-fixed indicator loading is significantly different from zero implying that the indicators are valid in their representation of the socio-economic status of individuals. The SES construct reliability value equals 0.880 which is much higher than the desirable level of 0.600 (Bagozzi & Yi, 1988).

6.5.2.3 Structural Equation Model

Table 6.4 shows the coefficients and associated t-values of the structural equation. The amount of variance in each endogenous variable that is jointly accounted for by the explanatory variables in all the equations is high, ranging from 27% in the case of expenditure to almost 74% for cultural tourism.
Choice and Expenditure

Table 6.4: Estimated structural equation parameters: aggregate market

<table>
<thead>
<tr>
<th></th>
<th>Wildlife</th>
<th>Beach</th>
<th>Culture</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>0.067</td>
<td>0.325</td>
<td>−0.008</td>
<td>−0.041</td>
</tr>
<tr>
<td></td>
<td>(2.062)</td>
<td>(9.147)</td>
<td>(0.512)</td>
<td>(1.999)</td>
</tr>
<tr>
<td>Agesq</td>
<td>−0.067</td>
<td>−0.356</td>
<td>0.012</td>
<td>0.053</td>
</tr>
<tr>
<td></td>
<td>(1.723)</td>
<td>(8.374)</td>
<td>(0.646)</td>
<td>(2.195)</td>
</tr>
<tr>
<td>Gender</td>
<td>0.001</td>
<td>0.006</td>
<td>−0.0008</td>
<td>−0.008</td>
</tr>
<tr>
<td></td>
<td>(0.172)</td>
<td>(0.772)</td>
<td>(0.235)</td>
<td>(2.010)</td>
</tr>
<tr>
<td>Income</td>
<td>0.003</td>
<td>−0.001</td>
<td>−0.004</td>
<td>0.002</td>
</tr>
<tr>
<td></td>
<td>(0.473)</td>
<td>(0.183)</td>
<td>(1.560)</td>
<td>(0.482)</td>
</tr>
<tr>
<td>Ses</td>
<td>0.111</td>
<td>−0.100</td>
<td>0.048</td>
<td>0.142</td>
</tr>
<tr>
<td></td>
<td>(2.637)</td>
<td>(2.156)</td>
<td>(2.499)</td>
<td>(5.071)</td>
</tr>
<tr>
<td>Grpsize</td>
<td>0.021</td>
<td>−0.013</td>
<td>0.005</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>(7.990)</td>
<td>(4.279)</td>
<td>(3.734)</td>
<td>(2.104)</td>
</tr>
<tr>
<td>Lenstay</td>
<td>−0.080</td>
<td>0.126</td>
<td>0.016</td>
<td>−0.138</td>
</tr>
<tr>
<td></td>
<td>(2.831)</td>
<td>(3.987)</td>
<td>(1.193)</td>
<td>(9.099)</td>
</tr>
<tr>
<td>Wildlife</td>
<td></td>
<td></td>
<td></td>
<td>0.098</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3.714)</td>
</tr>
<tr>
<td>Beach</td>
<td></td>
<td></td>
<td></td>
<td>0.038</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1.618)</td>
</tr>
<tr>
<td>Culture</td>
<td></td>
<td></td>
<td></td>
<td>0.087</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2.231)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.615</td>
<td>0.603</td>
<td>0.742</td>
<td>0.267</td>
</tr>
</tbody>
</table>

*NB: absolute t-values are in brackets*

The impact of age follows an inverted U-curve for wildlife and beach and a U curve for expenditure and culture, as hypothesized in section 6.2 (see Table 6.1). For culture, however, the effect is insignificant.

Gender does not have a significant effect on the choice of attractions whereas the impact on expenditure is as predicted in Table 6.1. Income does not have any significant impact, neither on choice nor on expenditure.

The effect of socio-economic status on time allocated to attractions and level of expenditure is significant and as expected. Higher socio-economic status is associated with more preference for wildlife-viewing and cultural excursions, and less for beach tourism. Expenditure is positively related to status.

Group size has a positive and strong influence on expenditure and preference for wildlife viewing and cultural tourism. The effect is significantly negative in the case of beach tourism as anticipated. Expenditure significantly rises with group size implying that economies of scale gained by large numbers are outweighed by peer influence on purchasing behaviour.
Length of stay positively influences the choice for beach and cultural tourism and is negatively associated with wildlife and spending level as hypothesized in Table 6.1. However, the effect of length of stay on culture is not significant.

The effects of wildlife viewing and cultural tourism on expenditure are significantly positive and according to expectation. Beach tourism has an unexpected positive influence on expenditure; however, the effect is not significant.

6.6 Summary and Conclusion

The purpose of this chapter is to empirically answer some of the research questions posed in chapter 1. Particularly, it focuses on the main determinants of choice of attraction and expenditure. The descriptive statistics show the sample distributions between tourists on all-inclusive tour packages and those travelling independently.

The total sample for the study is 1,566 tourists of which 1169 are on inclusive packages and 397 are travelling independently. The descriptive statistics show that the differences between the two travel arrangements are very small. A format test of the parameters of the LISREL model for the all-inclusive package and the free independent travellers confirms this.

The major part of this chapter is made up of a LISREL model for the pooled sample to estimate the main determinants of choice and expenditure. Age, age squared, socio economic status, group size and length of stay were found to be the most important determinants of wildlife viewing and beach activities. The most important determinants of culture are socio economic status and group size. Expenditure turned out to be determined by age, age squared, gender, socio economic status, group size and length of stay. Moreover, wildlife and cultural activities turned out to have significant impacts on expenditure.
### Appendix 6.1: Family Life Cycle

<table>
<thead>
<tr>
<th>Stage of Life Cycle</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Single Stage</td>
<td>Single people have low earnings, but also have low outgoings and hence high discretionary income. Tend to be more fashion and recreation oriented spending money on holidays.</td>
</tr>
<tr>
<td>(ii) Newly Married Couples</td>
<td>Without children they are often dual-income families and therefore ‘well off’</td>
</tr>
<tr>
<td>(iii) Full Nest 1</td>
<td>When the first child arrives one parent normally stops working and as a result, income and savings sharply drop. The baby creates new needs.</td>
</tr>
<tr>
<td>(iv) Full Nest 2</td>
<td>The youngest child is over six. Both parents work outside the home and likely with career progression. Some recovery in parental income occurs. Consumption patterns still affected by children.</td>
</tr>
<tr>
<td>(v) Full Nest 3</td>
<td>The youngest child is over eleven. Children have some money of their own. Family purchases are heavy e.g new car or replacement furniture and other luxury items such as private education for children</td>
</tr>
<tr>
<td>(vi) Empty Nest 1</td>
<td>Children have grown up and left home. Couples are at the height of their careers and earning powers. Low mortgage and luxury holidays.</td>
</tr>
<tr>
<td>(vii) Empty Nest 2</td>
<td>Main breadwinner retires and hence there is a drop in income. Expenditure is now more health oriented.</td>
</tr>
<tr>
<td>(viii) Solitary Survivor</td>
<td>If still in workforce, widows and widowers enjoy a good income. May spend more on holidays.</td>
</tr>
<tr>
<td>(ix) Retired Solitary Survivor</td>
<td>Reduced income and consumption. Has special needs for love, affection and security. May join clubs.</td>
</tr>
</tbody>
</table>

*Source: Blythe, J. (1999)*
## Appendix 6.2: Measurement and Structural Equation Models

### Measurement model

\[
\begin{bmatrix}
\text{wildlife} \\
\text{beach} \\
\text{culture} \\
\text{expenditure}
\end{bmatrix} = \begin{bmatrix}
1 & 0 & 0 & 0 \\
0 & 1 & 0 & 0 \\
0 & 0 & 1 & 0 \\
0 & 0 & 0 & 1
\end{bmatrix} \begin{bmatrix}
\text{wildlife} \\
\text{beach} \\
\text{culture} \\
\text{expenditure}
\end{bmatrix} + \begin{bmatrix}
0 \\
0 \\
0 \\
0
\end{bmatrix}
\]

### Structural model

\[
\begin{bmatrix}
\text{wildlife} \\
\text{beach} \\
\text{culture} \\
\text{expenditure}
\end{bmatrix} = \begin{bmatrix}
\beta_{41} & \beta_{42} & \beta_{43}
\end{bmatrix} \begin{bmatrix}
\text{ses} \\
\text{age} \\
\text{agesq} \\
\text{gender} \\
\text{income} \\
\text{grpsize} \\
\text{lenstay}
\end{bmatrix} + \begin{bmatrix}
\gamma_{11} & \gamma_{12} & \gamma_{13} & \gamma_{14} & \gamma_{15} & \gamma_{16} & \gamma_{17}
\end{bmatrix} \begin{bmatrix}
\delta_1 \\
\delta_2 \\
\delta_3 \\
\delta_4
\end{bmatrix}
\]
### Appendix 6.3: Global Goodness of Fit Statistics

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degrees of Freedom</td>
<td>9</td>
</tr>
<tr>
<td>MFF Chi-square</td>
<td>42.43</td>
</tr>
<tr>
<td>NTWLS Chi-square</td>
<td>41.86</td>
</tr>
<tr>
<td>NCP</td>
<td>32.86</td>
</tr>
<tr>
<td>MFFV</td>
<td>0.027</td>
</tr>
<tr>
<td>FO</td>
<td>0.021</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.048</td>
</tr>
<tr>
<td>ECVI</td>
<td>0.1149</td>
</tr>
<tr>
<td>Saturated ECVI</td>
<td>0.0997</td>
</tr>
<tr>
<td>Independent ECVI</td>
<td>20.97</td>
</tr>
<tr>
<td>Independent Chi-square</td>
<td>32799</td>
</tr>
<tr>
<td>Independent AIC</td>
<td>32823</td>
</tr>
<tr>
<td>Model AIC</td>
<td>179.86</td>
</tr>
<tr>
<td>Saturated AIC</td>
<td>156</td>
</tr>
<tr>
<td>Independent CAIC</td>
<td>32898.78</td>
</tr>
<tr>
<td>Model CAIC</td>
<td>618.44</td>
</tr>
<tr>
<td>Saturated CAIC</td>
<td>651.79</td>
</tr>
<tr>
<td>NFI</td>
<td>0.999</td>
</tr>
<tr>
<td>NNFI</td>
<td>0.993</td>
</tr>
<tr>
<td>PNFI</td>
<td>0.136</td>
</tr>
<tr>
<td>CFI</td>
<td>0.999</td>
</tr>
<tr>
<td>IFI</td>
<td>0.999</td>
</tr>
<tr>
<td>RFI</td>
<td>0.991</td>
</tr>
<tr>
<td>CN</td>
<td>800.17</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.962</td>
</tr>
<tr>
<td>PGFI</td>
<td>0.115</td>
</tr>
<tr>
<td>Root Mean Square Residual (RMR)</td>
<td>0.057</td>
</tr>
<tr>
<td>Standardized RMR</td>
<td>0.007</td>
</tr>
<tr>
<td>Goodness of Fit Index (GFI)</td>
<td>0.996</td>
</tr>
</tbody>
</table>

**Definitions**

- MFF: Minimum Fit Function
- NTWLS: Normal Theory Weighted Least Squares
- NCP: Non-centrality Parameter
- MFFV: Minimum Fit Function Value
- FO: Population Discrepancy Interval
- RMSEA: Root Mean Square Error of Approximation
- ECVI: Expected Cross-Validation Index
- NFI: Normed Fit Index
- NNFI: Non-Normed Fit Index
- PNFI: Parsimony Normed Fit Index
- CFI: Comparative Fit Index
- IFI: Incremental Fit Index
- RFI: Relative Fit Index
- CN: Critical N
CHAPTER 7

7. SATISFACTION

7.1 Introduction

In this chapter we shall pay attention to satisfaction of tourists visiting Kenya. Satisfaction is an essential concept in customer relationship management in all types of (business) organizations. Continued growth in consumption depends on the experience of the customer with the commodity offered on the market. Satisfied customers are expected to continue or increase consumption in the future. They are also likely to influence others who have not experienced the commodity through recommendation or positive word of mouth. Knowledge and management of customer satisfaction is thus crucial in a competitive market environment. This chapter discusses the determinants of tourists’ satisfaction and their significance in policy formulation.

Satisfaction is analyzed by considering the type of attractions visited, concerns before and after experiencing the tourism commodity at the destination, and the assessment of its quality and value for money. The results discussed address some of the research questions stated in chapter 1:

- Do tourists travelling on different packages differ in terms of satisfaction regarding their holiday experiences?
- Given packages adopted for travel, what are the main determinants of satisfaction?

Section 7.2 discusses the variables adopted for the analysis while section 7.3 presents the applied satisfaction model. Descriptive statistics are covered under section 7.4. The empirical results (of the pooled model) estimated by the LISREL programme and a discussion of the results is given in section 7.5. Section 7.6 outlines the conclusion and summary of the chapter.

7.2 Hypotheses

Satisfaction is a consequence of the entire experience of a holiday including all its components of attractions, accommodation and transport. Satisfaction on the part of tourists reflects their experience expressed through quality and value assessment amongst other measures. Overall satisfaction is considered to be the result of gaps between expectations and perception/experience of the entire holiday. Past studies have shown that satisfaction has a direct positive effect on destination evaluation.
(Oliver, 1996). Satisfied tourists are likely to recommend the destination to others or revisit themselves (Bearden & Teal, 1983; LaBarbera & Mazursky, 1983; and Szymanski & Henard, 2001). Therefore, knowledge about the antecedents of satisfaction is necessary in ensuring repeat and increased visitation.

The measures of satisfaction are generally based on expectation, perception (experience) and disconfirmation. Most research on tourism satisfaction has used the disconfirmation paradigm. This paradigm is a contrast approach in which satisfaction is a function of an initial standard or reference point and some discrepancy from the initial reference point (Williams, 1989). More specifically, satisfaction is related to the discrepancy between a customer’s expectations and perceptions of the actual experience (Ramaswamy, 1996). We measured satisfaction by directly asking visitors about the disconfirmation or confirmation of their expectations. Below we state our hypotheses regarding satisfaction determinants.

7.2.1 Attractions

Several pull factors at the destination were presented in chapter 2. These included natural and man-made attractions. Natural attractions encompass the wildlife (fauna and flora), scenery such as the rift valley and mountains, beaches along the Indian Ocean and around inland lakes such as Lake Victoria. Man-made attractions are basically in the realm of cultural tourism where heritage, way of life and traditions are the main items. Visiting attractions in which the destination has a comparative advantage is likely to influence satisfaction positively. In this case, wildlife, scenery, beaches and culture are some of the unique attractions. Ranking of the importance of attractions in making the decision to visit Kenya was used to elicit satisfaction. That is, importance ratings concerning the weather, culture, wildlife, scenery, beaches, sports and other issues were considered as determinants of satisfaction.

7.2.2 Pre-concerns

Before-travel negative concerns about various aspects of a destination such as security, hygienic standards and infrastructure are likely to impact upon satisfaction. The media in the origin countries, personal bias or stereotyping may contribute to the concerns. High negative concerns prior to travel may be positively or negatively disconfirmed during holidays.
7.2.3 Quality

Attributes involved in quality assessment are the various aspects of accommodation, transport, meals, tour-guidance, shopping facilities, quality of attractions etc. Positive quality experience augments value assessment. However, if quality is lower than the expected standards then the reverse will hold. Ratings of confirmation and positive and negative disconfirmation are used as indicators of overall quality in our model.

7.2.4 Value for Money

With regard to the value for money of facilities and attractions, expectations may be raised beyond what is realistic and thus may affect satisfaction negatively. In contrast, positive value disconfirmation is likely to increase satisfaction level since it implies that relevant expectations were fulfilled during the holiday. If value for money is lower than the expected level, then the reverse will hold. Value for money is measured with regard to expectations concerning the same aspects as the quality measures and is considered indicators of overall value for money in our model.

7.2.5 Post-Concerns

Concerns developed during or after holidays are likely to influence satisfaction negatively. The effect of post-concerns on satisfaction is likely to be profound since they are discovered and experienced by the tourists themselves. The level of post-concerns was measured with regard to a number of issues, including crime, health, political instability, racial conflicts, poverty, people’s hospitality, accommodation standards, shopping facilities, quality of attractions, banking services, transportation and commuting, and others. Concerns regarding these issues were considered as indicators of overall post-concern in our model.

7.2.6 Other Variables

Iso-Ahola (1982) identified other variables that influence travel satisfaction including age, gender, income, and knowledge of travel resources. Consumer satisfaction is expected to increase with age (Pickle and Bruce, 1972) since older travellers are likely to place more realistic expectations on their holidays than younger travellers, due to their experience in travelling. Young travellers are more likely to have high a priori expectations. Satisfaction is likely to increase with socio-economic
status due to more realistic expectations based on the knowledge and experience as to what is achievable in given situations (Pickle & Bruce, 1972). Lower socio-economic status may lead to too high expectations which are likely to be disconfirmed, thus inducing dissatisfaction.

Higher income individuals are expected to be experienced travellers who would place lower a priori expectations on holiday experiences. Therefore, income will be related positively to satisfaction (Mason and Himes, 1973).

Group size is expected to be positively associated with satisfaction due to the feeling of security in groups especially in unusual environments. The group is internally able to assimilate negative experiences easily and to foster the positive ones.

Length of stay is likely to be negatively associated with satisfaction due to decline in novelty, discovery and enthusiasm as one gets familiar with a new environment.

Gender is likely to influence satisfaction because female tourists have more realistic expectations given the task-oriented attitude to holidays as discussed in the previous chapter (Ryan, 1998).

Table 7.1 shows an overview of the hypotheses considered above.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Variable Name</th>
<th>Hypothesized influence on: Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attraction importance</td>
<td>Attract</td>
<td>Positive</td>
</tr>
<tr>
<td>Quality</td>
<td>Quality</td>
<td>Positive</td>
</tr>
<tr>
<td>Value</td>
<td>Value</td>
<td>Positive</td>
</tr>
<tr>
<td>Pre-concerns</td>
<td>Precon</td>
<td>Positive/Negative</td>
</tr>
<tr>
<td>Post-concerns</td>
<td>Postcon</td>
<td>Negative</td>
</tr>
<tr>
<td>Age</td>
<td>Age</td>
<td>Positive</td>
</tr>
<tr>
<td>Agesq</td>
<td>Agesq</td>
<td>Zero</td>
</tr>
<tr>
<td>Gender</td>
<td>Gender</td>
<td>Positive for females</td>
</tr>
<tr>
<td>Income</td>
<td>Income</td>
<td>Positive</td>
</tr>
<tr>
<td>Socio-economic Status</td>
<td>Ses</td>
<td>Positive</td>
</tr>
<tr>
<td>Group Size</td>
<td>Grpsize</td>
<td>Positive</td>
</tr>
<tr>
<td>Length of Stay</td>
<td>Lenstay</td>
<td>Negative</td>
</tr>
</tbody>
</table>

7.3 Model

The hypothesized measurement models for the latent endogenous and exogenous variables are given in Appendix 7.1. The structural model reads

\[ M = \sum_{i=1}^{12} \eta_i \xi_i + \zeta \]

with \( \xi_i - \xi_{12} \) defined as in Table 7.2.
<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Indicators</th>
<th>Description</th>
<th>Latent Variable</th>
<th>Indicators</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfy ($\eta_3$)</td>
<td>Satisfaction with holiday experience</td>
<td>Quality ($\xi_3$)</td>
<td>Quality assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ranking ($y_{19}$)</td>
<td>General ranking of destination</td>
<td>Accqlty($x_{18}$)</td>
<td>Accommodation facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favorite ($y_{20}$)</td>
<td>Rating among favourite destinations</td>
<td>Mealqlty($x_{19}$)</td>
<td>Meals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experien ($y_{21}$)</td>
<td>Level of overall holiday experience</td>
<td>Transqlt($x_{20}$)</td>
<td>Transport and communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attract ($\xi_1$)</td>
<td>Motivations to travel</td>
<td>Tourqlt($x_{21}$)</td>
<td>Tour-guiding services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weather($x_1$)</td>
<td>Weather at destination</td>
<td>Souvqlty ($x_{22}$)</td>
<td>Souvenir items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture($x_2$)</td>
<td>Cultural attraction</td>
<td>Servqlty($x_{23}$)</td>
<td>Attractions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wildlife($x_3$)</td>
<td>Wildlife-viewing</td>
<td>Airptqlt($x_{24}$)</td>
<td>Airport and immigration services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenery($x_4$)</td>
<td>Scenery-viewing</td>
<td>Value ($\xi_4$)</td>
<td>Value assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beaches($x_5$)</td>
<td>Beach tourism</td>
<td>Accval($x_{25}$)</td>
<td>Accommodation facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports($x_6$)</td>
<td>Sporting</td>
<td>Mealval($x_{26}$)</td>
<td>Meals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others($x_7$)</td>
<td>Other holiday motivations</td>
<td>Transval($x_{27}$)</td>
<td>Transport facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precon ($\xi_2$)</td>
<td>Concerns prior to travel</td>
<td>Tourval($x_{28}$)</td>
<td>Tour-guide services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crime1($x_8$)</td>
<td>Crime occurrence</td>
<td>Souvval($x_{29}$)</td>
<td>Souvenir items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health1($x_9$)</td>
<td>Health conditions</td>
<td>Servalue($x_{30}$)</td>
<td>Attractions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospit1($x_{10}$)</td>
<td>Hospitality of local people</td>
<td>Airptval($x_{31}$)</td>
<td>Airport and immigration services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instabl1($x_{11}$)</td>
<td>Political instability</td>
<td>Postcon ($\xi_5$)</td>
<td>Concerns after holidays</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflic1($x_{12}$)</td>
<td>Racial conflicts</td>
<td>Crime2($x_{32}$)</td>
<td>Crime occurrence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty1($x_{13}$)</td>
<td>Poverty levels</td>
<td>Health2($x_{33}$)</td>
<td>Health and hygiene</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accomm1($x_{14}$)</td>
<td>Accommodation facilities availability</td>
<td>Instabl2($x_{34}$)</td>
<td>Political instability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopping1($x_{15}$)</td>
<td>Shopping and other commercial facilities</td>
<td>Raconflit($x_{35}$)</td>
<td>Racial conflicts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Continued from Table 7.2

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Indicators</th>
<th>Description</th>
<th>Latent Variable</th>
<th>Indicators</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attract1((x_{16}))</td>
<td>Fulfilment of attractions</td>
<td></td>
<td>Poverty2((x_{36}))</td>
<td>Poverty levels</td>
</tr>
<tr>
<td></td>
<td>Transpt1((x_{17}))</td>
<td>Transport and communication availability</td>
<td></td>
<td>Hspity2((x_{27}))</td>
<td>Hospitality of the local people</td>
</tr>
<tr>
<td>Age((\xi_6))</td>
<td>Age((x_{43}))</td>
<td></td>
<td>Agesq((\xi_7))</td>
<td>Agesq((x_{44}))</td>
<td></td>
</tr>
<tr>
<td>Gender((\xi_8))</td>
<td>Gender((x_{45}))</td>
<td>Accommodation facilities</td>
<td>Income((\xi_9))</td>
<td>Income((x_{46}))</td>
<td>Commercial services</td>
</tr>
<tr>
<td>Socio-economic Status((\xi_{10}))</td>
<td>Education position</td>
<td>Transt2((x_{42}))</td>
<td>Group Size((\xi_{11}))</td>
<td>Grpsize((x_{47}))</td>
<td>Transport and communication services</td>
</tr>
<tr>
<td>Length of Stay((\xi_{12}))</td>
<td>Lenstay((x_{48}))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.4 Descriptive Statistics

Tables 7.3 provide the descriptive statistics for the segmented and aggregate/pooled market. The measurements of the indicators employ 3-point and 5-point scales with labelled answers.
### Table 7.3: Descriptive Statistics

<table>
<thead>
<tr>
<th>Satisfy</th>
<th>All-inclusive Tour-Package</th>
<th>Independent Travellers</th>
<th>Pooled</th>
<th>All-inclusive Tour-Package</th>
<th>Independent Travellers</th>
<th>Pooled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranking</td>
<td>2.631 (0.532)</td>
<td>2.571 (0.571)</td>
<td>2.616 (0.542)</td>
<td>2.201 (0.582)</td>
<td>2.128 (0.583)</td>
<td>2.183 (0.583)</td>
</tr>
<tr>
<td>Favorite</td>
<td>2.459 (1.844)</td>
<td>2.514 (1.921)</td>
<td>2.473 (1.863)</td>
<td>2.155 (0.595)</td>
<td>2.098 (0.618)</td>
<td>2.140 (0.601)</td>
</tr>
<tr>
<td>Experien</td>
<td>4.402 (0.673)</td>
<td>4.365 (0.742)</td>
<td>4.393 (0.691)</td>
<td>1.982 (0.499)</td>
<td>1.985 (0.559)</td>
<td>1.983 (0.515)</td>
</tr>
<tr>
<td><em>Attract</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weather</td>
<td>2.344 (0.673)</td>
<td>2.292 (0.711)</td>
<td>2.331 (0.683)</td>
<td>2.082 (0.47)</td>
<td>2.071 (0.532)</td>
<td>2.079 (0.486)</td>
</tr>
<tr>
<td>Culture</td>
<td>2.470 (0.57)</td>
<td>2.453 (0.565)</td>
<td>2.466 (0.568)</td>
<td>2.040 (0.433)</td>
<td>2.081 (0.475)</td>
<td>2.050 (0.444)</td>
</tr>
<tr>
<td>Wildlife</td>
<td>2.218 (0.58)</td>
<td>2.252 (0.609)</td>
<td>2.227 (0.588)</td>
<td>1.997 (0.445)</td>
<td>2.038 (0.422)</td>
<td>2.008 (0.439)</td>
</tr>
<tr>
<td>Scenery</td>
<td>2.672 (0.51)</td>
<td>2.577 (0.566)</td>
<td>2.648 (0.526)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beaches</td>
<td>2.255 (0.661)</td>
<td>2.335 (0.668)</td>
<td>2.275 (0.663)</td>
<td>2.135 (0.49)</td>
<td>2.076 (0.471)</td>
<td>2.120 (0.486)</td>
</tr>
<tr>
<td>Sports</td>
<td>1.587 (0.585)</td>
<td>1.589 (0.611)</td>
<td>1.587 (0.591)</td>
<td>2.090 (0.525)</td>
<td>2.030 (0.507)</td>
<td>2.075 (0.521)</td>
</tr>
<tr>
<td>Others</td>
<td>1.590 (0.586)</td>
<td>1.710 (0.608)</td>
<td>1.620 (0.593)</td>
<td>1.999 (0.411)</td>
<td>2.008 (0.458)</td>
<td>2.001 (0.423)</td>
</tr>
<tr>
<td><em>Precon</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crime1</td>
<td>2.048 (0.646)</td>
<td>2.078 (0.701)</td>
<td>2.056 (0.66)</td>
<td>2.023 (0.44)</td>
<td>2.018 (0.446)</td>
<td>2.022 (0.442)</td>
</tr>
<tr>
<td>Health1</td>
<td>2.341 (0.631)</td>
<td>2.360 (0.635)</td>
<td>2.346 (0.632)</td>
<td>2.032 (0.384)</td>
<td>2.068 (0.399)</td>
<td>2.041 (0.388)</td>
</tr>
<tr>
<td>Hospit1</td>
<td>1.811 (0.729)</td>
<td>1.962 (0.743)</td>
<td>1.849 (0.735)</td>
<td>1.974 (0.372)</td>
<td>2.003 (0.345)</td>
<td>1.981 (0.365)</td>
</tr>
<tr>
<td>Instabl1</td>
<td>1.743 (0.667)</td>
<td>1.833 (0.669)</td>
<td>1.766 (0.668)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflet1</td>
<td>1.811 (0.727)</td>
<td>1.856 (0.709)</td>
<td>1.822 (0.722)</td>
<td>1.913 (0.638)</td>
<td>1.960 (0.662)</td>
<td>1.925 (0.644)</td>
</tr>
<tr>
<td>Poverty1</td>
<td>2.016 (0.69)</td>
<td>1.957 (0.704)</td>
<td>2.001 (0.694)</td>
<td>2.194 (0.636)</td>
<td>2.159 (0.649)</td>
<td>2.185 (0.64)</td>
</tr>
<tr>
<td>Accomm1</td>
<td>2.073 (0.727)</td>
<td>2.055 (0.708)</td>
<td>2.068 (0.722)</td>
<td>1.790 (0.619)</td>
<td>1.804 (0.653)</td>
<td>1.793 (0.628)</td>
</tr>
<tr>
<td>Shopping1</td>
<td>1.645 (0.613)</td>
<td>1.693 (0.621)</td>
<td>1.658 (0.615)</td>
<td>1.667 (0.615)</td>
<td>1.685 (0.627)</td>
<td>1.672 (0.618)</td>
</tr>
<tr>
<td>Attract1</td>
<td>1.956 (0.749)</td>
<td>1.952 (0.742)</td>
<td>1.955 (0.747)</td>
<td>2.352 (0.656)</td>
<td>2.398 (0.634)</td>
<td>2.363 (0.651)</td>
</tr>
<tr>
<td>Transpt1</td>
<td>1.920 (0.662)</td>
<td>1.970 (0.647)</td>
<td>1.933 (0.658)</td>
<td>1.595 (0.659)</td>
<td>1.690 (0.668)</td>
<td>1.619 (0.663)</td>
</tr>
<tr>
<td><em>Postcon</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accomm2</td>
<td>1.741 (0.668)</td>
<td>1.776 (0.687)</td>
<td>1.750 (0.673)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>All-inclusive Tour Package</th>
<th>Independent Travellers</th>
<th>Pooled</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopping2</td>
<td>1.706 (0.612)</td>
<td>1.750 (0.644)</td>
<td>1.717 (0.62)</td>
</tr>
<tr>
<td>Attract2</td>
<td>1.651 (0.653)</td>
<td>1.753 (0.666)</td>
<td>1.677 (0.657)</td>
</tr>
<tr>
<td>Comerce2</td>
<td>1.666 (0.621)</td>
<td>1.768 (0.649)</td>
<td>1.692 (0.629)</td>
</tr>
<tr>
<td>Transpt2</td>
<td>1.861 (0.647)</td>
<td>1.899 (0.655)</td>
<td>1.870 (0.649)</td>
</tr>
</tbody>
</table>

**NB:** standard deviations are in brackets

We observe that the differences between all inclusive packages travellers and independent travellers are extremely small. In section 7.5, we test the difference between the two subgroups.

#### 7.5 Empirical Results

##### 7.5.1 Test for Pooling

A likelihood ratio test (LR) was conducted in order to test the null hypothesis that the covariance structure of the all-inclusive model and that of the free independent travel model are different. The likelihood ratio was equal to 0.310 (df=52; 0.05). The hypothesis was rejected and hence the sample was pooled for further analysis as given in the following sections.

##### 7.5.2 LISREL Estimates

**7.5.2.1 Overall Fit**

A comparatively well fitting model is indicated by a chi-squared value that approximates the degrees of freedom as stated in the previous chapter. The chi-squared to degrees of freedom ratio for the pooled model is 3.974 as calculated from the minimum fit function value and the respective degrees of freedom for the model.

Other goodness of fit statistics (Appendix 7.2) also indicates a reasonable fit. The root mean square error of approximation (RMSEA) of 0.047, for instance, is within acceptable range as noted under the previous chapter. Goodness of fit statistics show that high relative amounts of variances and covariances are accounted for by the model. The goodness of fit index (GFI), for instance, is 0.883.
7.5.2.2 Measurement Model

Most of the constructs are well captured by their respective measures (Table 7.4). The reliabilities of the various constructs are satisfactory: 0.690; attractions, 0.440; prior concerns to travel, 0.796; quality, 0.629; value for money, 0.673; concerns during holidays, 0.852 and socio-economic status, 0.391. The indicators of the constructs provide reliable measurement of the appropriate constructs.

Table 7.4: Measurement Model (Pooled)

<table>
<thead>
<tr>
<th>Construct</th>
<th>Loading</th>
<th>Std. Errors</th>
<th>R²</th>
<th>Quality</th>
<th>Loading</th>
<th>Std. errors</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ranking</td>
<td>1.000</td>
<td>0.000</td>
<td>0.566</td>
<td>Accqlty</td>
<td>1.000</td>
<td>0.000</td>
<td>0.403</td>
</tr>
<tr>
<td>Favorite</td>
<td>2.301</td>
<td>0.151</td>
<td>0.253</td>
<td>Mealqlty</td>
<td>1.004</td>
<td>0.058</td>
<td>0.372</td>
</tr>
<tr>
<td>Experien</td>
<td>1.173</td>
<td>0.068</td>
<td>0.479</td>
<td>Transqlt</td>
<td>0.283</td>
<td>0.042</td>
<td>0.041</td>
</tr>
<tr>
<td>Attract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weather</td>
<td>0.085</td>
<td>0.073</td>
<td>0.001</td>
<td>Souvqlty</td>
<td>0.611</td>
<td>0.043</td>
<td>0.210</td>
</tr>
<tr>
<td>Culture</td>
<td>1.003</td>
<td>0.080</td>
<td>0.229</td>
<td>Servqlty</td>
<td>0.482</td>
<td>0.038</td>
<td>0.158</td>
</tr>
<tr>
<td>Wildlife</td>
<td>1.000</td>
<td>0.000</td>
<td>0.284</td>
<td>Airptqlt</td>
<td>0.234</td>
<td>0.034</td>
<td>0.038</td>
</tr>
<tr>
<td>Scenery</td>
<td>1.506</td>
<td>0.118</td>
<td>0.553</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beaches</td>
<td>0.598</td>
<td>0.079</td>
<td>0.060</td>
<td>Accval</td>
<td>1.000</td>
<td>0.000</td>
<td>0.504</td>
</tr>
<tr>
<td>Sports</td>
<td>0.222</td>
<td>0.065</td>
<td>0.011</td>
<td>Mealval</td>
<td>0.975</td>
<td>0.048</td>
<td>0.416</td>
</tr>
<tr>
<td>Others</td>
<td>0.004</td>
<td>0.065</td>
<td>0.0001</td>
<td>Transval</td>
<td>0.423</td>
<td>0.036</td>
<td>0.118</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
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<td>0.000</td>
<td>0.081</td>
<td>Souvval</td>
<td>0.461</td>
<td>0.036</td>
<td>0.131</td>
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<td>Health1</td>
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<td>0.147</td>
<td>0.177</td>
<td>Servalue</td>
<td>0.495</td>
<td>0.033</td>
<td>0.195</td>
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<tr>
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<td>0.230</td>
<td>0.371</td>
<td>Airptval</td>
<td>0.210</td>
<td>0.210</td>
<td>0.039</td>
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<tr>
<td>Instabl1</td>
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<td>0.191</td>
<td>0.290</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Conflict1</td>
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<td>0.200</td>
<td>0.267</td>
<td>Crime2</td>
<td>1.000</td>
<td>0.000</td>
<td>0.097</td>
</tr>
<tr>
<td>Poverty1</td>
<td>1.404</td>
<td>0.156</td>
<td>0.146</td>
<td>Health2</td>
<td>1.371</td>
<td>0.116</td>
<td>0.178</td>
</tr>
<tr>
<td>Accomm1</td>
<td>2.419</td>
<td>0.232</td>
<td>0.397</td>
<td>Instabl2</td>
<td>1.264</td>
<td>0.105</td>
<td>0.153</td>
</tr>
<tr>
<td>Shopping1</td>
<td>1.984</td>
<td>0.192</td>
<td>0.367</td>
<td>Raconflict2</td>
<td>1.604</td>
<td>0.123</td>
<td>0.255</td>
</tr>
<tr>
<td>Attract1</td>
<td>2.487</td>
<td>0.239</td>
<td>0.392</td>
<td>Poverty2</td>
<td>0.807</td>
<td>0.106</td>
<td>0.059</td>
</tr>
<tr>
<td>Transpt1</td>
<td>2.249</td>
<td>0.215</td>
<td>0.412</td>
<td>Hospity2</td>
<td>2.398</td>
<td>0.200</td>
<td>0.494</td>
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<tr>
<td>Ses</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educat</td>
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<td>0.055</td>
<td>0.045</td>
<td>Shopp2</td>
<td>2.368</td>
<td>0.195</td>
<td>0.551</td>
</tr>
<tr>
<td>Occup</td>
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<td>0.000</td>
<td>0.547</td>
<td>Attract2</td>
<td>2.798</td>
<td>0.226</td>
<td>0.684</td>
</tr>
</tbody>
</table>

However, the reliabilities are slightly lower than the desirable level of 0.6 in the case of attractions and socio-economic status (Bagozzi & Yi, 1988). Therefore, the indicators provide reliable measurements of the latent variables and hence the model is valid and generally reliable for testing the stated hypotheses.
7.5.2.3 Structural Equation Model

Quality, attractions, value assessment, pre-holiday and post-concerns, income and gender, and to a lesser extent group size are the significant predictors of satisfaction (see Table 7.5). Attractions, value for money assessment, gender, income and group size have positive associations with satisfaction. On the other hand, concerns before and during holidays have negative impacts on the level of satisfaction.

Table 7.5: Estimated Structural Equation Parameters:
Aggregate Market

<table>
<thead>
<tr>
<th></th>
<th>Satisfy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attract</td>
<td>0.412</td>
</tr>
<tr>
<td></td>
<td>(7.352)</td>
</tr>
<tr>
<td>Precon</td>
<td>-0.236</td>
</tr>
<tr>
<td></td>
<td>(-2.432)</td>
</tr>
<tr>
<td>Postcon</td>
<td>-0.354</td>
</tr>
<tr>
<td></td>
<td>(-3.914)</td>
</tr>
<tr>
<td>Value for money</td>
<td>0.244</td>
</tr>
<tr>
<td></td>
<td>(6.068)</td>
</tr>
<tr>
<td>Age</td>
<td>0.069</td>
</tr>
<tr>
<td></td>
<td>(1.515)</td>
</tr>
<tr>
<td>Agesq</td>
<td>-0.082</td>
</tr>
<tr>
<td></td>
<td>(-1.558)</td>
</tr>
<tr>
<td>Gender</td>
<td>0.062</td>
</tr>
<tr>
<td></td>
<td>(2.640)</td>
</tr>
<tr>
<td>Income</td>
<td>0.015</td>
</tr>
<tr>
<td></td>
<td>(1.766)</td>
</tr>
<tr>
<td>Ses</td>
<td>-0.016</td>
</tr>
<tr>
<td></td>
<td>(-1.051)</td>
</tr>
<tr>
<td>Grpsize</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>(1.904)</td>
</tr>
<tr>
<td>Lenstay</td>
<td>-0.017</td>
</tr>
<tr>
<td></td>
<td>(-0.368)</td>
</tr>
<tr>
<td>R²</td>
<td>0.219</td>
</tr>
</tbody>
</table>

The perception of product performance as measured by quality experience and value-for-money assessment has positive and significant effects on satisfaction. Oliver (1980, 1993), Halstead et. al., (1994), Oliver and DeSarbo (1988), Montfort et. al. (2000), and Tse and Wilson (1988) also observed similar effects of perceived performance on satisfaction. However, some studies did not conclusively find a positive relationship (Westbrook, 1981, Bearden and Teel, 1983; Oliver and Bearden, 1983, and Swan and Oliver, 1991).
Generally, post-concerns were found to be negatively associated with satisfaction. They have a direct negative effect on satisfaction consistent with previous studies such as that of Rust and Oliver (1994).

Attractions

The importance of attractions is a significant determinant of satisfaction. The higher the importance placed on attractions, the more satisfied tourists will be. This finding is consistent with the literature. Motivation for travel as indicated by attractions’ importance is a central concept in understanding satisfaction and generally tourism behaviour (Ross & Iso-Ahola, 1991).

Prior concerns

It follows from Table 7.5 that a tourist’s prior concerns play an important (negative) role in shaping satisfaction feelings.

Quality of Commodity Attributes

The results of this study suggest that a product’s performance is significant in determining value for money, 0.666 (t-value, 19.231). The result supports those in the literature, (Baker et. al. 2002; Petrick, 2002; Zeithaml, 1988).

Value for Money

The results of this study support the notion that value for money is a direct antecedent of satisfaction (Cronin et. al. 2000; Oh, 1999; Tam, 2000; Spreng et. al., 1993; Chang & Wildt, 1994; Jayanti & Ghosh, 1996; Zeithaml, 1988). Consequently, the observation that high levels of perceived value result in higher levels of customer satisfaction is consistent with our results (Bojanic, 1996).

Other Variables

Personal characteristics and trip attributes that were found to influence satisfaction significantly were gender and, at a 10% level of significance, group size and income. Their effects on satisfaction are positive. Gender, income and generally trip attributes were also significant in related past studies. Iso-Ahola (1982) identified a number of variables that influence travel satisfaction. These included gender, knowledge of travel resources, travel values, income, and travel attitudes of significant others. The
hypotheses that female tourists and high-income individuals have realistic expectations are confirmed. The views of female tourists on long-haul destinations are more practical. Standards for assessing performance are modified to take into account socio-economic, cultural and other relevant differences. High-income individuals are likely to have travelled extensively to similar destinations and hence their experience re-orientates the standards they use for assessment. According to portfolio theory, aggregation into groups reduces risks of being disappointed or dissatisfied with experiences (Tideswell and Bill, 1999).

Age, socio-economic status and length of stay are insignificant in this study. Like the current research, other studies failed to find significant relationships between age (Mason & Himes, 1973) or education (Gronhaug, 1977) and satisfaction. However, other studies found some of these tourist and trip characteristics to be significant (Mason & Himes, 1973; Pfaff, 1972; Pickle & Bruce, 1972; and Westbrook & Newman, 1978). Satisfaction was found to increase with age (Pickle & Bruce, 1972) and personal competence (Westbrook & Newman, 1978). It was also observed to decrease with education (Pickle & Bruce, 1972) and total family income (Mason & Himes, 1973). The non-significance of these variables in the current study may be due to high similarities in expectations or experiences with regard to the respective variables.

7.6 Summary and Conclusion

The main purpose of this chapter is to identify the main determinants of satisfaction and to test for satisfaction differences between free independent travellers and all inclusive package travellers. The descriptive statistics showed minor differences and the formal test allowed for pooling.

The pooled model shows the variables that significantly influence satisfaction: attraction preferences, prior concerns before travel, concerns during travel and value assessment. Among the personal and trip attributes, only gender is significant whereby female tourists get more satisfied than their male counterparts. Group size and income are significant at 10% level of significance. Concerns before travel significantly determine concerns experienced during holidays while quality is a significant antecedent of value for money assessment.
Appendix 7.1: Structural Model

\[
\begin{bmatrix}
\eta_1 \\
\eta_2 \\
\eta_3
\end{bmatrix}
\begin{bmatrix}
0 & 0 & 0 \\
0 & 0 & 0 \\
\beta_1 & \beta_2 & 0
\end{bmatrix}
\begin{bmatrix}
\eta_1 \\
\eta_2 \\
\eta_3
\end{bmatrix}
+ 
\begin{bmatrix}
0 & 0 & \gamma_{13} \\
0 & 0 & \gamma_{22} \\
\gamma_{31} & \gamma_{32} & 0
\end{bmatrix}
\begin{bmatrix}
\eta_1 \\
\eta_2 \\
\eta_3
\end{bmatrix}
= 
\begin{bmatrix}
0 & 0 & 0 \\
0 & 0 & 0 \\
\gamma_{34} & \gamma_{35} & \gamma_{36}
\end{bmatrix}
\begin{bmatrix}
\eta_1 \\
\eta_2 \\
\eta_3
\end{bmatrix}
+ 
\begin{bmatrix}
0 & 0 & 0 \\
0 & 0 & 0 \\
\gamma_{37} & \gamma_{38} & \gamma_{39}
\end{bmatrix}
\begin{bmatrix}
\eta_1 \\
\eta_2 \\
\eta_3
\end{bmatrix}
+ 
\begin{bmatrix}
\gamma_{310} \\
\gamma_{311} \\
\eta_4
\end{bmatrix}
\begin{bmatrix}
\xi_1 \\
\xi_2 \\
\xi_3 \\
\xi_4 \\
\xi_5 \\
\xi_6 \\
\xi_7 \\
\xi_8 \\
\xi_9 \\
\xi_{10}
\end{bmatrix}
\]
## Appendix 7.2: Global Goodness of Fit Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Aggregate Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degrees of Freedom</td>
<td>1253</td>
</tr>
<tr>
<td>MFF Chi-square</td>
<td>4979</td>
</tr>
<tr>
<td>NTWLS Chi-square</td>
<td>5496</td>
</tr>
<tr>
<td>NCP</td>
<td>4243</td>
</tr>
<tr>
<td>MFFV</td>
<td>3.182</td>
</tr>
<tr>
<td>FO</td>
<td>2.712</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.047</td>
</tr>
<tr>
<td>ECVI</td>
<td>3.740</td>
</tr>
<tr>
<td>Saturated ECVI</td>
<td>1.829</td>
</tr>
<tr>
<td>Independent ECVI</td>
<td>31.389</td>
</tr>
<tr>
<td>Independent Chi-squared Degree of freedom</td>
<td>49018</td>
</tr>
<tr>
<td>Independent AIC</td>
<td>49124</td>
</tr>
<tr>
<td>Model AIC</td>
<td>5852</td>
</tr>
<tr>
<td>Saturated AIC</td>
<td>2862</td>
</tr>
<tr>
<td>Independent CAIC</td>
<td>49461</td>
</tr>
<tr>
<td>Model CAIC</td>
<td>6984</td>
</tr>
<tr>
<td>Saturated CAIC</td>
<td>11957</td>
</tr>
<tr>
<td>NFI</td>
<td>0.898</td>
</tr>
<tr>
<td>NNFI</td>
<td>0.914</td>
</tr>
<tr>
<td>PNFI</td>
<td>0.817</td>
</tr>
<tr>
<td>CFI</td>
<td>0.922</td>
</tr>
<tr>
<td>IFI</td>
<td>0.922</td>
</tr>
<tr>
<td>RFI</td>
<td>0.888</td>
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<tr>
<td>CN</td>
<td>432</td>
</tr>
<tr>
<td>Root Mean Square Residual (RMR)</td>
<td>0.028</td>
</tr>
<tr>
<td>Standardized RMR</td>
<td>0.053</td>
</tr>
<tr>
<td>Goodness of Fit Index (GFI)</td>
<td>0.883</td>
</tr>
</tbody>
</table>

MFF- Minimum Fit Function
NTWLS- Normal Theory Weighted Least Squares
NCP- Non-centrality Parameter
MFFV- Minimum Fit Function Value
FO- Population Discrepancy Interval
RMSEA- Root Mean Square Error of Approximation
ECVI- Expected Cross-Validation Index
NFI- Normed Fit Index
NNFI- Non-Normed Fit Index
PNFI- Parsimony Normed Fit Index
CFI- Comparative Fit Index
IFI- Incremental Fit Index
RFI- Relative Fit Index
CN- Critical N
8. SUMMARY AND CONCLUSIONS

8.1 Introduction

This chapter presents a summary of the study, including the main conclusions and policy issues that emerged. Section 8.2 provides the context of the research problem under study while section 8.3 presents theoretical considerations. Section 8.4 gives an outline of the study and the main conclusions from the empirical models. Section 8.5 discusses the implications of the findings of the study as they relate to preference, expenditure and satisfaction. Section 8.6 deals with the limitation of the study and implications for further research.

8.2 The Kenyan Tourism Problem

As was observed in chapters 1 and 2, tourism is a significant activity in Kenya’s economy. However, its relative role in the economy has shown signs of decline over time. This is also true when earnings from the sector are compared to that of the neighbouring countries of Tanzania and Uganda. Both these countries and Kenya form the East African Community. Even though their economic structures are almost the same, tourism industries show very different performances. Tourists visiting Tanzania and Uganda, for instance, seem to have different spending levels. According to World Tourism Organization (WTO) statistics, the per capita expenditure by tourists to these countries is much higher than that of Kenya (the estimates for the year 2001 indicated that receipts per arrival for international tourists visiting Kenya were US$ 366 as compared to US$ 1,447 for Tanzania and US$ 771 for Uganda). Furthermore, tourists to Kenya generally arrive and travel en masse compared to those visiting Uganda and Tanzania. Reasons given for this disparity are varied. Travel arrangements have been observed to be the main determinant. Tourists take holidays on different travel packages and under varying trip characteristics. Trip characteristics include length of stay and group size. During the past decade, package tours have become more popular, whereas average length of stay has been decreasing.

8.3 Theoretical Considerations

Travel motivations arise from physical, cultural and social needs and the need to escape from the familiar. These factors affect the attractions preferred. Furthermore,
expectations based on past experience, non-experiential information sources and familiarity influence the attractions preferred. In many cases, tourism is group-oriented rather than an individual consumption activity. The preferences of an individual or group of individuals depend on the extent of acquired information, monetary and temporal costs involved. These are likely to be influenced by party-size, purpose of travel, capacity to gather sufficient information, repeat visitation and the capability of destinations to satisfy tourists’ requirements.

With international travel, time at a destination is limited and has therefore to be allocated efficiently so as to maximize utility given the monetary budget allocated for holiday expenditure. The way time is allocated reflects preferences and choice behaviour. In this process, individuals face constraints in the form of available resources and priorities of other members of the travel party and vice-versa. Travel packages are expected to influence choices, expenditure and satisfaction. Attractions partly determine the type of travel packages adopted as a result of their geographical and temporal distribution, level of risks involved, degree of contact with the host community and quality of facilities required while on site. Opportunities for wildlife viewing are widely distributed across the country leading to high accessibility requirements in terms of infrastructure and services and hence necessitating an extensive use of tour-guides and other ground-handlers. Beach tourism locations are concentrated along the coast and are served with high-quality standard facilities and hence may be visited without the need for much guidance. Cultural excursions require higher levels of mobility and immersion in the host community. Requirement for guidance is therefore higher for those unfamiliar with the destination. Perception based on individual preferences, past travel experience and word of mouth is likely to influence the attractions chosen. Tourists vary in terms of preferences based on internal and external factors such as motivations, lifestyles, personality, norms, values and generally status.

Once the packages for travel have been chosen, the behaviour of individuals at the destination is dependent on a number of factors. These factors create differences in behaviour and they are classified as tourists’ personal characteristics, trip and destination attributes. Personal characteristics and destination attributes determine the choices made at the destination. Expenditure can be viewed as an outcome of the derived demand for goods and services by consumers while undertaking holidays
(Jara-Diaz, 1998). Such commodities include accommodation, transport, security and tour-guidance.

Satisfaction of tourists is basically determined by psychological factors through making comparisons between expectations and experiences. Expectations and experiences depend on individual’s personal characteristics and trip attributes (Iso-Ahola, 1982). Furthermore, expectations depend on individual’s perception, previous experience, motivation, benefits sought, information, attitude and intention (Shih, 1986).

Because of theoretical arguments stated in chapter 3, it was noted that tourists travelling independently are likely to spend more money per day per person, have higher preference for non-traditional and less packaged attractions and be more satisfied than those on all-inclusive tour packages.

8.4 Empirical Results

Descriptive statistics show the sample distributions for tourists on all-inclusive tour packages and those travelling independently. The total sample for the study is 1,566 tourists of which 1169 are on all-inclusive packages and 397 travelled independently. The gender distribution of tourists between the packages is almost even. Those travelling on inclusive packages tend to be in larger groups, stay for shorter and less diversified periods. In general, most of the tourists visiting Kenya belong to high socio-economic classes as indicated by their level of education and occupation category. Over 43% have university education and over 35% are in the professional and executive categories of employment. Descriptive statistics show that the market is not highly diverse especially with regard to personal characteristics.

Age, age squared, socio economic status, group size and length of stay were found to be the most important determinants of wildlife viewing and beach activities. The most important determinants of culture are socio economic status and group size. Expenditure turned out to be determined by age, age squared, gender, socio economic status, group size and length of stay. Moreover, wildlife and cultural activities turned out to have significant impacts on expenditure levels.

Satisfaction was similarly analyzed through the same procedure as preferences and expenditure. The pooled model showed the variables that significantly influence satisfaction: attraction preferences, prior concerns before travel, concerns during travel and value assessment. Among the personal and trip attributes, only gender is
significant whereby female tourists get more satisfaction than their male counterparts. Group size and income are significant at 10% level of significance.

Both the preference and satisfaction models were found to have acceptable fits. The preference model had a root mean squared error of approximation (RMSEA) of .048, which is within the acceptable range. Goodness of fit statistics showed that the model accounted for high proportions of variances and covariances. The goodness of fit index (GFI) equalled .99. With respect to the satisfaction model, the RMSEA was .047. The goodness of fit index (GFI) equalled .883.

8.5 Study Policy Implications

Since tour-packaging does not significantly influence preferences, expenditure levels and satisfaction of tourists, other bases for differentiation need to be adopted during policy formulation, implementation and monitoring. Several tourist characteristics and trip attributes were identified as better bases for differentiation and hence policy formulation. Under the current study, the policy objectives are the enhancement of total per capita expenditure per day, diversification of the current tourism product through the inclusion of non-traditional attractions i.e. culture, and the satisfaction of visiting tourists.

Participation in wildlife viewing and cultural tourism significantly increases expenditure compared to beach tourism. Young tourists in age, tourists with higher socio-economic status, those travelling in large groups and staying for shorter periods should be encouraged in order to raise the non-consumptive utilization of wildlife resources through viewing.

Utilization of cultural tourism resources can be increased by targeting tourists with higher socio-economic status and those travelling in large groups.

In addition to wildlife-viewing and cultural tourism, expenditure could also be enhanced by targeting tourists in upper age bracket, male tourists and those of higher socio-economic status, travelling in large groups and staying for short periods.

Satisfaction can be achieved by targeting female tourists, those travelling in large groups and tourists with higher incomes. Quality and the value of tourism products need to be enhanced. Concerns before and during holidays should be addressed.

The findings of this research could be used to improve tourism policy in a number of ways. One way is to segment the market because tourists are becoming more
sophisticated and more travelled with increased leisure time and greater disposable income. Target market analysis is essential for an effective marketing strategy. Mass markets could be fragmented into niche and special interest markets with specific themes such as nature, wildlife or cultural tourism. Targeting specific customers means identifying their preferences, expectations, concerns, and perceptions and travel behaviour. Targeting requires the destination to focus marketing attention on selected groups of customers and to design, tailor, and supply products or services to meet their needs because not all customers are alike. Since it is impossible to satisfy all customers in the same way, it is more reasonable to pinpoint and selectively market only to specific niches to ensure the highest returns on marketing resources. The tourism industry usually deals with fixed products in a confined environment and, at the same time, with quality and services engaged in dynamic interactions. Therefore, tourism market strategies should take several factors into account.

There are several specific possible strategies. Encourage travel in large groups and retain tourists of higher socio-economic status. This category of tourists was observed to have higher preference for wildlife and cultural tourism activities. In an effort to promote cultural tourism, the interpretive and educative aspects of the product need to be emphasized. The older category of tourists should be retained due to their higher spending levels.

Product quality control is integral to a destination’s marketing efforts and the level of visitor satisfaction. Improvements of standards of service are essential in image enhancement. Eco-rating of hotels and lodges by responsible institutions under the government could enhance the quality of accommodation establishments. Through the Kenya Professional Safari Guides Association (KPSGA), the standards of guiding and interpretation services can be enforced and hence quality could be improved. The quality of the destination’s image can also be improved by curtailing the harassment of tourists through existing programmes such as Beach Operators Relocation Programme (BORT).

Improve the attractiveness of the destination and encourage short-break holidays. From a marketing perspective, the ultimate goal is often to attract greater numbers of visitors to purchase tourism products or services in order to generate increased amounts of tourism revenues. To do this, tourism marketers need to understand how their products and services fit their potential customers’ preferences.
Address the concerns of tourists’ prior to and during travel. The level of satisfaction expected during holidays is anticipatory. Normally it is associated with reduction of risks and uncertainties at destinations during planned holidays. Publicity and marketing are some of the channels that could be used to address prior concerns. Excessive expectations by potential tourists may lead to disillusion if these are not realized during the holidays. In other words, marketing programmes need to be as realistic as possible. The concerns rising during holidays are greatly influenced by those before travel. Kenya Tourist Foundation (KTF) safety centre and the Tourist Police units need to be strengthened in order to provide a sense of security to tourists.

Since satisfaction takes into account the benefits tourists seek, it provides a better understanding and prediction of future buying behaviour than traditional market segmentation techniques such as geographic or package-based segmentation. The benefits people seek in consuming a given product are the basic reasons for the existence of true market segments. Destinations should concentrate on the benefits sought by consumers, as these are the primary source of purchasing behaviour. This is exemplified by differences in satisfaction level based on gender, group size and income.

8.6 Limitations of the Study and Implications for Further Research

Before providing suggestions for further research, we give some drawbacks and limitations of this research and the way forward.

For more concrete policies, other bases that could help in identifying structural differences among the preferences, expenditure levels and satisfaction of tourists need to be identified. Tour packaging was found to be insufficient in differentiating tourists in terms of preferences, expenditure and satisfaction. However, several socio-demographic, economic characteristics, and trip attributes differentiated tourists along these lines.

Preferences were measured by time allocated to specific attractions whereby travel time was added to the on-site time of the main attraction for a particular journey. Since journeys may have multiple objectives leading to the problem of time appropriation, future studies could address this issue. A journey originating in the morning to a game-park may involve stopovers at several en-route cultural sites. Use of diaries in recording time-use on continuous basis may be useful in assessing preferences based on time allocation amongst the visited attractions.
Summary and Conclusions

With respect to expenditure, efforts were made to follow the designs and methodologies used in the tourism industry as recommended by the World Tourism Organization. However, some expenditure elements require discretionary decisions that are subjective and specific. Appropriation of expenses for tourists travelling on all-inclusive packages is a case in point. Tracing the expenditure process from tourists’ countries of origin, in order to clearly disintegrate expenditure items according to their incidence on the destination economy could be the solution.

Although this study improved on past studies by using multiple scales to measure latent variables, there is room for improvement, especially where subjective disconfirmation manifests weaknesses such as 3-point scales. Higher levels of point scales may improve the results since larger latitudes of responses may provide more insights into the extent to which tourists differ with regard to satisfaction.

The overall model utilized the measures of concerns, quality and value as independent variables in the prediction of satisfaction. Other social and psychological determinants of preferences such as push-motivational factors could be considered as predictors of satisfaction. The role of climate, social pressure and holiday patterns in the tourists’ countries of origin, for instance, could be considered. Like attractions at an intended destination, push-motivational factors influence the needs and expectations of tourists. Holiday patterns influence the length of stay and hence the attractions to be visited, with direct consequences on expenditure levels.

Generally, a more comprehensive, holistic and interdisciplinary approach is recommended whereby the supply side issues of the tourism product are considered. Product attributes and characteristics that influence time allocation amongst attractions need to be considered in order to assess their relative importance. Significant attributes could then be considered during product development in order to match the needs of the tourists and the respective product features.

One possible research question could be related to the identification of the causes of falling length of stay. This has been attributed to rising competition from alternative destinations within the continent. Such destinations may be offering higher quality products with more value for money and better environment for holidays. Comparative studies on the preferences of tourists among countries within the wider African region may help in explaining this decline. Another possible research question in the furtherance of the current study is to identify the consequences of
satisfaction in terms of repeat visitation, word of mouth (conation) and their effects on marketing efforts.

Although the study was limited in space (to Kenya as a destination) and in time, the results of this study are useful in guiding government and other developmental agencies in terms of the role of travel arrangements, personal and trip attributes regarding the behaviour and experiences of tourists during holidays. The structural model provides a basis for further research and for policy formulation, evaluation and monitoring.
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**NEDERLANDSE SAMENVATTING**

**Voorkeuren, bestedingen en tevredenheid van internationale toeristen in Kenia**


Op basis van theorieën over consumentengedrag zijn verschillende determinanten voor verschillen in voorkeuren, bestedingen en tevredenheid geïdentificeerd. Daarbij gaat het zowel om persoonsvariabelen als eigenschappen en kenmerken van de reis. Via het LISREL (LInear Structural Relations)
Samenvatting

computerprogramma zijn statische analyses uitgevoerd om lineaire relaties tussen variabelen te achterhalen.

Op basis van een onderzoek onder 1566 respondenten (toeristen die een vakantie in Kenia hebben doorgebracht), bleek er geen significant verband te bestaan tussen de verschillende reismodaliteiten en de voorkeuren, bestedingen en tevredenheid van toeristen. De onderzoeksresultaten toonden geen significant verschil in de totale uitgaven per persoon per dag tussen georganiseerde groepsreizigers en individuele reizigers. Maar persoonsvariabelen en reiskenmerken bleken wél van invloed te zijn. Ouderen, hogere socio-economische groepen en toeristen die relatief kort in Kenia verblijven hebben voorkeur voor reizen gericht op de Keniaanse natuur (‘wildlife’). Strandtoerisme is vooral in trek bij (eveneens) ouderen, lagere socio-economische groepen en bij toeristen die in kleinere groepen reizen.

Cultureel toerisme is vooral in trek bij hogere socio-economische groepen en mensen die in kleine groepen reizen. Deze categorieën reizigers geven gemiddeld ook meer geld uit, terwijl jongeren, vrouwen en toeristen die gemiddeld langer in Kenia verblijven, de tevredenheid van toeristen hangt sterk samen met hun voorkeuren voor bepaalde attracties en de wijze waarop toeristische faciliteiten worden gewaardeerd. De prijskwaliteit verhouding is hierbij van groot belang. Problemen die toeristen voor en tijdens de reis ervaren, hebben een negatief effect op de tevredenheid. Vrouwen zijn over het algemeen meer tevreden met de reis dan mannen en hetzelfde geldt voor mensen die in grotere groepen reizen en toeristen uit hogere socio-economische groepen. Leeftijd, socio-economische status en verblijfsduur blijken geen invloed te hebben op de tevredenheid.

In het algemeen blijken hogere socio-economische groepen, jongeren, mannen en diegenen die in grotere groepen reizen en een relatief korte periode in Kenia verblijven het meest te besteden. In tegenstelling tot de verwachting, besteden personen die in grotere groepen reizen (of dat nu van tevoren door een toeroperator georganiseerd is of niet) gemiddeld het meest.

Om de gemiddelde bestedingen per dag te verhogen, dient vooral ‘natuurgericht’ toerisme en cultuurtoerisme gestimuleerd te worden. De combinatie ‘natuur-strand’ toerisme leidt over het algemeen tot een lager bestedingspatroon.
Samenvatting

Natuurgericht toerisme is vooral in trek bij toeristen van middelbare/oudere leeftijd, hogere socio-economische groepen, en diegenen die in grotere groepen reizen en kortere perioden in Kenia verblijven. Cultuurtoerisme is eveneens populair bij hogere socio-economische groepen en diegenen die in grotere groepen reizen. De promotie moet dan ook vooral op deze groepen gericht zijn.
# MANSHOLT GRADUATE SCHOOL
## COMPLETED TRAINING AND SUPERVISION PLAN

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CURRICULUM VITAE


In 1996, he joined the department of Tourism Management at Moi University as a lecturer of the economics and business of tourism. In April, 2001 he enrolled as a doctoral student at Mansholt Graduate School, Wageningen University, the Netherlands. You may contact him on Podunga@yahoo.com.