

**EFFECTS OF COST REDUCTION STRATEGIES AND GUEST SATISFACTION  
AMONG 2-5 STAR HOTELS IN THE COAST REGION OF KENYA**

**SUSAN WOTHAYA GATURU**

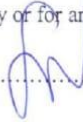


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AWARD OF MASTER OF SCIENCE DEGREE IN HOSPITALITY  
MANAGEMENT OF  
MOUNT KENYA UNIVERSITY**

**MAY 2023**

**DECLARATION**

I declare that this thesis is my original work and has not been presented for a degree in any other university or for any other award.

.....  


Signature

SUSAN WOTHAYA GATURU

.....  
5<sup>th</sup> MAY 2023

Date

MHM/2017/66051

I/we confirm that the work reported in this thesis was carried out by the candidate under my/our supervision.

Signature.....  


Prof. Ray Mutinda

Department of Hospitality Management

Murang'a University

Date.....  
5<sup>th</sup> MAY 2023

Signature.....  


Dr. Moses Miricho

Department of Hospitality Management

Kenyatta University.

Date.....  
5<sup>th</sup> MAY 2023

## **DEDICATION**

To my lovely son Alexander for his patience and sincere thanks to my late mum Grace for her constant source of inspiration.



## **ACKNOWLEDGEMENT**

I would also want to thank the university supervisors; Prof. Rayvisic Mutinda and Dr. Moses Miricho, who were seconded to me for their generosity, commitment, and readiness to invest their time and knowledge into producing this work. The intellectual discussions I've had with my university colleagues have also influenced my research and thesis writing, therefore I want to thank them for their contributions.



## ABSTRACT

Today's high expenses for operation have led to the closing of certain hotels and a decrease in visitors. Hotels have had trouble managing client connections and obtaining certifications due to economic constraints that prevent good service delivery. Cost-cutting in the hotel industry has therefore become essential. The study's goal was to determine the impact of cost-cutting measures on customer satisfaction in 2 to 5 five-star establishments in the counties of Mombasa, Kwale and Kilifi along the Kenyan coast. The study's particular goals included identifying the effects of the management of supply chains tactics, outsourcing methods, conserving water and energy initiatives, and labor methods for reducing costs on consumer happiness. Department heads who were assessed to have information for the study served as respondents for the study, which concentrated on 2, 3, 4, and 5 star hotels. A sample of 205 respondents from a target population of 423 respondents. The study adopted cross sectional survey design and used questionnaires for data collection. The reliability of the data gathering tool was evaluated using the Cronbach Alpha test. Multiple regression was utilized to examine the course and magnitude of cost-cutting methods on satisfaction among customers in Kenya's Coastal region hotels, while descriptive statistics was employed to collect data on demographics. It was found that hoteliers in the Kenyan coastal region gave guests' happiness top priority and put a number of measures in place to raise and maintain visitor contentment. It was found, however, that not all tactics improved guest pleasure. The study found that measures to conserve water and energy enhanced client fulfillment in hotels along the country's coast. On the other hand, labor cost-cutting tactics had a detrimental impact on hotel visitors' pleasure. Cutting labor costs in order to increase guest pleasure has an adverse relationship with customer satisfaction ( $r=-0.1116$ ). Customer fulfillment and measures to save water and energy have a favorable link ( $r= 0.09$ ). It was determined through the summary of the model that variations in energy and water saving measures, as well as a decrease in labor costs methods, were responsible for 42.7% of the variations in satisfaction among visitors in hotels ( $R\text{ squared}= 0.42$ ). The findings of the research are significant for regulators since they can be used to create regulations for the hotel and restaurant industry that will aid hotels in maintaining and enhancing customer happiness. The results of the research can also teach hoteliers about how cost-cutting measures affect their clients. It also advocated adopting an organized outsourcing approach and setting up regulations to make sure hotels adopt conserving water and energy measures. The most recent and efficient supply chain management methods need to be taught to leaders.

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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>EU</b>	European Union
<b>EWSS</b>	Energy and Water Conservation Strategies
<b>GDP</b>	Gross Domestic Product
<b>ILO</b>	International Labour Organization
<b>LCSS</b>	Labour Cost Cutting Strategies
<b>NACOSTI</b>	National Council of Science and Technology Institute
<b>OSS</b>	Outsourcing Strategies
<b>SCMS</b>	Supply Chain Management Strategies
<b>SPSS</b>	Statistical Package for Social Science

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

The tourism and the hotel sector are the world's largest, fastest growing, and most important source of income and employment. In Kenya, hospitality and tourism sector is one of the leading employers and is immensely contributing to the growth of the country regarding Gross Domestic Product (GDP) and employment (Khasebe, Maranga & Gesage, 2021; Manyara & Mutuku, 2020) This is critical for an industry that is a key driver of the economy. It has been indicated that hotel industry is likely to become one of largest industries in the world in the year 2024 (Newsweek, 2012).

Customer or guest satisfaction is the foundation of a hotel's existence, performance, and sustainability around the world. However, guest satisfaction in hotels has consistently been influenced by a variety of factors, including globalization pressures, instability in market dynamics, many challenges that influence value addition and improvement of service quality, efficiency in operation (Soteriou & Zenios, 2013).

Most nations throughout the world depend heavily on the tourism and hospitality sectors, which directly contributed 10% or over 2.9 trillion U.S. dollars to the global economy in 2019 (Statista, 2020). Globally, the industry directly supports 1 in 10 jobs, or 319 million employees (WTTC, 2020a). One of the most significant regional sectors in Africa, tourism accounted for 8.5% (or \$194.2 billion) of the Africa's GDP the year 2018 (WTTC, 2020a). Since 2009, the continent has had continuous expansion, with foreign visitors reaching 71.2 million in 2019 (UNWTO, 2020a). 24.3 million (6.7%) of the continent's total employment was generated by the industry. The sector has contributed to about USD 1.57 billion in foreign exchange revenues and the creation of 1.1 million jobs for Kenya, making it one of the country's main economic pillars (Njue, 2022; WTTC, 2020a). Over USD 700 was contributed to the GDP by the hotel industry. 29 respondents claimed that they had spent around USD 78 million on hotels. (Kenya National Bureau of Statistics - KNBS, 2021), examined spending to determine employment labor income, total value-added, and output of products and services to the economy.

Hotels are typically under enormous pressure to provide guest satisfaction and make efforts to provide value for customers, meet and exceed their expectations, and do so while keeping costs low (Hill, 2015). An emerging body of literature has chronicled the factors within the global operating environment of hotels that have hindered improvement in guest satisfaction, customer care, and efficiency of operations. Among these factors are the high operating costs caused by labor, capital, and other regulatory requirements, which have made it difficult to provide credible and sustainable guest satisfaction (Frei, Kalakata, Leone & Marx, 2013; Saccaania, Johansson & Perona, 2015).

With the biting imperative for hotels around the world being to provide quality customer service at an affordable price, players of the sector are getting huge pressure to improve service quality levels to enable improvement in consumer experiences and stability in income. Improved customer service and the resulting guest satisfaction have been shown to lead to more purchases, increased consumer loyalty, and increased referrals, which are some of the most salient features and parameters of guest satisfaction among hotels. The main challenge is to strike a balance between lowering the cost of providing quality service and lowering cost to remain competitive in the market (Skogland and Sigaw, 2014).

Guest satisfaction can be defined as a pleasant or disappointing experience based on service provider's nature of service provided (ILO, 2010). Customers prioritize guest satisfaction in searching a hotel for accommodation and food service (Rau & Sahu, 2013). Many factors such as price of hotel affect guest satisfaction, which in turn influence occupancy and performance of hotel. According to Akunja (2020), the most important driver of loyalty and repeat business in the hotel industry is guest satisfaction. According to Kakuya, Kieti, and Kihima (2020), guest satisfaction is an expensive enterprise that is affected by responsiveness in terms of quality service delivery, training levels of employees in a hotel.

Repeat customers are one of the indicators of guest satisfaction with a hotel's services, and they always lead to profitability (Kagongo, Musiega & Manyasi, 2013). A hotel incurs significant costs in order to achieve guest satisfaction, as there are numerous factors that obstruct the realization of guest satisfaction. Current customers are more knowledgeable and have better bargaining skills, which reduces the chances of increasing revenue and thus

satisfying guests (Dominic, 2010). Guest satisfaction has been linked to a variety of hotel performance metrics. Waitiki (2014), for example, found that reliability and empathy factors influenced guest satisfaction by up to 75%. Similarly, Mbuthia, Muthoni, and Muchina (2013) discovered that emotional satisfaction contributed immensely to the satisfaction of guest. Akoko (2012) studied relationship between guest satisfaction and cost-cutting strategies and discovered that financial challenges influenced greatly the service quality. Hotels strive to please their guests in order to increase customer loyalty (Bowen and Chen, 2011). As a result, academics and business leaders have questioned the need to invest heavily in improving hotel quality without seeing a return on investment. Existing literature highlights influence of guest satisfaction on hotel performance (Zeithaml, Berry & Parasuraman, 2016). According to Bowen and Chen (2011) and Tornow and Wiley (2014), high labor costs, operating costs, utility costs, and customer acquisition costs have bolstered this pessimistic outlook. Nevertheless, various studies have indicated that hospitality industry can improve customer satisfaction and be able to have a strong corporate brand, have repeat business, increase market share and profits (Siguaw & Enz, 2013; Barsky, 2015).

To gain a competitive advantage, hotels employ various strategies such as quality customer service, information technology, personal contact strategies, physical attractiveness, cost cutting strategies and revenue management practices (Njue, 2022, Riley, 2010). To increase profitability and meet customer needs, customer service should be conducted in an efficient and cost-effective manner (Potluri & Hawariat, 2010). Some hotels use alliance strategies to reduce costs and improve their ability to meet customer needs. Koskey's (2013). Managing customer relationship, information technology, competitive positioning and strategic planning are all innovations and practices that have been utilized by hotels for competitive edge as well (Mutindi, Namusonge & Obwogi, 2014). Technology has primarily been used as an intervention tool to reduce operating costs (Kariuki, 2012). Extensive use of technology characterization has resulted in lowering operating costs (Gathara, 2018). Pricing strategies and subcontracting strategies have been used to acquire non-core services, resulting in cost savings and a competitive advantage (Murimi & Wadongo, 2021; Mwambuwa, 2014; Wangui, Kiragu & Wachira, 2012). However, Khamala (2015). Supply-chain management, sharing information among hoteliers and

suppliers improves the acquisition of critical skills and capabilities aimed at minimizing operational costs (Kiplagat, 2010; Burt, 2012). Despite many studies reporting the need for hotels to adopt strategies that will improve their performance like there have been little empirical studies on cost reduction strategies in hotels.

This is a long story about how the hotel industry in Kenya's coast has grown over time. The first restaurants were put up by Arabs and Indians who worked on the rail line, and now there are five-star hotels all over the coast (Kamau and Waudu, 2015). The growth of the coastal hotel industry, and the competition that comes with it, has led to the need for more efficient operations, managing customer relations better, and utilizing new technologies to satisfy guests through effective delivery of service in hotels (Gachigi et al., 2016). The type of client the hotels are trying to attract have also changed. They used to be mostly from Europe and the United States, but now Asians and local tourism are becoming more popular, and they have unique needs that need to be met in a different way (Njenga & Alexander, 2016). The most important change in coastal hotels has been how they are regulated and classified. Stars are used to classify the hotels, 2-5 star hotels are the best because they are the best at service and other things (Daracha, 2015). However, despite the experienced growth, the decline in profitability and ever-changing business environment have pressured hotels to reduce costs of operations. With the emergence of Covid-19 pandemic; Retrenchment of staff, closing down of some hotels and stagnation of hotel growth for a long period of time has been the norm (Kakuya et al., 2020; Mutuku, 2020; Namusonge, 2012). Against this background, the study aimed to find out if there are cost cutting strategies and how they affect guest satisfaction.

## **1.2 Statement of the Problem**

The unfolding novel pandemic such as Covid-19 and stagnation of economy as well as recession that came with it have made a bad situation even worse for the hotel industry in Kenya, which has been hit hard (Khatebe et al., 2021). The hotel industry also has to deal with legal requirements, competition, economic, social and cultural challenges (Ongore & Kobonyo, 2011). As a result, hotels have to cut costs to stay afloat and make money, but they also have to keep their current customers happy and keep them coming back because customer satisfaction is both costly and profitable. The result is that hotel managers are

always looking for ways to cut costs in areas like labor, utilities, marketing, and procurement, to name a few. Staff reduction is the most common and most used strategy, according to studies done outside of Kenya (Lancaster, 2015; Bowbrick, 2015; Solomo et al., 2013; Bowbrick, 2015). Other reviewed studies have explored guest satisfaction and how they have been affected by other factors, other than cost – cutting strategies (Watiki, 2014; Kangogo & Manyasi, 2013). Despite an increasing number of research on guest satisfaction that describes the advantages and difficulties of obtaining visitor happiness (Kangogo & Manyasi, 2013; Watiki, 2014) there is relatively little information available on the cost-cutting measures used by hotels in Kenya. There is a lot of studies on how hotels in industrialized nations reduce expenses and how it affects how satisfied their customers. For instance, research (Bowbrick, & Zheng, 2015; Lancaster, 2015; Solomo et al., 2013) have demonstrated that cutting expenses in labor, marketing, procurement, and utilities has an effect on visitor satisfaction. The dearth of research and writing on the Kenyan experience has made it difficult to understand. This study set out to close the obvious gap that it identified.

### **1.3 Objectives of the Study**

#### **1.3.1 General objective**

The study main objective was to establish the effect of cost reduction strategies on guest satisfaction in 2-5 star hotels in the Kenyan coast region.

#### **1.3.2 Specific Objectives**

- i. To establish the cost-cutting strategies and their effect on guest satisfaction in 2-5 star hotels in the Coast region of Kenya
- ii. To find out the Energy and water saving strategies and their effect on guest satisfaction in 2-5 star hotels in the Coast region of Kenya
- iii. To examine the Outsourcing strategies and their effect on guest satisfaction in 2-5 star hotels in the Coast region of Kenya
- iv. To investigate supply chain management strategies and their effect on guest satisfaction in 2-5 star hotels in the Coast region of Kenya

## 1.4 Research Hypotheses

The major research hypothesis for the study was:-

*H<sub>01</sub>: Labour cost reduction strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya*

*H<sub>02</sub>: Energy and water saving strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya*

*H<sub>03</sub>: Outsourcing strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya*

*H<sub>04</sub>: supply chain management strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya*

## 1.5 Significance of the Study

Policymakers in the industry can utilize the findings to better understand how their actions affect customer satisfaction. It could be useful for hoteliers to see how their clients would be affected if they made cost-cutting measures. Researchers and academics with an interest in this area will benefit greatly from the study's results and recommendations. Those in the hotel business who want to learn more about how to improve client happiness while lowering expenses may find the results and recommendations in this report very helpful. Hotel managers will learn about the practical techniques and intricacies of managing hotel cost reduction, as well as the process's informative nuances, in this course.

All government entities looking to boost Kenya's hotel and tourism industries would see the value of enhancing the hotels' competitiveness and efficiency as a means to achieve their goals. The study's recommendations to assist hotels increase their capacity will benefit these groups.

### **1.6 Scope of the Study**

It was determined that Mombasa, Kilifi, and Kwale were the only three counties in the coastal region that could be studied in this study. The study focused only on hotels that had already been awarded two, three, and four- or five-star ratings in the cases under review. As an admission that hotels employ a variety of cost-cutting measures, the study will focus on those that fall within the scope of its objectives. The study's cross-sectional approach to collecting primary data caught the truth at the moment of data collection in terms of time scope.

### **1.7 Limitations of the Study**

While gathering data, the study faced many difficulties, including respondents' reluctance to provide requested information due to concerns about their privacy or veneration for the hotel's privacy provisions. When faced with this obstacle, letters of reference from the institution and verbal assurance that the material provided will be utilized only for academic purposes were issued. Researchers had to use study assistants to help them collect data because the hotels they were looking at were spread out over a large area. The response rate was enhanced through dropping and picking questionnaires as the respondents did not have enough time to complete the research instruments in a single sitting.

## 1.8 Conceptual framework

Figure 1 below illustrates a connection between independent and dependent variables postulated in the study.

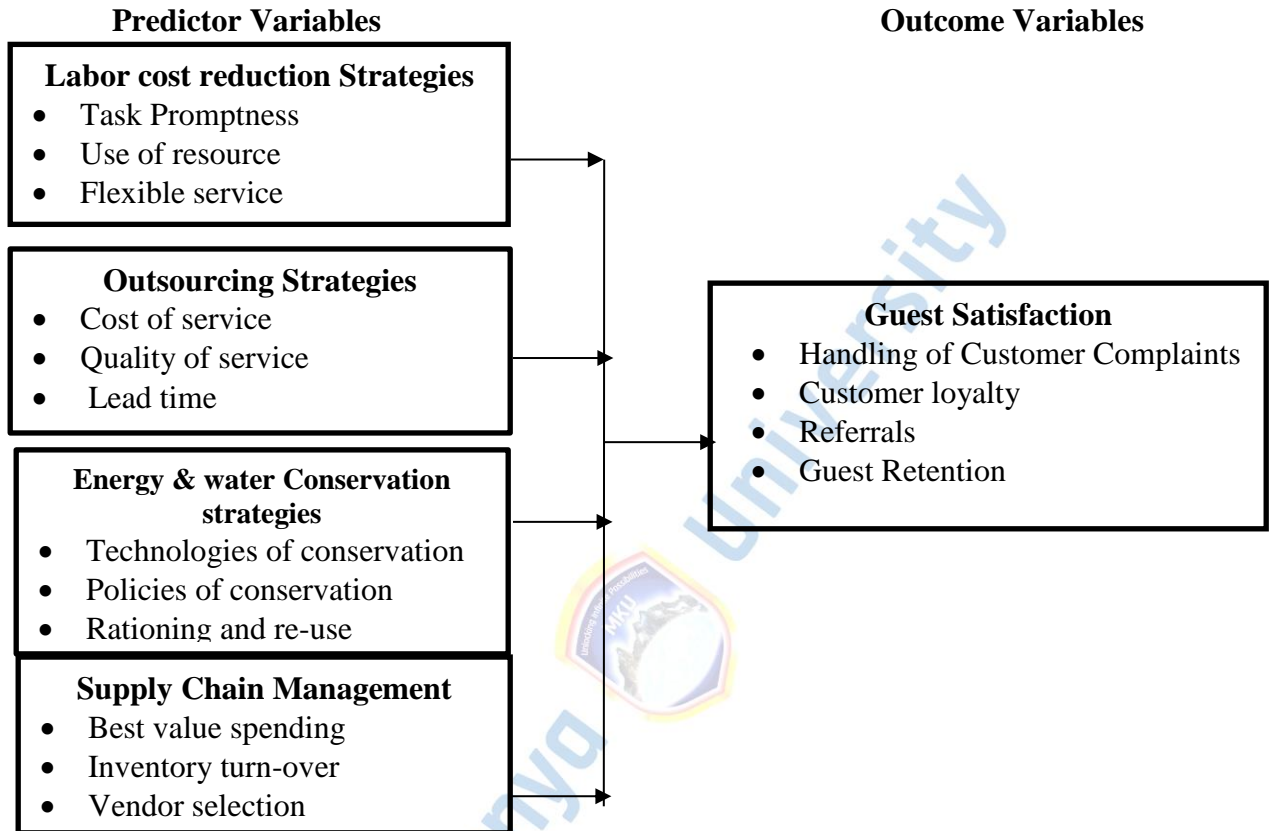


Figure 1: Conceptual Framework

Source: (Author, 2022)

## 1.9 Definition of Operational Terminologies

**Kenyan Coast Region** entails Kwale, Kilifi and Mombasa counties where collection of data from hotels will be done.

**Cost Reduction Strategies** means effort put to minimize expenses per year on particular items as reported in the previous financial year.

**Energy saving strategies** means practices and measures embraced in hotels to minimize costs in electricity and gas use.

**Guest Satisfaction:** refers to measurement of perception of customers as per the services provided and the customer's appreciation or dislike of the service provided in a hotel

**Outsourcing Strategies** means allocation of responsibilities of both core and non-core hotel business management to third parties other than the hired staff in hotel.

**Supply Chain Management** means engagement of activities of supplying goods and service to hotels with an aim to minimize cost in short-term and long-term.

**Water saving strategies** entails practices and measures embraced in hotel to minimize water usage and thus save costs



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter reviewed the literature on the relevant study topic. It represents both the empirical and theoretical review. An empirical review, on the other hand, presents relevant previous studies on study variables. The theoretical review focuses on the theories that guided the research. This chapter also includes identified study gaps from previous studies.

### **2.1. Cost-cutting strategies**

In plain English, cost cutting are business activities aimed at lowering costs and increasing profitability. Hotels around the world use a various cost-cutting procedures, including laying off staff, reducing their pay, reducing employee benefits, redesigning or restructuring procedures of operations, lowering vote head costs for instance payments for rent may be reduced by expanding in a less costly locations, or reducing the advertising cost or vendors during different seasons (Awasthi, Nain, & Roy, 2020).

To maintain their business, cost-intensive hotels drive up the prices of their products, which can often make them lose to their competition in the marketplace, while hotels with lean businesses can transfer the cost savings to their customers while staying profitable and competent (Vij, 2012).. Hence, the higher profits and demand fueled by lower costs thus enable hotels to grow, without having to overspend on marketing. The following cost cutting have been found to have an impacts in hotel business.

#### **2.1.1 Labour Cost-Reduction Strategies**

The use of labor cost-cutting strategies, such as redundancy and mass layoffs in hotels, as well as retrenchment, resulted in high staff turnover in Kenyan hotels (Kuria & Ondigi, 2012). Five stars in Tanzania used a labor reduction strategy to cut costs, but it had a

negative impact on recruiting and retaining talented and committed employees (Mashauri, 2015). Manjunatha (2013) discovered in his study that labor costs accounted for a large portion of the costs incurred in hotels, but it was one of the easily controlled costs in the hotel industry and had a significant impact on hotel business. Mason (2012) discovered that in order to survive in an environment where reducing fixed costs of hotel operation is difficult, hotels should minimize labor costs. In existing literature, labor cost is considered as the significant factor in operating a hotel. Gremler and Brown (2013), in particular, highlighted that staffing has a direct influence on satisfaction and that customers are dissatisfied when they have to queue for long hours to be served in a hotel, highlighting the need for the hotel to strike a balance between providing adequate staff and avoiding paying staff without value for work.

According to Hill and Alexander (2013) and Bitner et al., (2013), cross-training employees would allow them to solve this problem because they would be able to perform multiple tasks in a single shift. Cross-training as a cost-cutting strategy has become the most convincing strategy in the hotel industry. Cross training provides staff with adequate skills and reduces turnover rate because staff acquire valuable skills that allow them to work more hours and earn more money in the hotel (Czepiel, 2013). Cross-training is important in the housekeeping section because it is the most expensive and produces the most waste, (Ganesh, Arnold, and Reynolds (2013). The use of standard operating procedures in hotels will require employees to work in multiple sections, resulting in more efficient labor utilization in housekeeping. Hotels that provide adequate training to their employees gain a competitive advantage in terms of reducing operational risks, increasing employee productivity, improving management's ability to identify weak points in systems,

evaluating employee performance, and providing scheduling flexibility. Similarly, Malik, Ahmad, and Hussain (2013) discovered that retrenchment has a negative correlation with job satisfaction and life satisfaction of laid-off survivors in their study in Pakistan. However, the study discovered a link between job satisfaction and life satisfaction. Accordingly, labor cost is the most important aspect in cost management and cost reduction (Mason, 2012; Brown et al, 2015). Although these studies were conducted in other countries, they did not look into the specific strategies of minimizing labor costs in hotels, which this study does. There is limited studies on the the status of labour cost cutting strategies in Kenyan hotels, hence the study seeks to find out if the labour cost strategies in Kenyan hotels influence guest satisfaction in any way.

### **2.1.2 Outsourcing Strategies**

Outsourcing strategies in hotels reduces costs because collaborating firms achieve economies of scale, increased expertise, improved technology, and efficiency when compared to when the firm provides services in isolation. According to Stanko (2017), outsourcing improves a firm's discipline cost and managers' skills. There are numerous advantages to outsourcing. It leads to the development of innovations, the reduction of capital expenditure, the reduction of fixed costs, the firms' capabilities to adapt to new business environment dynamics, the achievement of higher stakeholder value, improved risk management, the release of cash and other resources, and the provision of leverage for emerging technology. Other advantages of outsourcing include thorough agreements and contracts, early feasibility studies, and early selection of the right vendors (Kingori, 2013).

Many studies have found that hotels benefit from outsourcing. For instance, the study by Gilley et al. (2014) indicated that firms that outsourced were able to deal with ever-

changing business environment. Emerging technologies and challenges in meeting customer needs as a result of changing circumstances are thought to contribute to increased environmental dynamism. Outsourcing allows businesses to switch suppliers, allowing them to save money while also improving quality, allowing them to operate in an unstable environment. Outsourcing has resulted in many benefits for businesses, such as the adoption of new technologies and the ability to respond quickly to customer needs. Outsourcing focuses not only on sourcing efficiencies and improvements, but also on reconfiguring processes to create value throughout the organization.

The study by Duah et al., (2014) indicated that Ghanaian hotels outsourced non-core services such as bar services, food, and housekeeping rather than bar services, food, and housekeeping. Most hoteliers outsourced because they believed the managers lacked the necessary skills to maximize revenue while controlling operational costs. Outsourcing was strictly limited to specialized services. The existing literature highlights the benefits of outsourcing non-core services over outsourcing core services. Outsourcing non-core services improves core business management by allocating resources more effectively and efficiently, as well as enhances performance. This is attributed to the overseeing roles that management teams have to see outsourced services implemented smoothly (Mwambuwa, 2014). Hotels are allowed to save money, gain access to unique resources, capabilities, and knowledge, and acquire capabilities as a result of outsourcing (Eduardsson, 2011). On another hand, literature highlights compelling reasons to outsource both core and non-core services. Outsourcing is said to contribute to the reduction of staff requirements in the firm as well as the integration of the firm with its suppliers.

According to Ansoff and McDonnell (2013), outsourcing is still in its early stages, giving firms the opportunity to grow and expand key functions and processes that are important for increasing efficiency, effectiveness, and profitability. Further, outsourcing is said to increase customer satisfaction as a result of service from a dedicated, experienced, and professional staff. Outsourced hotel management focuses on the core business of serving customers' needs and thus satisfying them (Akingbade, 2015). Outsourcing has also been linked to lower overhead costs, increased cash generation, and lower cash reserves (Smith, Mitra & Narasimhan, 2016). Okoye and Ezekwesili, (2019) discovered in their study that Nigerian hotels outsourced services such as advertising, transportation, legal, and technological services, which had varying effects on hotel performance. According to the findings of this study, outsourced advertising services have an influence on performance, particularly over finance. The study recommended assessing vendors' technical and managerial capabilities before engaging them in service provision. In his study, Chumchuk (2017) identified numerous benefits of outsourcing to hotels, including increased profits, lower operational costs, higher service quality, and increased sales. However, the study found that there is a need to raise awareness of the benefits of outsourcing in the hotel and hospitality industries.

In his study, Ragor (2014) discovered that outsourcing reduced operational costs while increasing customer satisfaction, sales, innovation, and competitive levels in Kenya. Outsourcing can help a hotel become more competitive in its industry. Similarly, Mwambua (2020) discovered that hotels in the coastal region, particularly in Mombasa, benefited from managers' increased attention to core business as a result of outsourcing non-core activities. However, Mwambua (2020) found that, despite being a strategic factor,

few hotels used outsourcing. Studies on outsourcing particularly in hotels have been emphasizing advantages of outsourcing and the kinds of services outsourced (Duah et al., 2014; Mwambuwa, 2014) without investigating the various outsourcing models used by hotels and the benefits accrued from each outsourced service, thus the need for this study. Hence this study aims to explore them and how they affects guest satisfaction.

### **2.1.3 Energy Conservation Strategies**

The use of energy conservation and efficiency techniques in hotels has significantly contributed to low energy use. Cooling and heating, shading strategies, engaging experts in energy conservation, and designing and building phases in the hotel development are all examples of energy conservation and efficiency techniques. Energy consumption in the hotel industry has been influenced by technical, management, and architectural factors, which in turn has influenced customer satisfaction (Pritchardt & Howard, 2013). Among the most widely used energy-saving strategies in Kenya are the use of equipment that utilizes less energy, generates fewer waste, conserves main raw materials and reduces energy losses. This has been attributed to existing barriers in the use of energy-saving strategies by businesses, including hotels, which are thought to incur significant costs in order to comply with regulatory procedures, as well as high costs in training employees to use green energy (Kinyanjui, 2014).

In most instances, guests utilize much electricity and gas because of their ability to pay any amount asked in hotel. Thus, energy contributes significantly to hotel operating costs. However, the size and class of the hotel have an impact on energy consumption. Failure to control energy in a hotel can result in an increase in operation costs of up to 50% of fixed

costs. Hotel energy bills are said to be rising as a result of a failure to monitor and document consumption levels, as well as a failure to take corrective action (Walker, 2011).

Investing in energy efficiency reduces energy consumption and associated costs by up to 65 percent (Kapiki, 2010). Innovative energy use would include efficient lighting, the use of toolkits, eco-labeling, a wireless energy management system, and staff training on energy usage. In addition, using natural energy, building energy-saving rooms and halls, and improving building insulation in hotels will reduce energy consumption. Certain hotel sectors have been identified as contributing to high energy consumption. For example, in hotels, 50 percent of the energy used is for space conditioning, with the remainder used for laundry and water heating. Green energy and local resources, such as solar energy, can be used as energy-saving strategies. Due to their ability to turn off lighting and air conditioning when not in use, energy costs is minimized by 30 percent. Some of the technologies such as guest control systems smoke detector alarms are utilized in conservation (Walker, 2010).

The influence of quality lighting on guest satisfaction in hotels have been highlighted in many studies, particularly in developing countries where the cost of running hotels is still being assessed. On the other hand, studies focusing on developed countries such as America and Europe have found that enhanced lighting system do not result in satisfying guests in higher levels (Verma, 2011). In their study, Olivia et al. (2015) discovered that hotels spend a significant amount of energy, ranking second only to labor costs. According to Zahorik and Rust (2015), the design and effectiveness of temperature regulation infrastructure had a significant impact on energy consumption, accounting for up to 63 percent of total energy consumption. They also stated that extreme climatic conditions

have a positive effect on energy consumption. According to the study, hotels must strike a balance between agreed-upon temperatures for guests and energy consumption in their operations.

In their study, Reichheld and Sasser, (2013) identified the needs of various hotel sectors and recommended models to enable temperature regulation in departments. Reichheld and Sasser, (2013) discovered that the kitchen consumed the most energy, accounting for an average of 11 percent of total energy consumption, while the radio, television, and laundry accounted for an average of 4 percent. The study proposed tailoring strategies for lowering energy costs in these specific sectors. According to Pritchardt and Howard (2013), economic potential made it difficult for hoteliers to implement cost-cutting and sustainability models in various hotel sections. The study also discovered that hoteliers perceived eco-friendly models to be expensive, despite the fact that investment in the environment and cost cutting are both profitable strategies. According to studies conducted in developed countries in Europe, hoteliers use energy conservation strategies to reduce operating costs and comply with their countries' laws through the use of energy efficient gadgets (Cingoski & Petreviska, 2018). According to Cingoski and Petreviska (2018), hotel managers should be trained.

Recent studies in Kenyan hotels revealed an increase in green energy, such as the use of solar energy to reduce production costs (Murimi, 2020). At least 4 and 5 star hotels in Kenya's coastal region have been discovered to be making strides in utilizing cheap and green energy, but progress is hampered by high installation costs and insufficient training and awareness (Irungu & Mungai, 2013). Kariuki's (2014) study in Mombasa discovered that hotels used low-cost energy-saving strategies such as green energy on small scales,

gadgets that turn off when not in use, and the use of solar panels, which had a positive effect on their performance. The use of cost-effective energy-saving strategies, as well as the evaluation and review of energy utilization and management systems, such as wireless energy, have all contributed significantly to the growth of hotels in Kenya. According to Wario's (2020) research, hotels in Kenya paid little attention to energy monitoring. Kariuki and Odhiambo (2021) agreed with Wario (2020) by reporting that managers needed energy audits and education on efficient energy utilization in hotels. Kariuki and Odhiambo (2021) also stated that adequate policies should be developed and distributed to hoteliers to guide them in energy utilization. These factors were thought to contribute to low energy usage in hotels and increase energy savings through the use of energy-saving appliances. Because of the need to increase profits, most hotels had implemented energy conservation strategies. However, numerous challenges, such as a lack of effective procedures for reviewing, monitoring, and evaluating, caused some of these hotels to halt their use of energy-saving strategies. As a result, the cardinal principles of reduce, reuse, and recycle have not been fully accepted and implemented by Kenyan hotels (Osiako & Kummitha, 2020). Similarly, Omune, Kambona, Wadongo, and Wekesa (2021), reported that the use of energy conservation strategies is limited in Kenya due to high installation costs and a lack of technical expertise, which prevents businesses from reducing their energy consumption. According to Omune et al. (2021), hotels focused on monitoring energy bills rather than implementing conservation strategies.

Several energy saving strategies have been reviewed, but the cost and benefits of different energy saving models were not determined (Kinyanjui, 2014; Kapiki, 2010). Most studies on cost cutting strategies are based on perceptions. Limited studies have reported

embracing of energy innovation in hotels without providing insights that will result in reducing costs, which is investigated in this study (Zhang, 2010; Chong, 2011).

#### **2.1.4 Water Conservation Strategies**

Most hotels use a lot of water, especially in the rooms, which raises hotel costs. In terms of sustainability, the water bill would be an important aspect of the hotel's expenses. Water management has been improved by employing innovations in reducing water consumption, recycling, and re-using strategies, but these have only been used in areas where water is scarce. Furthermore, water management strategies are perceived to be costly and limited to large hotels (Kasim, Gusay & Wong, 2014). In most hotels, tapping and using clean water has become a more difficult task than water availability (Zhang, 2010). In addition, due to pollution and water shortages in some seasons, the availability of high-quality water has become a challenge in hotels. These issues are complicated further by hotel guests' excessive use of water in comparison to what they would use at home (Chong, 2011). To address water scarcity, hotels have implemented strategies such as drilling boreholes and desalination of sea water. In addition, hotels' use of water in the kitchen, bathrooms, and laundry has become an important part of water management (Lubin, 2011).

Water leaks that go unnoticed for a long time due to insufficient monitoring have resulted in significant water loss (McGinnis, 2010). Rainwater should be collected and reused for watering gardens, flushing toilets, and outdoor cleaning. Planting drought-resistant plants in hotel landscapes and irrigating them with drip irrigation would reduce water usage in hotels. There is also a need to reduce the size of swimming pools, particularly in areas where water is scarce (Trangipani, 2011). According to Wario (2020), Kenyan hotels have insufficient water conservation policies and strategies. Hotels in Kenya, on the other hand,

have attempted to use reusing towels and linen, recycling, and water-saving equipment such as faucet aerators and restrictors. Water bills are thought to account for about 10% of total operating costs. Unfortunately, hotels in Kenya's coastal region were discovered to be unable to harvest water, and most hotels are hesitant to conduct environmental audits in order to identify and implement water conservation strategies. Kenya has a limited number of water conservation strategies in use (Nthiga, 2018). However, Nthiga (2018) discovered that hotels were fully engaged in repairing water leaks, using appropriate installation models, and maintaining the flow of water. According to Omune, et al. (2021), only comprehensive water conservation strategies in hotels that allowed water taps to be kept closed when not in use were effective.

Water and energy saving strategies explored reviewed, but the cost and benefits of different energy and water saving models were not determined (Kinyanjui, 2014; Kapiki, 2010). Most studies on cost cutting strategies, particularly on water consumption, are based on perceptions. For instance, hotel water bills have been misconceived as insignificant while they contribute to costs incurred in hotel particularly in areas such as Kenyan coast where scarcity of fresh water is evident. Limited studies have reported embracing of innovation in hotels without providing insights that will result in reducing costs, which is investigated in this study (Zhang, 2010; Chong, 2011).

### **2.1.5 Supply Chain Management Strategies**

Controlling costs in terms of resources and time is made easier by managing the supply chain. Most hotels have improved the performance of their supply chains by implementing a variety of strategies. Hotels can improve supply chain performance by utilizing best value spending, forming strategic alliances with suppliers, and utilizing e-procurement

(Magutu, 2016). Proper vendor evaluation and contract renegotiation would improve the supply chain (Hutt & Speh, 2012). Previous research has shown that managing the supply chain improves firm performance by up to 27%. This is attributed to cost reductions and encouraging meaningful participation of suppliers and other stakeholders. Increasing supply chain performance would result in lower inventories, better customer service, lower operating costs, higher efficiencies, higher inventory turnovers, and lower administrative costs (Audi, 2014).

Supply chain management entails interacting with suppliers in order to streamline procurement practices. As a result, vendors must be vetted in order to establish their credibility. Improving supply chain performance entails collaborating closely with suppliers to meet end-user needs through the use of quality products and the provision of necessary goods and services (Parsons, 2011). According to Parsons (2011), monitoring the procurement process would improve performance of supply chain. Supply chain performance can be measured using metrics such as responsiveness, flexibility, cost advantages, reliability, and asset utilization efficiency (Supply Chain Council, 2015). Managing vendors is a vital element of supply chain management because supply chain strategies cannot be effective if vendors are not actively involved in developing and implementing strategies. In light of this, Pi and Deng (2010) suggested in their study that hotels should track vendors and develop intimacy in order to gain control over the procurement process. As a result, suppliers should be kept up to date on business needs and changes through accurate information exchanges.

There are numerous advantages to supply chain management, including the avoidance of unnecessary inventory, active involvement of stakeholders, repeat patronage, enabling lean

unit operations, and improved corporate image (Trusor, 2019). Kenyan hotels are increasingly adopting and implementing various types of supply chain management practices (Mugire, 2011). According to Mugire (2011), the adoption of supply chain management models is hampered by a number of challenges, including insufficient information sharing mechanisms, a failure by hotel managers to understand the supply chain management concept, and a tarnished reputation of the hotel industry. The hospitality industry's competition has accelerated the adoption of supply chain management models (Ondoro, 2018). According to Ondoro (2018), the most commonly used strategies were lean supply, strategic alliances with vendors, and inventory management.

The existing literature regarding management of supply chain mostly focuses on prescription and recommendation on enhancing performance of supply chain without looking at costs reduction. E-procurement, supply intimacy development, strategic alliances and value spending are all supply chain techniques suggested in the reviewed literature (Audi, 2014; Collins, 2003; Magutu, 2016). However, there is inadequate research on the practical ways hotels can implement cost-cutting strategies through the use of supply chain management models, as highlighted in this study.

## **2.2 The Concept of Guest Satisfaction**

The concept of guest satisfaction as the state in which a customer is happy after his or her needs are met and exceeded (Koys, 2011; Kotler, 2015). The value that the customer receives from the firm in terms of service level and the value that the firm receives in terms of customer loyalty and referrals are used to quantify customer satisfaction (Koys, 2011; Kotler, 2015). The quality of the association established between hoteliers and customers,

which results in loyalty, could be used to elaborate on customer satisfaction in the hotel industry (Crosby et al., 2013). Hence, poor guest service and orientation have been blamed for hotel losses. In today's world, the empowerment of hotel patrons due to the availability of information over social media and internet platforms that has accelerated demand for good customer service in hotels (Kinoti, 2012).

### **2.2.1 Guests satisfaction and Cost Reduction Strategies in Hotel**

The concept of guest satisfaction is significant in hospitality industry as it increase customer loyalty and encourages repeat business (Gremler & Brown, 2013). Skogland and Siguaw (2014) discovered that guest satisfaction is important in hotels and was the prevailing perception of guest satisfaction in their study. The attitudes that users develop have an impact on their levels of satisfaction as well as their cost-cutting strategies (Kandampully et al., 2014). Some academics have identified the specific type of satisfaction that hotel guests strive for. Arbore and Busacca (2015), for example, stated that customer satisfaction is influenced by prompt response to complaints, providing quality services at reasonable prices, welcoming guests warmly, and ensuring that service delivery standards are met. In addition, accessibility and hotel design are regarded as important factors influencing guest satisfaction in businesses, including hotels. Various perspectives have emerged from research on the relationship between guest satisfaction and cost-cutting strategies. Matzler (2016), in particular, indicated in his study that there is non-linear influence and in specific sections. Other studies have revealed relationship dimensions such as functional quality, problem solving, reputation, comfort, response time, relational quality, pricing, channel functioning, and layout (Munari, 2013). Different perspectives have emerged in some areas regarding guest satisfaction role in enhancing performance in

hotel. For instance, Gursoy and Swanger (2016) discovered in their study that increasing guest satisfaction did not result in increased financial performance because customers expect service providers to achieve financial performance during the purchase process. In this case, it can be deduced that a firm's performance in terms of revenue generation, including a hotel, is affected by other factors regardless of the use of cost-cutting strategies. Service impairment caused by having few employees in a hotel, fluctuations in the hospitality industry demand, and high labor costs, particularly when permanent employees are numerous in a hotel, have influenced hotels to refocus and consistently develop cost-cutting strategies (Knox and Walsh, 2015). As a result, hotels have cut training time, used ad hoc staffing techniques, reduced permanent jobs, reduced investments in non-core duties, and provided limited opportunities for career growth to save money (Alonso and O'Neill, 2015).

### **2.3 Theoretical Review**

The study was informed by the following theories;

#### **2.3.1 Theory of contractual incentives for cost reduction**

To increase hotel profits; Scherer's 1908 theory of cost reduction describes the procedure of minimizing a business expenses. The process involves identifying costs that don't in any way help customers as well as optimizing processes that aim to boost effectiveness and efficiency. A so-called "incentive contract" is a linear form of payment plan here the buyers make payment for a fixed charge plus a fraction of the project cost as determined by an audit. The remaining percentage of the project cost that is covered by the person selling is referred to as the "sharing ratio." A larger share ratio encourages cost-cutting more. However, it also forces the agent to shoulder additional cost uncertainty and calls for a

higher fixed charge as compensation. The focus of this study is the trade-off between the incentives and the risks in defining the sharing ratio of an efficient contract. A formula is developed that demonstrates how aspects like ambiguity, aversion of risks, and the capacity of the person contracting to switch costs affect the ideal share ratio. Calculations are made using several numerical examples related to defense contracting.

### **2.3.2 Low Cost theory**

The placement of industrial enterprises is controlled by the minimization of three crucial costs: labor, transportation, and agglomeration (Fearon, 2006). This theory was created by Alfred Weber in the 1940s. The least-cost theory attempts to forecast the industry-specific location patterns by explaining why firms and their buildings are situated where they are. It is a macro scale economics theory. It encompasses things like the least expensive possible labor and transportation costs, and how businesses balance the two that costs them the least. Managerial economics is concerned with the theory of costs. Cost analysis aids in distributing resources among possibilities. In fact, comprehending cost theory is necessary for decisions concerning production and pricing. Locations can be identified through locating the points of origin of unprocessed materials (R OR S) and the Marketplace (M). Once they have been established, the lines are reduced to display the locations with comparable costs for travel. Where all three circles merge is where the PLANT or the business (P) should be positioned (Fearon, 2006). Hence, any hotel business that aims to maximize on resources and generate better profits may find the model accommodative. Therefore, hotel business aims at guest satisfaction can adopt this model through cost cutting strategies.

### **2.3.3 Transaction-Cost theory**

The transaction cost theory, put forth by Coase in 1997, asserts that the cost of doing an exchange should not be more than its worth. The transaction costs of a corporation ought not to be higher than those in the marketplace. This hypothesis was important in this research since according to Rindfleisch and Heide (1997), creating the product, paying for oversight, and establishing agreements all contribute to transaction costs in hotels.

The hypothesis holds that, in terms of distribution and coordination outsourcing suppliers is less expensive, more effective, and efficient than managing work internally (Kulman, 2014). According to transaction cost theory, characteristics like uncertainty, complexity, information asymmetry, lack of rationality, lack of asset specialization, and small numbers lead to high transaction costs. These are some of the problems that hamper hotels' efforts to cut expenses, outsource work, or even enhance their supply chain management procedures. In order to cut expenses, the company consequently explores operational integration and outsourcing (Aubert et al. 2014).

The idea goes on to suggest that a corporation should think about freelancing rather than concentrating on the lowest cost because other aspects including the character of the products, quality, and reliability all play a role in resource management. The idea also underlines that outsourcing expenses may be significant as a result of things like suppliers failing to safeguard the interests of the companies, inadequate performance evaluation standards, and subpar adaptation (Golinelli, 2015; Simon & Evenett, 2015). Ineffective outsourcing can also be caused by environmental uncertainty, asset specificity, behavioral uncertainty, and the use of exploitative conduct (Rindfleisch & Heide, 2016). These are the additional variables that have been looked into as impacting outsourcing in Kenyan hotels.

The majority of businesses now outsource both core and non-core business operations to save costs, make better use of reduce costs of labor and vendor technologies (Elmuti et al., 2016). As a consequence, the research's inquiry of how hotels in the coast region reduce costs through handling personnel, outsourced labor, and relationships with vendors, as well as through the application of water and energy saving methods, was influenced by transaction theory.

#### **2.3.4 Expectancy disconfirmation paradigm theory**

The expectation confirmation theory, or ECT for short, is a psychological framework that tries to shed light on why consumers are happy with their purchases or novel habits in terms of demands, perceived results, and disbelief that are shown to be unfounded. The idea for the theory's framework was developed by Richard Oliver over a series of two publications he published in 1977 and 1980. The expectations-confirmation theory states that after the purchase happiness is a result of intentions and actual reality working together. The effect is moderated by either a favorable or adverse disconfirmation in desires and accomplishments. If an item exceeds assumptions (a favorable disconfirmation), afterwards joy will result. If an item doesn't live up to standards, the consumer will probably be dissatisfied (minus disconfirmation).

Expectations are the qualities that consumers expects from a service or a product, such a favorable service or product or a piece of technology. The disconfirmation concept is proposed as a mediator between expectations and after-purchase gratification. Expectations are proposed to influence discernments of performance and the disconfirmation of philosophies. The benchmark for comparing in contrast to the good, the service, or

technological product is finally assessed before purchasing or before acceptance expectations.

The actual efficacy of a product, service, or technical object is known to as its perceived effectiveness. The belief validation theory states that pre-purchase assumptions directly affect views on efficiency, which in effect directly affect belief disconfirmation and after-the-purchase happiness. The disconfirmation concept is offered as the mediator in a mediating the link of perceived performance against satisfaction after the purchase or adoption. The findings or evaluations a person makes regarding an item, service, or technological object are referred to as a disconfirmation of views. These evaluations or choices are based on the individual's first assumptions. If a product or service functions greater than the consumer's first thoughts, this is known as positive disconfirmation, and it is believed to increase post-adoption fulfillment however if the performance is lower than the user's first thoughts, this is referred to as negative disconfirmation and is believed to reduce post-adoption contentment. Post-adoption contentment refers to how happy or fulfilled an individual is with a service, a product or items of technology after using it for themselves. The belief confirmation hypothesis states that expectations and viewed success have a ripple effect on guest happiness because of a mediating association that comes by means of disconfirmation method, whereas observed success and disconfirmation of ideas have an immediate effect on customer pleasure.

#### **2.4 Gaps in literature review**

Labor costs are the most critical factor in cost management and cost reduction, according to the literature analysis (Brown et al., 2015; Mason, 2012). Notwithstanding the fact that these investigations were carried out in different nations, they did not examine the precise

methods for reducing labor expenses in hotels, as this study does. The focus of previous studies on outsourcing, especially in the lodging sector (Duah et al., 2014; Mwambuwa, 2014), has been on the benefits of outsourcing and the types of services outsourced, rather than looking into the various outsourcing models employed by hotels and the rewards associated with each service that is outsourcing. This is why the present study is necessary.

The investigation under evaluation examined conserving energy and water measures, but they did not weigh the costs and advantages of various water and energy conservation models (Kapiki, 2010; Kinyanjui, 2014). The majority of studies on cuts in expenses, especially those pertaining to water use, are perception-based. For instance, hotel freshwater expenditures are often underestimated despite the fact that they add to overall expenses, especially in regions like the Kenyan coast where there is a clear lack of fresh water. The adoption for creativity in hotels has only been briefly described in a few studies, and this study explores this phenomenon (Chong, 2011; Zhang, 2010).

The research on the management of supply chains. Yet, the majority of studies ignore cost reduction in against prescribing and recommending ways to improve the efficiency of the supply chain. The supply chain approaches mentioned in the examined literature include supply intimacy advancement, strategic partnerships, and their worth of expenditure (Collins, 2003; Magutu, 2016; Audi, 2014). However, as this investigation emphasizes, there's little study on the real-world ways hotels can use the management of supply chains designs to carry out savings measures.

Additionally, the literature indicates that the idea of the satisfaction of visitors has been thoroughly studied, especially in relation to elements that affect visitor fulfillment in

hotels, such as online data being exposed (Kinoti, 2012), hotel employee motivation (Crosby, 2013), and service quality (Arbone & Buscca, 2015). The studies, which this paper examines, were unable to offer any insights on cost-cutting measures. The majority of research concentrated on the benefits of guest pleasure without connecting it to lowering operating expenses and enhancing the business ecosystem. There are few studies on the effects of cost-cutting measures on customer satisfaction. However, studies carried out in other nations offered various viewpoints with regard to the impact of cost-cutting measures on patron satisfaction (Matzler et al., 2016; Munari et al., 2013).

Under theoretical review, few studies in hotels have explored the theory of contractual incentives for cost reduction, Low cost theory, Transaction-Cost theory and Expectancy disconfirmation paradigm theory. Hence, this study finds a gap and cost cutting strategies have been studied using the theories of contractual incentives for cost reduction, Low cost theory and Transaction-Cost theory while guest satisfaction literature was informed by the theory of Expectancy disconfirmation paradigm theory. In conclusion literature review reveals that there is a gap of research and seeks to investigate the cost cutting strategies (labor cost, water and energy strategies and supply chain management) and the effects such on guest fulfillment in the hotels in Kenya.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

The study's research plan is laid out in this chapter, with discussions focusing on the research design used, population targeted, sampling technique used, data collection procedures and tools used, and data analysis tools used.

### 3.2 Research Design

The study adopted a survey design specifically cross sectional survey design. This is due to the fact that the design generates the necessary statistical data regarding guest satisfaction and cost-cutting scenarios in hotels. In addition, the design allows for the use of questionnaires and provides a thorough understanding of the study. The design allowed for the use of quantitative and qualitative data, as well as data sampling (Sekran, 2007; Kothari, 2004).

### 3.3 Target Population

The targeted population is a group of cases with same characteristics that the researcher is interested in (Schwab, 2013). The target population for this study was 423 departmental managers and supervisors in hotels in Kenya's coastal region, specifically in the counties of Kilifi, Mombasa, and Kwale. According to a reports by Njue, (2022) and KAHC (2021), the coast region has 47 hotels that are accredited as 2, 3, 4, and 5 star hotels, which this study focused on.

Table 1 shows the number of hotels and targeted population per category

*Table 1 Target Population*

Category	Number of Hotels	Departmental heads and supervisors
5 Star hotels	6	54
4 Star hotels	13	117
3 Star hotels	14	126
2 Star hotels	14	126
<b>Total</b>	<b>47</b>	<b>423</b>

*Source: Author compilation, (TRA, 2022)*

### 3.4 Sampling Techniques and Sample Size

For the purpose of this study a sample of 205 employees was selected, from a target population of 423 departmental heads and supervisors in 2-5 star hotels in Coast region of Kenya. A sample size formula suggested by Yamane (1967) was used to determine the sample size. A representative sample was obtained thanks to the formula utilized (Creswell, 2008).

SS= sample size,

N= target population of 423,

e= level of precision (0.05),

$$SS = \frac{N}{1+N(e^2)}$$

$$SS = \frac{423}{1+423(0.05^2)} = 205$$

The sample size for this study was 205. This translates into 26, 57, 61 and 61 departmental heads and supervisors in 2-5 star rated hotels in coast region.

*Table 2 Sampling Frame for sampled respondents per category of hotel*

Category	Number of Hotels	Departmental heads and supervisors	Sampled population
5 Star hotels	6	54	26
4 Star hotels	13	117	57
3 Star hotels	14	126	61
2 Star hotels	14	126	61
<b>Total</b>	<b>47</b>	<b>423</b>	<b>205</b>

*Source: Author compilation (2022).*

### 3.5 Data Collection Methods

The data used in the study was obtained directly from original sources and is referred to as primary data (Chandran, 2014). In this study, questionnaires were used to collect data from

primary sources. In this study, questionnaires were preferred because they can collect data more quickly, affordably, and standardized, as well as more objectively, than interviews (Mugenda & Mugenda, 2013). The questionnaires included both open-ended and closed-ended questions in order to elicit respondents' factual opinions on the subject matter. In addition, the questionnaires used a five-point Likert scale to allow for the analysis of data from each variable of the study, as shown in the attached questionnaires.

### **3.6 Data Collection Procedure**

In order to collect data for this study, permission from NACOSTI was obtained, as well as approval from the university. In addition, permission from hotel managers was sought to allow the researcher to conduct the study in their establishments. Respondents in the study were informed about the purpose of the study, the confidentiality involved in participating in the study, their rights and responsibilities in the study, and their privacy was protected. The questionnaires were administered through drop and pick method randomly to the sampled population, and a date for picking up the questionnaires was set.

### **3.7 Reliability and Validity**

A pilot in three hotels in Kenyan coast region and a test-retest on research instruments assured validity and reliability of study instruments.

#### **3.7.1 Reliability**

The degree of internal consistency of research instruments, or the degree to which instruments produce similar results when administered to more than one person, is referred to as reliability (Ary, Jacob, Sorensen & Walker, 2013). The Cronbach Alpha test was used in the study to assess the reliability of questionnaires. A 0.7 threshold was set for each variable, and failure to meet the criteria resulted in research instrument editing to improve reliability, as Castillo (2009) advocated in his study. During the piloting phase of the questionnaires, a test re-test was conducted on the instruments to enable ascertaining of the reliability of the instruments using Cronbach Alpha Co-efficient method. The results of the reliability test presented as average for the variable are presented in table 3 below: The items in all the variables scored Cronbach Alpha scores above 0.7 which had been set as

the threshold of the study. This proved that the items had the required internal consistency to bequeath the study reliable information for analysis.

*Table 3 Cronbach alpha coefficients*

<b>Variable</b>	<b>Average Score on Cronbach Alpha</b>
Guest Satisfaction	0.801
Labour cost cutting strategies	0.743
Water and Energy conservation strategies	0.731
Outsourcing Strategies	0.725
Supply chain management strategies	0.736

Source: Author compilation, (2022)

### **3.7.2 Validity**

The extent to which the questionnaire items and scores obtained from the questionnaires are representative of all possible questions that can be asked regarding the content or skill to be answered by the variable is referred to as content validity (Tavakol & Dennick, 2011). Questionnaires were distributed to experts in order to assess the instrument's validity. In addition, experienced research assistants and lecturers approved questionnaires for data collection.

### **3.8 Data Analysis Methods**

After collecting data from respondents, it was sorted, cleaned, and edited for further analysis. To begin, data was analyzed using descriptive statistics in SPSS to produce percentages and frequencies that described the collected data. The output was presented using tables, charts, graphs, and written narratives. The following formula was used in regression analysis to determine the direction and strength of influence of each independent variable on the dependent variable:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+ \beta_4X_4+\varepsilon$$

Where;

$Y$  = Dependent variable (Guest Satisfaction)

$X_1$  = Labour cost reduction strategies

$X_2$  = Outsourcing strategies

$X_3$  = Energy and water conservation strategies

$X_4$  = Supply chain management strategies

$\alpha$  = the model intercept

$\beta$  = Coefficient of independent variables

$\varepsilon$  = Margin of Error

### **3.9 Ethical Considerations**

Many precautions were taken to avoid any ethical issues that might arise during the study. Prior to conducting research in their respective hotels, permission was obtained from hotel managers. The purpose of the study and the importance of their participation in the study were explained to the respondents. The concealment of participants' identities ensured their confidentiality and anonymity. The collected participant information was only available to the researcher for the purpose of analyzing and reporting the study's findings. The researcher was granted permission to collect data by the National Commission for Science and Technology (NACOSTI). The study's findings were to be undistorted and unbiased. The participants in the study did so voluntarily.

## CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

### 4.0 Introduction

This chapter presents findings obtained from the questionnaires that were analyzed and interpreted. The reliability, random data distribution, relationship between variables and significance level were tested through descriptive statistics, Cronbach's alpha, correlation and multiple linear regression analysis tests.

### 4.1 Response Rate

A total of 205 questionnaires were administered, out of which 190 questionnaires were returned by the respondents, representing 92.6% response rate. This response rate is appropriate in making study conclusions as observed by Mugenda and Mugenda (2003) who indicated that a response rate above 70% is very good.

### 4.2 General information of respondents and hotel profile

The respondents' demographic information in this study was summarized in relation to working experience and position held in hotel by respondents. The hotel profile was summarized in relation to classification status.

#### 4.2.1 Classification of the hotels

The study sample had the following distribution of hotels in respect to their classification status at the time of data collection as shown figure 3 below. The study was conducted among hotels rated from 2 stars to 5 stars hotels. Most of the hotels were 2 star categories of hotels with 37% with the 5 star hotels representing by 13% in the sample. The classification of the sampled hotels was proportional to the number of hotels and their classification in the region. The sampled hotels provided the needed information on cost reduction and guest satisfaction from the perspective of all the categories of hotels.

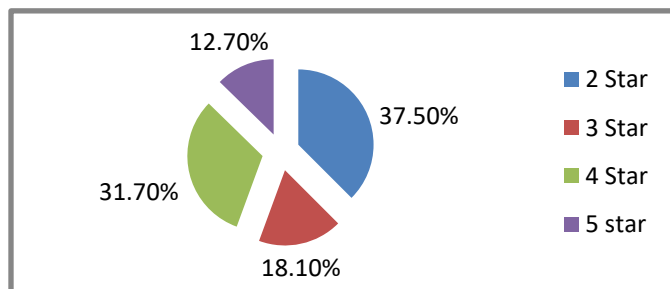


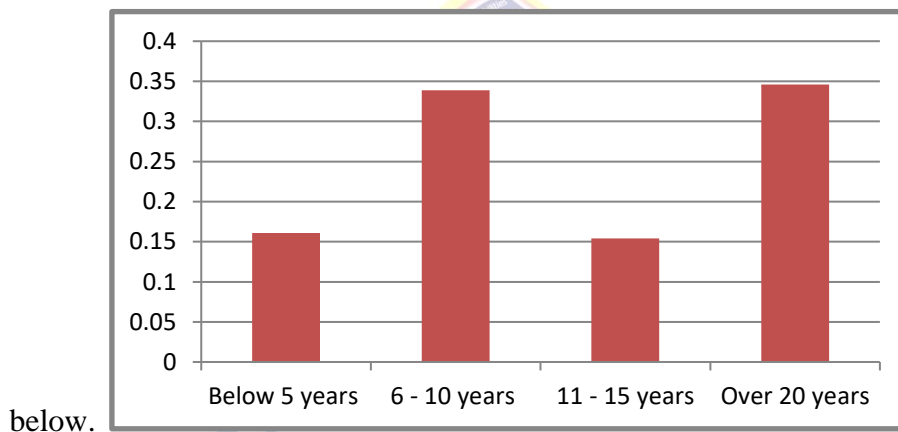
Figure 2 Classification of Hotels

#### 4.2.2 Respondents position in the hotels

The respondents were well spread across all the departments in the hotel although the labour intensive departments such as housekeeping and front office had more representation at 24% and 22% respectively. Departments with few managers and supervisors had fewer respondents with security having a representation of 10% and human resource department having 12%. This composite sample ensured that the study enjoyed rich source of information on cost reduction strategies and guest satisfaction from all the departments. The respondents were staff in the management ranks with 71% being managers and 29% being supervisors who proved knowledgeable on the presence, effectiveness and shortcomings of strategies in place for cost reduction and guest satisfaction.

#### 4.2.3 Respondent's work experience

The working experience of the respondents in hotels varied as summarized in figure 2



*Figure 3 Working Experience*

Majority of the respondents (50%) had an experience of more than 10 years while a few number of respondents (16%) had less than 5 years of experience. This could be contributed to the fact that the study focused on staff that were in the management and supervisory positions, as were considered to be knowledgeable regarding guest satisfaction and cost reduction strategies. This findings indicated that there is low turn-over rate of employees particularly among those individuals who hold management positions.

### 4.3 Guest Satisfaction

The study sought to establish the state of guest satisfaction among hotels in the coast region and the findings were as shown in figure 4 below:

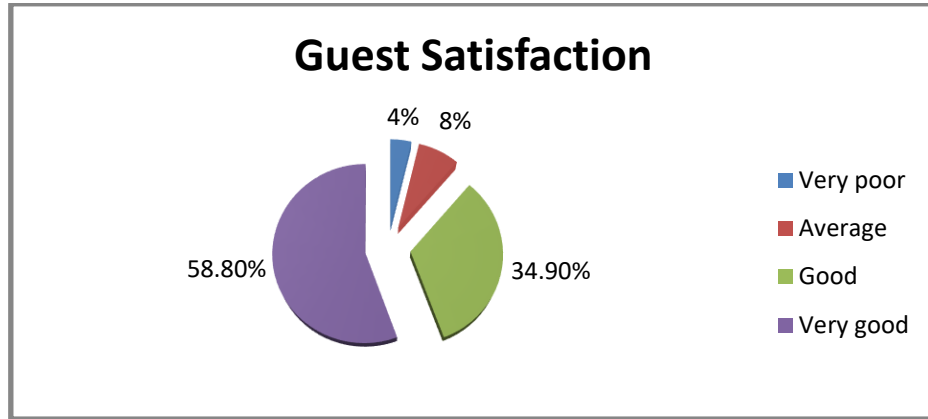


Figure 4: Guest Satisfaction

The findings revealed that the hotels placed a high premium on guest satisfaction as the respondents rated them highly on guest satisfaction with 59% rating the hotels as very good on guest satisfaction, 35% rating them as good and only 4% rating the hotels as poor in guest satisfaction. Hotels with high classification of 4 star and 5 star were particularly good at rating their hotels highly on guest satisfaction particularly because of their well developed traditions and availability of tangible resources of money and intangible resources of the appropriate customer service, beliefs and practices as is the provision of resource based view theory which is also an important yardstick in their classification in the first place. These findings were in sync with findings of Rau and Sahu (2013), Akunja (2020) and Mutuku (2020) that hotels offer great prominence to guest satisfaction.

### 4.3.1 Respondents response on cost cutting strategies versus guest satisfaction

The respondent's response on cost cutting strategies versus guest satisfaction. on several parameters of guest satisfaction was as shown in table 4 below;

*Table 4 Respondents response on Guest Satisfaction*

<b>Guest Satisfaction metrics /Frequency</b>	<b>Always</b>	<b>Regularly</b>	<b>Often</b>	<b>Rarely</b>
i. Customers returning to this hotel many times	50.2%	48.7%	1.1%	0
ii. Customers referring others to this hotel	22.2%	50.2%	26.8%	4%
iii. Managing to retain corporate clients for a long time after the first visit to this hotel	50.2%	46%	3.8%	0
iv. Handling complaints to the satisfaction of the guests	80.5%	19.2%	4%	0

Source: Author compilation

The rating of the hotel in respect to repeat visits by customers was good with some 50% of the respondents reporting that that guest always returned and 49% polling that guests regularly returned. The polling on guests making referral to others was relatively low with only some 22% of the respondents reporting guests always made referrals with 26.8% reporting that existing guest often made the referrals. Lack of data and information on the motivation for guests' visitation might have contributed to this low count. The hotels in the coast region were good at retaining corporate clients with over 50% of the respondents reporting that the hotels always retained corporate clients and a further 46% reporting that the corporate clients were regularly retained.

It emerged that corporate clients were well known by the managers and subsequently the managers and supervisors had developed some strategies to manage these clients and maintain them as they were few and they generated a lot of revenue. Most of the corporate clients enjoyed cheap negotiated rates mostly at four and five star hotels. The hotels were more adept at handling complaints from the guests to their satisfaction with some 81% of the respondents reporting that the hotels always handled complaints to the satisfaction of the customers. Management of complaints was one of the key duties of the managers which had elaborate procedures and thus the high polling. This finding confirmed that hotels in Kenya had developed structures for handling customer complaints just like the

hotels in Europe as had been found by Arbore and Busacca (2015) through use of feedback mechanisms like surveys and suggestion boxes.

The findings of this study in respect to performance on guest satisfaction confirmed earlier findings of a study by Kagongo et al, (2013) that referrals and repeat business were the manifestation of effective guest satisfaction by hotels. The respondents confirmed that the hotels endeavored to attain optimal guest satisfaction but were constrained by financial limitations as had been found by Akoko (2012) in a study on factors affecting guest satisfaction among hotels.

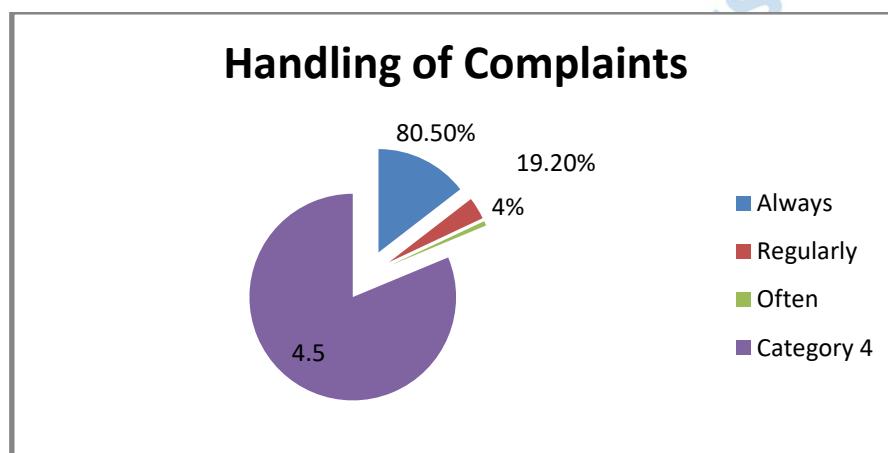


Figure 5 Handling of Complaints

#### 4.4 Labour Cost Reduction Strategies

The study sought to establish the presence, frequency, efficacy and effectiveness of various cost reduction strategies on cost reduction before assessing their effect on guest satisfaction and the findings were as follows;

##### 4.4.1 Adoption of Labour Cost Reduction Strategies

The study established that hotels in the Coast Region were using labour cost reduction strategies with the following frequency of use. Table 5 shows the frequency with which hotels in the coast region of Kenya used some labour cost reduction strategies on forms of training, use of casual labour and laying-off staff.

*Table 5 adoption of Labour Cost Reduction Strategies*

<b>Labour cost reduction strategy</b>	<b>Always</b>	<b>Regularly</b>	<b>Often</b>	<b>Rarely</b>
i. Cross training of staff	4%	37.3%	60.8%	1.5%
ii. Contracting specialized staff on need basis	2.7%	42.7%	31.9%	22.7%
iii. Use of hired trainers to train existing staff	1.9%	44.6%	33.1%	20.4%
iv. Use of casual labourers	3.1%	48.6%	25.5%	22.8%
v. Laying off staff	8%	46.2%	26.2%	26.2%

Source: Author compilation

The use of cross training of staff was only regularly with some 37% of the respondents reporting so or often as was reported by some 61% of the respondents. The use of specialized staff was more constrained with some 23% of the respondents reporting that specialized staff was only rarely used and 43% reporting the specialized staff were regularly used just as Mashauri (2015) had found to be rampant. The same was the case for use of hired trainers to train the existing staff with 20% saying the practice was rarely used and some 45% reporting the practice was regularly used. The use of casual labourers was regularly used with some 49% of the respondents reporting that the hotels were frequently using the practice and only 23% of the respondents polling that use of casual labour was rarely used.

Laying-off staff was a common cost reduction strategy with 8% of the respondents reporting it was always used and a further 46% reporting it was regularly used. It was revealed that it was the hotels enjoying the coveted classifications on 4 star and 5 star that were training the staff regularly and some always using either hired staff or specialized staff in a bid to maintain high service quality. The size of the hotel was a factor in the use of casual labour and laying-off of staff with hotels with less than 100 bed capacity rarely using the practice.

The study confirmed that there was widespread use of laying-off staff by hotels in the coast region of Kenya mostly as a result of security situation and constraints in economic environment in Kenya. The laying-off of staff and use of casual labour caused disaffection among the staff and negatively affected guest satisfaction in line with findings of a study

by Crosby et al. (2013) in the United States of America and confirming it was the case locally.

#### 4.4.2 Labour Cost Reduction Strategies

The effectiveness of various labour cost reduction strategies on guest satisfaction among hotels in the Coast Region was established through use of an extent scale ranging from very great extent (VGE) great extent (GE), moderate extent (ME), small extent (SE) and very small extent (VSE) to assess the effect of various labour cost reduction strategies on cost reduction. Table 6 below represents labour reduction strategies and guest satisfaction.

*Table 6 Labour Reduction Strategies and Guest Satisfaction*

<b>Labor Cost Reduction Strategy/ Scale</b>	<b>VSE</b>	<b>SE</b>	<b>ME</b>	<b>GE</b>	<b>VGE</b>
i. Use of Contracted Specialized Staff	0.0%	5.4%	47.5%	44.4%	2.7%
ii. Use of trained staff to train others	4.0%	11.5%	37.3%	46.2%	4.6%
iii. Use of Casual Workers	1.2%	29.2%	36.9%	31.2%	1.5%
iv. Laying off staff strategies	1.2%	5.8%	28.8%	58.5%	5.8%

*Source: Author compilation (2022)*

The use of contracted specialized staff had some significant effect on guest satisfaction in hotels at the Coast region of Kenya with 44% of the respondents reporting that it affected guest satisfaction by great extent and some 48% of the respondents reporting on moderate extent. The use of trained staff to train others in the hotels was even more effective in influencing guest satisfaction with 46% of the respondents polling use of trained staff to train other affected guest satisfaction by great extent and a further 37% by moderate extent.

The use of casual workers had diminished effect on guest satisfaction despite its widespread use with 29% of the respondents reporting that use of casual labour affected guest satisfaction on a small extent and only 31% of the respondents polled that it affected guest satisfaction by a great extent. Use of casual labour had some characteristics that negatively affected guest satisfaction as follows; most of them had insufficient training and proficiency in some technical areas of hotels leading to slow service and complaints from the guest. The casual labour also lowered service quality as they did not have mastery of standard operating procedures (SOP) required in most of the departments in the hotels.

Use of laying-off had significant negative effect on guest satisfaction with some 59% of the respondents reporting that it affected guest satisfaction by great extent and a further 29% reporting on moderate extent. It emerged that some guests request for service from a specific member of staff who had served them well in previous visits and there was manifest disaffection when the said staff is not present. These findings confirmed that labour was the cost that hotels managers used to deal with harsh operating environment as had been found by a study by Mason (2012) and Kuria and Ondigi (2012) who had found use of labour cost reduction strategies to be counter-productive on guest satisfaction. However, the practices by the hotels, though misguided, were in line with provisions of transaction cost theory that labour cost taken as a transaction can be reduced to offer more short term benefits to hotels

The findings of this study that there was limited training in the hotels negated findings of studies done among hotels elsewhere that hotels were undertaking frequent training internally and externally including use of cross-training (Bitner, et al., 2013; Czepiel, 2013). However, the findings confirmed earlier findings that downsizing negatively affected guest satisfaction (Ahmad & Hussain, 2013) and findings that optimal use of permanent staff had a significant role in realization of guest satisfaction among hotels (Knox & Walsh, 2015).

#### **4.5 Outsourcing Strategies**

The study investigated the frequency of use of outsourcing strategies by hotels in the Coast Region of Kenya, their effect on cost reduction and guest satisfaction and the results were as follows.

##### **4.5.1 Range of Use of Outsourcing Strategies**

The study sought to establish the trend among hotels in the coast region in respect to outsourcing of both core and non-core activities in the hotels. The hotels in the Coast Region of Kenya used outsourcing for various services as shown in table 7 below;

*Table 7 Extent of Use of Outsourcing Strategies*

<b>Activity/ Scale</b>	<b>Yes</b>	<b>No</b>
i. Offering of security	53.1	46.9
ii. Cleaning services	8	92
iii. Laundry services	39.2	60.8
iv. Housekeeping services	1.5	98.1
v. Marketing services	48.5	51.2
vi. Driving guests from the airport	61.9	38.1

*Source: Author compilation, (2022)*

Security was one of the most outsourced services with 53% of the respondents reporting that the hotels outsourced security services. The hotels rarely outsourced cleaning services with some 92% of the respondents reporting the service was not outsourced. Only elements of laundry services were outsourced with 61% of the respondents polling that laundry services were not being outsourced by hotels where they worked. The hotels in the Coast region of Kenya did not outsource housekeeping services with 98% of the respondents polling that the hotels did not outsource the services. Marketing of services was moderately outsourced with 51.2% of the respondents reporting marketing was not being outsourced. Transport of guest to the hotels was commonly outsourced with some 62% of the respondents polling that transporting of guest from airports was being outsourced. This was in line with findings of a study by Okoye and Ozilikwili (2019) that hotels usually outsource non-core activities.

There was an apparent conflict by hotel managers on the need for control and cost reduction as far as outsourcing was concerned. Availability of well-established and credible firms was also a factor in outsourcing of services and that accounted for the high rate of outsourcing of transport, marketing and security services. The trend among hotels showed that size and classification of the hotels was not a factor in outsourcing but rather the location of the hotels either around or away from towns and the traffic of guests affected the choice to outsource though many of the 2 star hotels only outsourced security services only. This negated one of the premises of the guiding theory of resources based

view that tangible resources such as financial wherewithal accorded organizations some competitive advantage

The constrained use of outsourcing in most of the hotels was influenced by several factors. Most of the managers feared losing control of their business through outsourcing. There were also fears that outsourcing of most of the core business of the hotel would water down the service quality and traditions the hotels had built for a long time. This was more the case among four and five star hotels which relied on service quality to obtain and maintain their accreditations. The vision and work ethics of most of the outsourced firms were at significant variance with those of the hotels and were only encouraged because of cost advantages they accorded the hotels and mostly in non-core areas.

The finding by the study that outsourcing was being done by hotels on both core and non-core activities though with limitations in some departments. The study also confirmed that there was a manifest poor attitude towards outsourcing by managers partially attributed to experiences with incompetent vendors and lack of credible ones as had been found by Kandampully et al., (2014). The findings on outsourcing negated the findings of Mwambua (2020) that uptake of outsourcing was on the rise among hotels in the coast region of Kenya and confirmed the findings of a study by Chumkuk (2017) that there is a need for training and sensitization on the benefits and challenges of outsourcing.

#### 4.5.2 Outsourcing Strategies and Cost Reduction

The study used an extent scale ranging from very great extent (VGE) great extent (GE), moderate extent (ME), small extent (SE) and very small extent (VSE) to assess the effect of various outsourcing strategies on cost reduction. The results are represented in table 8 and figure 7 below;

*Table 8 Outsourcing Strategies and Cost Reduction*

<b>Outsourcing</b>	<b>VSE</b>	<b>SE</b>	<b>ME</b>	<b>GE</b>	<b>VGE</b>
i. Security services	8%	27.7%	27.3%	42.3%	1.9%
ii. Cleaning services	2.3%	40.0%	47.7%	9.6%	4%
iii. Laundry services	2.3%	36.2%	40.4%	21.2%	0
iv. Guest transport services	4.4%	38.7%	39.5%	17.3%	0

v.	Marketing services	1.9%	26.5%	39.6%	30.0%	1.9%
vi.	Housekeeping services	2.3%	24.6%	38.5%	33.5%	1.2%

*Source: Author compilation (2022)*

All the outsourcing services had an effect on cost reduction which was mostly moderate extent and small extent as dictated by a number of contextual factors in the operating environment of the hotels. Outsourcing of security services had moderate extent with some 27% reporting so because most of the hotels had used outsourced security services for a long time and comparison with non-outsourcing was difficult. Outsourcing of cleaning, laundry, housekeeping and marketing services recorded an effect on cost reduction ranging from great extent to moderate extent depending on the extent of outsourcing by hotels. Hotels that outsourced most of these services polled it affected cost reduction on great extent while those hotels that used outsourcing marginally reported it affected cost reduction on small extent.

The finding that outsourcing of guest transport services affected cost reduction by great extent by only 17% was largely as a result of only a few hotels fully outsourcing the services as most of the hotels had their own vans and buses for that purposes as was the case with marketing which was used to complement use of in-house marketers. It emerged that the competence of the managers in the hotels was a significant factor in outsourcing with those hotels with significant influence of the owners in the day to day running had minimal use of outsourcing as compared to those where competent managers had their leeway in the management of the hotels.

It was reported that lack of a credible mechanism of engaging vendors as well as lack of a standardized pricing procedures were to blame for the modest role of outsourcing in cost reduction among hotels in the coast region of Kenya. This was in consort with findings of Golinelli (2015) that lack of effective parameters of evaluating and measuring performance of vendors was a stumbling block on proliferation of outsourcing in the hotel industry. The findings of Ragor (2014) that the hotels were poor in contracting and vetting of vendors were confirmed.

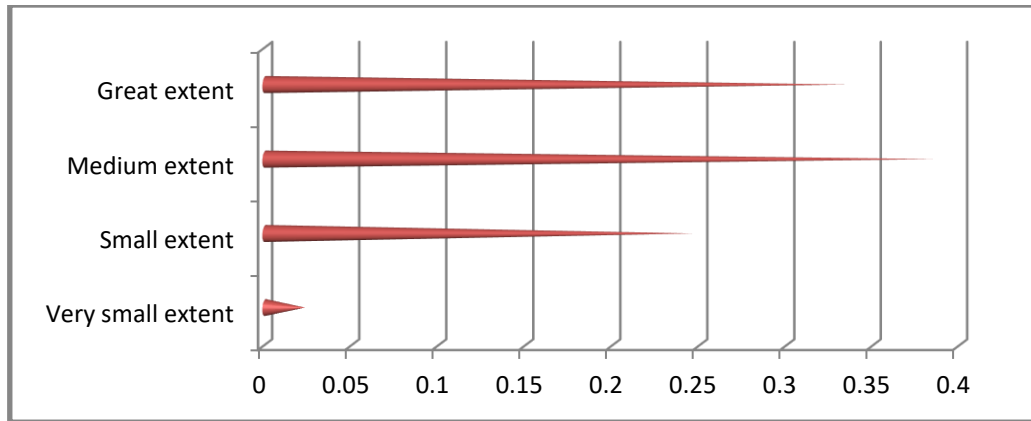


Figure 6 Housekeeping and Cost Reduction

#### 4.5.3 Outsourcing Strategies and Guest Satisfaction

The study sought to establish the specific benefits in cost reduction and guest satisfaction hotels accrue as a result of outsourcing using a scale ranging from strongly agree (SA), agree (A), neither agree nor disagree (N), disagree (D) and strongly disagree (SD) to propositions on guest satisfaction and cost reduction as a result of outsourcing. The results were as shown in table 9 below;

Table 9 Outsourcing and Specific Cost Advantages

Advantages of Outsourcing/ Rating	SD	D	N	A	SA
Reduction in number of staff	4%	3.5%	23.1%	68.8%	4.2%
Reduction in operational costs	8%	12.7%	59.6%	25.0%	1.9%
Bringing new Technology	4%	9.2%	50.8%	34.6%	4.0%
Increasing operational efficiency	2.7%	28.8%	34.2%	30.0%	4.2%

Source: Author compilation, (2022)

The study found that the hotels acquired most of cost advantages in outsourcing from reduction in the wage bill with 69% of the respondents agreeing with such a proposition. This was largely because the respondents would appreciate that outsourced firms used fewer staff and their engagement made a large number of staff redundant. Due to lack of data and knowledge on cost reduction in other areas, some 60% of the respondents were non-committal on whether outsourcing led to reduction in other costs of operations though some 35% of the respondents agreed with such a proposition. The respondents were

equally unaware of the advantages in guest satisfaction as a result of technology transfer as a result of outsourcing with some 51% of the respondents polling neither agree nor disagree to such a proposition.

There was mixed reaction to a proposition on if outsourcing led to increase in operational efficiency as a measure of guest satisfaction with 30% of the respondents agreeing and a further 28.8% disagreeing with some 34% being non-committal on the proposition. This variation in views was as a result of lack of structured approach to enable outsourced firms share their expertise and transfer knowledge and skills to the hotels to improve guest satisfaction. It emerged that size of the hotel and profitability were factors that determined both the extent of use and cost advantages of outsourcing to hotels.

These findings negated those of a study by Eduardson (2011) that engagement of outsourcing invariably led to transfer of skills and technology to the contracting firm because this was not apparent among the hotels in the coast region partially to limited interaction between hotel staff and contracted vendors. The findings were in line with those of Stanko (2017) that efficiency introduced by vendors led to a significant reduction in costs of operation. The findings negated findings by Akingbade (2015) that outsourcing in the hotels industry leads to drastic improvements in both efficiency and guest satisfaction as this study found only modest improvement in efficiency as a result of outsourcing and insignificant improvements in guest satisfaction.

#### **4.6 Energy and Water Conservation Strategies**

The study investigated the form of water and energy conservation strategies being employed by the hotels in the Coast region of Kenya and their effectiveness in cost reduction and the findings were as follows;

##### **4.6.1 Energy and Water Conservation Strategies and Cost Reduction**

The respondents to the study assessed the effectiveness of energy and water conservation strategies in reducing cost in their hotels. A scale of average (AV), great (G) and very great (VG) was used to assess the effectiveness of the energy and water effectiveness strategies and the results were as shown in table 10 below.

*Table 10 Energy and Water Conservation Strategies and Cost Reduction*

<b>Strategy/ Effectiveness</b>	<b>AV</b>	<b>G</b>	<b>VG</b>
Energy Conservation strategies	5.9%	57.8%	36.3%
Water Conservation Strategies	7.4%	59.8%	32.8%

*Source: Author compilation, (2022)*

The effectiveness of both energy and water conservation strategies on cost reduction were largely polled as mostly good and very good with only a few respondents reporting the strategies to be average in respect to cost reduction. It emerged that the location of the hotels was a guiding factor in use of water conservation strategies while the emphasis of hotel managers guided how hotels adhered to energy conservation strategies as shown below.

There was a prevailing mentality that water bills were insignificant and not warranting serious conservation measures even among managers of hotels in water scarce areas confirming earlier findings by Zhang (2010) that water conservation was accorded little considerations in hotels. However, this was in line with posits of the guiding theory of transaction cost theory that the value of a transaction should not transcend the value of the transaction to an organization. In the context of Kenyan hotels this was in contrast to findings of a study by Wario (2020) that water bills in hotels was significant and accounting to about 10% of operational cost

#### **4.6.2 Energy Conservation Strategies and Cost Reduction**

The study first investigated the effectiveness of energy conservation strategies on cost reduction using a scale ranging from strongly agree (SA), agree (A), neither agree nor disagree (N), disagree (D) and strongly disagree (SD) on propositions on elements of energy conservation strategies. The results are shown in table 11 and figure 8 below.

*Table 11 Energy Conservation Strategies and Cost Reduction*

<b>Energy Saving Strategies/ Cost Reduction Rating</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
i. Using renewable sources of energy	4.6%	73.8%	20.8%	8%	0.0%
ii. Energy management system is efficient	4.2%	53.8%	39.2%	2.7%	0.0%
iii. Use of modern appliances which consume less energy	3.55	58.8%	32.7%	5.1%	0.0%
iv. Use of Energy Saving bulbs	5.1%	60.9%	29.3%	4.7%	0.0%
v. Use of Light and air conditioning	3.1%	52.3%	39.6%	5.0%	0.0%
vi. Use of fridges and lifts sourced on basis of energy conservation	2.7%	46.2%	43.8%	7.3%	0.0%
vii. Heating of swimming pools in energy saving manner	3.1%	41.3%	42.5%	11.6%	1.5%

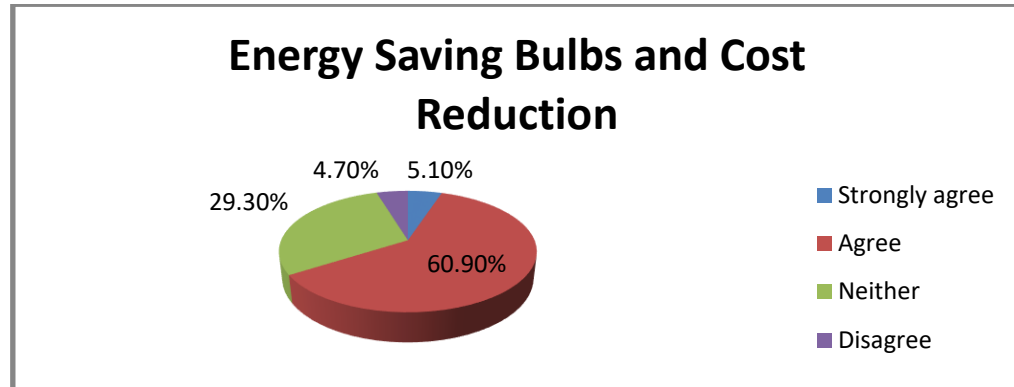
Source: Author compilation (2022)

The findings in respect to effectiveness of energy conservation strategies revealed that there was a dichotomy of either the respondents agreeing or remaining non-committal depending on either the hotels were employing the strategy in questions. Most of the hotels with the classification of 2 star and 3 star accreditation did not have some of the energy conservation strategy thus accounting for the high number of responses to use of various energy conservation strategies such as 39% on efficiency of energy management systems, 40% on use of light and air conditioning, 44% on use of fridges and lifts procured on basis of energy conservation and 43% on heating of swimming pools in an energy saving manner.

This restriction was informed by the high cost of installation that was an insurmountable burden for small hotels as had been found by Kariuki and Odhiambo (2021) and in line with the posits of the resource based view theory because the big five star hotels used their financial might to get competitive advantage over others on energy use.

However, the high rating on agree from the respondents from the hotels with the facilities was very informing on the effectiveness of the energy conservation strategies. For example, use of renewable energy was the most effective with 74% of the respondents agreeing to such a proposition, followed by use of energy saving bulbs with 61% of the respondents agreeing and use of appliances that use less energy that had 59% of the respondents agreeing. Some of energy conservation strategies such as sourcing of fridges

and lifts on energy conservation basis and heating of swimming pools in an energy saving manner had limited effectiveness with only 46% and 41% of the respondents agreeing that such strategies were effective.



*Figure 7 Use of Energy Saving Bulbs*

Cost was a major consideration in use of energy conservation by hotels with a trend where the hotels only pursued strategies that were not capital intensive. This finding of the study provided a dichotomy between Kenyan hotels and those in the developed world such as Europe on energy conservation. It was reported that hotels in Europe had widespread use of energy conservation strategies with widespread use of energy efficient equipment as had been found by Cingoski and Petrevska (2018). On the contrary, the hotels because it emerge hotels in the coast region of Kenya rarely procured appliances or considerations of energy efficiency contrary to what had been found in a study by Osiako and Kumitha (2020) that there was increased uptake of energy conservation measures by hotels in the Coast region of Kenya driven by profit motives. The findings supported those of a study by Kinyanjui (2014) on growing use of green energy and existence of cost barriers in implementation of effective energy conservation strategies

#### **4.6.3 Water Conservation Strategies and Cost Reduction**

The study investigated the effectiveness of water conservation strategies on cost reduction using a scale ranging from strongly agree (SA), agree (A), neither agree nor disagree (N), disagree (D) and strongly disagree (SD) on propositions on elements of water conservation strategies. The results were as shown in table 12;

Table 12 Water Conservation Strategies and Cost Reduction

Water saving strategies/ Cost Reduction effectiveness %	SA	A	N	D	SD
i. The hotel regulates the water used in cleaning services	3.8%	39.1%	9.6%	30.7%	16.9%
ii. Water used for cleaning services is re-used for other purposes	8.0%	36.4%	8.0%	28.4%	26.4%
iii. There is harvesting of rain water for use	1.2%	30.0%	13.1%	33.1%	22.7%
iv. The hotel uses censored taps to lower usage of water	8.0%	34.7%	13.9%	28.2%	22.4%
v. The hotel desalinates sea water	4.0%	16.9%	28.5%	32.3%	21.9%
vi. The hotel recycles water	4.0%	15.8%	26.2%	43.5%	14.2%

Source: Author compilation, (2022)

The findings on effectiveness of water conservation strategies ranged from the entire continuum of the scale from strongly agree to strongly disagree. This was because the cost savings in respect to water per month were deemed to be marginal but quite significant when looked in the long term. As such the use and effectiveness were determined on whether the managers perceived them to be worthwhile or not and that determined how the hotels in the coast region of Kenya used them. That explains the spread of the responses as managers, perceptions, location of the hotels, the steadiness of their water supplies and size were all factors on use of water conservation strategies and their effectiveness. Regulation of water used in the cleaning services and re-use of water, use of censored taps to control water usage and re-using water on plants were the most effective strategies with some 39%, 36% and 35% of respondents agreeing to such a proposition.

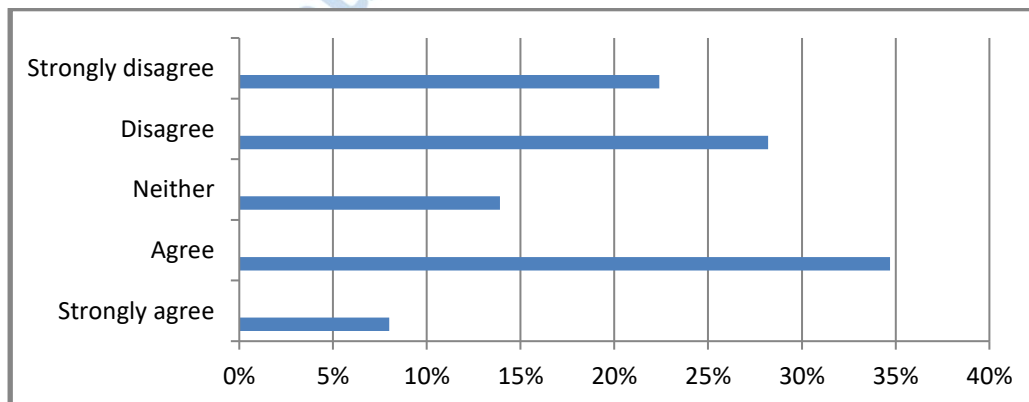


Figure 8 Use of Censored Taps and Cost Reduction

The following water conservation strategies were the least effective in cost reduction especially when the disagree and strongly disagree responses are added up; harvesting of rain water with 56%, use of drought resistant plants with 51%, desalinating of sea water with 54% and recycling of water with 58%. Thus was mostly due to lack of knowledge, skills and technical wherewithal to undertake the otherwise effective water conservation strategies. The findings of this study on water conservation were at variance with studies done in Europe and America that found that the hotels were adept at desalinating sea water and rampant reduction of water wastage and rampant recycling (Cingoski & Petreviska, 2018).

#### 4.6.4 Energy and Water Adequacy and Guest Satisfaction

The study used proxies to investigate the effect of energy and water conservation strategies on guest satisfaction. This was done by establishing the effect of having adequate energy and water provisions in various facilities, applications and service in the hotels in order to assess the effect of energy and water conservation strategies on guest satisfaction. The study used an extent scale ranging from very great extent (VGE) great extent (GE), moderate extent (ME), small extent (SE) and very small extent (VSE) to assess the effect of energy and water adequacy on guest satisfaction among hotels in the coast region and the findings were as shown in table 13 below:

*Table 13 Energy and Water Adequacy and Guest Satisfaction*

<b>Provision / Effect on Guest Satisfaction</b>	<b>VSE</b>	<b>SE</b>	<b>ME</b>	<b>GE</b>	<b>VGE</b>
i. Having fridges in the hotels	8.8%	6.3%	14.1%	10.5%	60.3%
ii. Having smart TVs in the hotel rooms	2.3%	9.1%	10.4%	13.1%	65.1%
iii. Having air conditioning in the hotel rooms	9.3%	6.2%	6.4%	23.9%	54.2%
iv. Having warm water for showers	6.4%	4.5%	11.7%	16.3%	61.1%
v. Having adequate drinking water in the hotel rooms	8.6%	3.3%	8.1%	13.3%	66.7%
vi. Daily washing of bed sheets and mats	6.0%	2.3%	7.2%	13.4%	71.1%

*Source: Author compilation (2022)*

The findings of the study revealed that energy and water adequacy had great effect on guest satisfaction and thus energy and water conservation was an important imperative for the hotels. Adequacy of adequate water for daily washing of the hotel rooms and clean drinking water for the guests were particularly influential in influencing guest satisfaction. The respondents to the study reported that daily washing of bed sheets affected guest satisfaction by a very great extent with a polling of 71% and having adequate drinking water in the rooms by 67% polling at very great extent. Some 61% of the respondent polled that having warm water in the rooms affected guest satisfaction by a very great extent. Provision of adequate energy in the hotel rooms also greatly affected guest satisfaction. The respondents polled that provision of the following energy related facilities affected guest satisfaction to a very great extent as follows; having fridges in the hotel rooms by 60%, having smart televisions by 65% and having air conditioning by 54%. Water and energy adequacy affected guest satisfaction more in five and four star hotels where the guests were not cost sensitive but were mostly looking for comfort which they were willing to pay for a premium.

#### **4.7 Supply Chain Management Practices**

The study investigated the supply chain management practices and the effect of the various supply chain management strategies on cost reduction and the findings were as follows;

##### **4.7.1 Guest Satisfaction Focus of Supply Chain Management Strategies**

The study sought to find out the focus of supply chain management among hotels in the coast region of Kenya. To this end, the respondents to the study were required to respond to a question on the effectiveness of the hotels in getting value for money from suppliers using a scale ranging from very good (VG), good (G), average (A), poor (P) and very poor (VP). The results were as follows; the findings confirmed hotels were very good in getting value of money from suppliers.

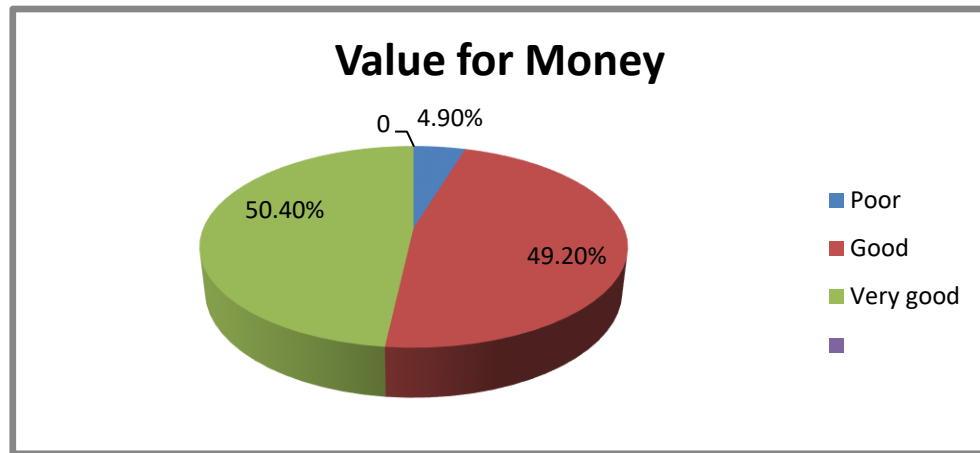


Figure 9 Supply Chain and Value for Money

#### 4.7.2 Supply Chain Management Strategies and Guest Satisfaction

The study sought to investigate how effective supply chain management strategies by hotels in the Coast region of Kenya were in ensuring guest satisfaction. A scale ranging from strongly agree (SA), agree (A), neither agree nor disagree (N), disagree (D) and strongly disagree (SD) on propositions on elements of supply chain management strategies. The results were as shown in table 14 below;

Table 14 Supply Chain Management Strategies and Guest Satisfaction

Supply Chain Performance/ Rating on Guest Satisfaction	SA	A	N
i. Supplied goods and services as per the set requirement	64.5%	34.7%	8.0%
ii. Suppliers fully understands the needs of the hotels	44.0%	54.4%	1.5%
iii. Suppliers deliver goods on time	57.9%	35.1%	6.9%
iv. The suppliers are reliable	61.6%	34.9%	3.5%
v. Suppliers are responsive on requests for emergency deliveries	56.4%	40.0%	3.5%
vi. Suppliers are flexible on supplies according to the demands of the hotel	68.7%	29.0%	2.3%

Source: Author compilation, (2022)

The findings revealed that the hotels were very effective in ensuring that the suppliers delivered guest satisfaction in their hotels. The respondents strongly agreed that the following strategies were the most effective in respect to attaining guest satisfaction in the hotels; having the suppliers deliver goods and services as per the hotels' requirements with

65%, having reliable suppliers at 62% and strategies of ensuring the suppliers are flexible to the needs of the hotels at 69%.

To some less extent, respondents strongly agreed that the following supply chain management strategies were effective in producing guest satisfaction by polling strongly agree as follow; suppliers having a long term understanding of hotels’ needs at 44%, making deliveries on time at 58% and strategies on ensuring suppliers were responsive to hotels’ needs especially during emergencies at 56%. The size of the hotels, history of financial performance as well as history of payment to suppliers were determining factors on effectiveness of various supply chain management strategies in delivering guest satisfaction in hotels.

#### 4.7.3 Supply Chain Management Strategies and Cost Reduction

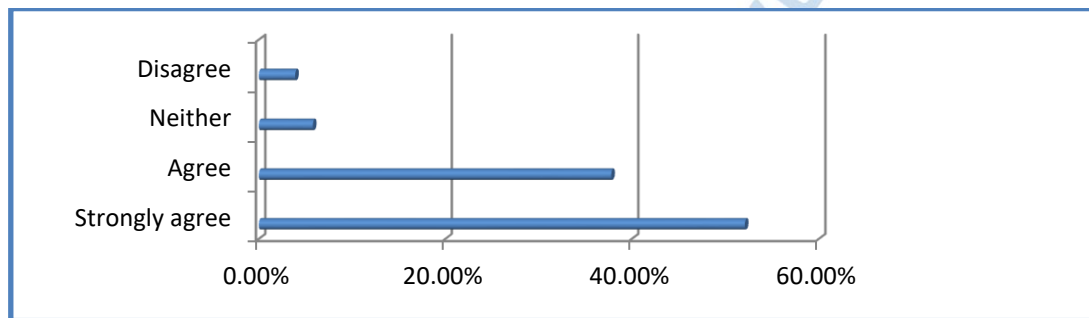
The study sought to establish the effectiveness of supply chain management strategies in delivering cost reduction to hotels in the Coast region of Kenya. A scale ranging from strongly agree (SA), agree (A), neither agree nor disagree (N), disagree (D) and strongly disagree (SD) on propositions on elements of supply chain management strategies. The results were as shown in table 15 below;

*Table 15 Supply Chain Management Strategies and Cost Reduction*

<b>Supply chain Management strategies/ Cost Reduction Scale</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>
i. Sharing information on timely basis with suppliers	55.4%	39.5%	5.0%	0.0%
ii. Constantly re-negotiate contracts with suppliers	51.4%	46.7%	1.5%	4%
iii. Competently vetting the suppliers to this hotel	48.8%	48.4%	1.9%	8.0%
iv. Using technology such as e-procurement to lower costs	52.1%	37.8%	5.8%	3.9%
v. Ensuring that there is high inventory turn over	51.7%	43.2%	4.2%	8.0%
vi. Establishing long term relationship with competent suppliers	66.3%	32.9%	8.0%	0.0%

*Source: Author compilation, (2022)*

The study found that supply chain management strategies had significant effect on cost reduction among hotels in the coast region of Kenya. Strategies on information sharing, use of technology in procurement and establishment of long term relationships were the most effective in cost reduction with respondents polling strongly agree at 55%, 52% and 66% respectively. To a less extent, strategies on contract re-negotiation, increasing inventory turn-over and vetting of suppliers were polled to have an effect on cost reduction by respondents strongly agreeing at 51%, 52% and 49% respectively. The competence and experience of the managers in the hotels, bed capacity of the hotels and traffic of visitors to the hotels as evidenced by turn-over were the determining factors on the effectiveness of supply chain management strategies on cost reduction.



*Figure 10 E-procurement and Cost Reduction*

The findings of this study in regard to supply chain management practices and effect on cost reduction and guest satisfaction confirmed findings of a study by Audi (2014) that supply chain management practices improves guest satisfaction and reduction of operational costs. The findings established that hotels in the coast region of Kenya were establishing long term and productive relationships with suppliers thus negating findings by Pi and Deng, (2010) that there was poor integration of suppliers into operations of hotels.

However, the findings of this study were in sync with findings of Hutt and Speh (2012) that hotels had challenges in vendor evaluation and re-negotiation of contracts and supported findings by Magutu, (2016) that hotels in Kenya were making significant strides in use of e-procurement and establishment of long term relationship with suppliers leading to improvement in guest satisfaction as was found among hotels in the coast region of Kenya. The findings agreed with those of Ondoro (2018) and Mugire (2011) that supply

chain management practices among hotels in Kenya was being hampered by challenges of lack of knowledge, policies and frameworks for effective undertaking.

#### **4.8 Inferential Statistics**

Correlation analysis and multiple linear regression analysis were conducted on the data to make inferences on the relationship among the study variables. The results were as follows:

##### **4.8.1 Regression Analysis**

A multiple regression analysis was carried out to determine the direction and strength of influence of the independent variables on the dependent variable based on the following model;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Dependent variable (Customer Satisfaction)

X<sub>1</sub> = Labour cost reduction strategies

X<sub>2</sub> = Outsourcing strategies

X<sub>3</sub> = Energy and water conservation strategies

X<sub>4</sub> = Supply chain management strategies

$\alpha$  = the model intercept

$\beta$  = Coefficient of independent variables

$\varepsilon$  = Margin of Error

#### 4.8.2 Model Summary

The model summary for the regression analysis is presented in table 17 below:

*Table 17 Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.653 <sup>a</sup>	.427	.418	.31069	.427	46.913	4	252	.000

- a) Dependent variable: Guest satisfaction
- b) Predictors: Labour cost cutting strategies, outsourcing strategies, energy and water conservation strategies and supply chain management strategies

*Source: Author Compilation, (2022)*

$R^2$  signifies the values of multiple correlation coefficients between the variables used in the model and Guest satisfaction (GS). The  $R^2$  was the measure of variability in Guest satisfaction that is accounted for by the independent variables. The model, ( $R^2 = .427$ ) shows that all independent variables account for 42.7% variation for guest satisfaction. Therefore, independent variables in the model have taken into consideration the variation in guest satisfaction. The adjusted  $R^2$  reveals how well the model generalizes and its value should be ideally the same value or a close value to  $R^2$ . In this case, the value of adjusted  $R^2$  was .418, showing that if the data was derived from entire population rather than the sample as it the case for the study it account for close to 41.8% least variance in guest satisfaction. To test whether the change in  $R^2$  was significant using the F ratio, change statistics was used. This made  $R^2$  to adjust from zero to .427 which gave rise to an F ratio of 46.913, and its significant at .05.

To test if the model significantly predicted the outcome, the mean the analysis of variance (ANOVA<sup>a</sup>) was done

### ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.114	4	4.529	46.913	.000 <sup>b</sup>
	Residual	24.326	252	.097		
	Total	42.440	256			

a. Dependent Variable: GS

b. Predictors: (Constant), SCMP, EWSS, OSS, LCCS

The F-ratio was the improvement in prediction in that the results fit the model clearly, relative to the inaccuracy that exists in the model. The F-ratio was 46.913 which was significant ( $P < .05$ ) and likely to happen by probability. The ability to predict the guest satisfaction was significantly improved by the model.

#### **4.8.3 Correlation Analysis & Hypothesis testing**

Correlation analysis was conducted to establish the size, direction and statistical significance of the relationship between the dependent variable and independent variables and thus confirm or disconfirm the study hypothesis using Pearson co-efficient of correlation. Table 4.7 shows the results whereby the dependent variable of guest satisfaction is denoted GS and the independent variables are denoted as follows; labour cost reduction strategies (LCRS), outsourcing strategies (OSS), Energy and water conservation strategies (EWCS) and supply chain management practices (SCMP). The results were as shown in table 16 below:

*Table 16 Correlation Analysis*

		GS	LCCS	EWSS
Pearson Correlation	GS	1.000	-.116	.099
	LCCS	-.116	1.000	.725
	EWCS	.099	.725	1.000
Sig. (1-tailed)	GS	.	.032	.057
	LCCS	.032	.	.000
	EWCS	.057	.000	.
N	GS	372	372	372
	LCCS	372	372	372
	EWCS	372	372	372

*Source: Author Compilation, (2022)*

Through an interpretation of the Pearson correlations using the co-efficient of correlation ( $r$ ) we can reduce the size of correlation, deduce if the relationship between variable is positive or negative and make inferences if the relationship between variables is statistically significant. The relationship between labour cost reduction strategies and guest satisfaction is negative ( $r = -1.116$ ). Thus labour cost reduction strategies negatively affected guest satisfaction among hotels. As such, the null hypothesis that labour cost reduction strategies do not significantly affect guest satisfaction among hotels is accepted because  $r$  is more than 0.05 and thus there is not statistical significance.

Likewise there exist a negative and insignificant relationship between outsourcing strategies and guest satisfaction ( $r = -.121$ ) thus accepting the null hypothesis that outsourcing strategies do not affect guest satisfaction among the hotels as there is no statistical significance. There exist positive relationship between energy and water saving strategies and guest satisfaction ( $r = 0.099$ ). However, there is no statistical significance thus accepting the null hypothesis that water and energy conservation strategies do not significantly affect guest satisfaction in hotels in the coast region of Kenya.

The analysis also revealed that there existed positive relationship between supply chain management strategies and guest satisfaction among hotels in the coast region of Kenya ( $r = 0.0634$ ). With the size of  $r$  being more than 0.05 the null hypothesis that supply chain

management strategies do not significantly affect guest satisfaction among hotels in the coast region was accepted.

#### **4.8.4 Co-efficient of Determination**

The co-efficient of determination for the regression analysis which determined the changes in guest satisfaction as a result of the independent variables are presented in table 18 below. The table on the co-efficient of determination confirmed that changes in the dependent variable of guest satisfaction were as a result of changes in the independent variables. However, only energy and water conservation strategies and supply chain management strategies had statistically significant effects on guest satisfaction with p values of 0.006 and 0.00 respectively. Out of the four independent variable, two variables of labour cost reduction strategies ( $p= 0.334$ ) and outsourcing strategies ( $p= 0.561$ ) that were not statistically significant to guest satisfaction as they recorded p value of above 0.005 as captured in table 4.7.2. From the reading of the standardized co-efficient in the table and assuming that all other factors were constant at zero, energy and water conservation strategies caused 19.5% increase in guest satisfaction while supply chain management strategies caused 62.4% increase in guest satisfaction among hotels at 95% level of confidence.

Table 18 Co-efficient of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1 (Constant)	1.647	.365		4.512	.000	.928	2.366			
LCCS	-.063	.065	-.072	-.968	.334	-.192	.065	-.116	-.061	-.046
OSS	-.028	.048	-.029	-.583	.561	-.121	.066	-.121	-.037	-.028
EWSS	.137	.050	.195	2.748	.006	.039	.235	.099	.171	.131
SCMP	.593	.049	.624	12.05	.000	.496	.690	.634	.605	.575

c) Dependent variable: Guest satisfaction (constant)

d) Predictors: Labour cost cutting strategies, outsourcing strategies, energy and water conservation strategies and supply chain management strategies

Source: Author Compilation, (2022)

$\beta$  value indicates that guest satisfaction has a relation with each predictor. A negative correlation between LCCS AND OSS as reflected by negative  $\beta$  values & a positive correlation between the EWSS AND SCMP as reflected by positive  $\beta$  values.

The model may then be specified as:

$$GS = 1.647 - 0.063LCCS - 0.028OSS + 0.137EWSS + 0.593SCMP \dots \dots \dots \text{Equation 1.0}$$

To identify if independent variables had significant input to the model t test was carried out. A significant T-test linked with b-values reveals that independent variable has significant input to the model. From the study findings model, LCCS (t= -0.968, P <.05), OSS (t=-0.583, P<.05); EWSS (2.748, P<.05); SCMP (t =12.05, P<.05).

IF p-value = 0.000 < 0.05 Reject  $H_0$  and conclude that there is statistically significant difference between the two paired variables.

GS vs LCCS: T value is LCCS ( $t = -0.968$ , while p value is 0.334) then based on the above statement the study accepted hypothesis that:

***H<sub>01</sub>: Labour cost reduction strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya (hypothesis accepted)***

GS vs EWSS: T value is EWSS ( $t = 2.748$ , p value is 0.006) then the study reject the hypothesis that:

***H<sub>02</sub>: Energy and water saving strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya (Hypothesis rejected)***

GS vs OSS: T value is OS (T value is  $t = -0.583$ , P value is 0.561) then the study accept the hypothesis that:

***H<sub>03</sub>: Outsourcing strategies do not have a significant effect on guest satisfaction in 2-5 star hotels in the coast region of Kenya (Hypothesis Accepted)***

GS vs SCMS: T value is SCMS (T value is  $t = 12.05$ , P value is 0.006) then the study reject the hypothesis that:

***H<sub>04</sub>: supply chain management strategies do not have a significant effect on strategies on guest satisfaction hotels in the coast region of Kenya. (Hypothesis rejected)***

Thus, the Out sourcing strategies supply chain management had a significant input guest satisfaction.

Multiple regression coefficients of the independent variables were used to find how strong the influence of each of the independent variables had on the dependent variable. SCMP with a standardized beta of 0.624 had the strongest significant influence on guest satisfaction, compared to EWSS with a standard beta of 0.195 and OSS (-0.29) LCCS (-0.072). According to these findings, SCMP positive high t value shows high correlation between SCMP and guest satisfaction. In conclusion, SCMP had 62.4.0% changes on guest satisfaction followed by EWSS with 19.5.0% change and OSS AND LCCS affects guest satisfaction negatively.

Conversely, labour cost reduction strategies caused a decrease of 7.2% on guest satisfaction while outsourcing strategies caused a decrease of 2.9% on guest satisfaction among hotels. The findings from the regression analysis on variables having positive and negative effect on guest satisfaction in hotels in hotels was in line with earlier findings that reported diverse and contradicting relationships between cost reduction strategies and guest satisfaction with only some cost reduction strategies positively affecting guest satisfaction (Matzler et al, .2016; Munari et al,. 2013).

#### **4.9 Conclusion of the study findings**

Guest satisfaction was well aligned with the classifications and accreditations of the hotels with the 5 star hotels enjoying the highest levels of guest satisfaction with a mean of 4.76, followed by 4 star hotels at 4.70, 3 star hotels at 4.14 and 2 star hotels at 4.31. It was explained that performance in guest satisfaction was one of the considerations in the upward classification of hotels and as such hotels with superior accreditations such as 5 star hotels had longer and considerable experience and practices of ensuring guest satisfaction at very high levels accompanied by high levels of training of staff on the same. Guest satisfaction was highest with the front office department and lowest with the accounting and finance department mostly because of the engaging nature of the staffers at the front offices

Use of labour cost reduction strategies had insignificant and negative effect on guest satisfaction among hotels mainly because of the unpopularity of the strategies among the staff, the negative effect of casual labours and laying off staff on service quality, a manifest lack of structured approach and minimal training of staff in the hotels. Labour cost reduction strategies were mostly employed by 4 star hotels with a mean of 3.54 followed by 3 star hotels with a mean of 3.43. 5 star hotels were third with a mean of 3.21 with the 2 star hotels using the minimum of labour cost strategies with a mean of 3.20 attributed to the small size of the hotels and predictability of their business model This was attributed to the hotels use of casual labour and use of laying off staff by both 3 star and 4 star hotels as the hotels experiences seasonal fluctuations in number of guest. The hotels are the most affected by changes in economic and security situations in the coast region of Kenya. Labour cost reduction strategies were mostly practiced at the housekeeping departments

Use of outsourcing strategies had negative and minimal effect on guest satisfaction among the hotels because most of the hotels were reluctant in use of outsourcing strategies mainly because of fear of losing control and cost implications because of lack of standardization of pricing, 2 star hotels were leading in outsourcing with a mean of 3.27, 3 star hotels at 3.12, 5 star hotels at 3.06 with the 4 star hotels with the lowest use of outsourcing strategies with a mean of 2.86. The four star hotels had the best in-house staffing in all departments and thus the minimal use of outsourcing. 2 star and 3 star hotels had constrained worries on losing quality and control as a result of outsourcing leading to greater use of outsourcing than 4 star and 5 star hotels that had quality service delivery as their overriding priorities. It is only the guest relations departments that did not experience outsourcing because of the need to maintain control by the hotels.

Use of energy and water conservation strategies had some significant effect of guest satisfaction among hotels in the coast region of Kenya. The greatest use of energy and water conservation strategies was by the 5 star hotels and 4 star hotels with means of 3.11 and 3.50 respectfully. This was attributed to the fact that the hotels had the financial wherewithal to purchase the energy efficient appliances and water efficient equipment more than the 2 star and 3 star hotels than only effected cheap energy and water conservation strategies such as use of energy saving bulbs and recycling of water for other purposes. On use of energy and water conservation strategies, 3 star hotels had a mean of 3.12 with 2 star hotels

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The chapter contains a summary of the findings presented in chapter four, conclusions from the study and recommendations for practice and for further studies in the topic arising from gaps identified in the findings as follows;

### **5.2 Summary of Major Findings**

The summary of major findings of the study as organized per the variables is as follows:

#### **5.2.1 Guest Satisfaction**

It was found that hotels in the coast region of Kenya placed very high premium on guest satisfaction which is a key contributor of income in the sector. Likewise, the respondents to the study rated the hotels very highly on guest satisfaction with over 50% of the respondents reporting that the hotels were very good in providing and maintaining high standards of guest satisfaction. The hotels were particularly competent in handling of guest complaints and retention of guest. Although cost reduction strategies affected guest satisfaction significantly, the contribution of each of the cost reduction strategies on guest satisfaction were different, diverse and some negative and insignificant as follows;

#### **5.2.2 Labour Cost Reduction Strategies**

Most of the labour cost reduction strategies used by hotels in the coast region of Kenya had minimal and negative effect on guest satisfaction. The hotels mainly used casual labours, staff redundancy strategies characterized by regular laying-off staff that negatively affected service quality and guest satisfaction. Productive labour cost cutting strategies such as use of cross training and use of contracted specialized staff were rarely used by the hotels save for a few well established hotels holding classifications of 4 star and 5 star hotels leading to negative effect of cost reduction strategies on guest satisfaction among hotels in the coast region of Kenya.

#### **5.2.3 Outsourcing Strategies**

Outsourcing strategies were only marginally used by hotels in the coast region of Kenya because of wrong misconceptions on cost implications and lose of control on business by hotels managers and owners. The result was outsourcing having minimal, insignificant and

negative effect on guest satisfaction among the hotels. However, there was notable outsourcing in areas of security, laundry, marketing and transportation of guest but widespread use of outsourcing was hindered by lack of regulating laws, lack of standardized and predictable costing systems and absence of service level agreements between hotels and vendors. Only outsourcing of transport, security and marketing had notable effects which were mostly on cost advantage in reduction in number of staff and hardly on guest satisfaction.

#### **5.2.4 Energy and Water Conservation Strategies**

Energy and water conservation strategies had some significant and positive effect on guest satisfaction among hotels in the coast region of Kenya. The hotels were most effective in use of energy conservation strategies than water conservation strategies which were deemed to have little impact on cost and guest satisfaction. Use of energy saving bulbs and use of renewable energy such as solar were the most effective cost reduction strategies in respect to energy while energy conservation strategies such as procuring of energy efficient appliances were only used by a few hotels in the coast region of Kenya. Use of censure taps and recycling of water were the most used water conservation strategies with other strategies such as harvesting of rain water and desalinating of ocean water being only marginally used by hotels in the coast region of Kenya.

#### **5.2.5 Supply Chain Management Strategies**

Use of supply chain management strategies had the most significant effect on both cost reduction and guest satisfaction. It was found that the hotels were very good at getting value for money from suppliers with over 50% of the respondents rating the hotels as very good on management of suppliers and getting value for money. Guest satisfaction through supply chain management strategies was mainly achieved by hotels making sure the suppliers met specified requirements in delivery of goods and services, made deliveries on time, were responsive to specific needs of the hotels after understanding their needs. The hotels were adept at sharing of information with suppliers, using technology in mainstreaming procurement and maintaining long term relationships with suppliers which boosted guest satisfaction significantly.

### **5.3 Conclusions**

The study concludes that cost reduction strategies affects guest satisfaction among hotels in the coast region of Kenya significantly. Cost reduction strategies account for 42.7% of changes in guest satisfaction in the hotels. However, only energy and water conservation strategies and supply chain management strategies that had positive and significant effect on guest satisfaction. Supply chain management strategies had the greatest effect on guest satisfaction accounting for 62.4% of changes in guest satisfaction with energy and water conservation strategies accounting for 19.5% of changes in guest satisfaction. Labour cost reduction strategies and outsourcing strategies had negative and insignificant effects on guest satisfaction among hotels in the coast region of Kenya at -7.2% and -2.9% respectively.

### **5.4 Recommendations**

The study makes the following recommendations for the practice of hoteliers in line with the negative findings of the study;

- i. The hotel industry should introduce policies on cost cutting strategies such as water conservation, energy supply and outsourcing which has a positive impact on guest satisfaction.
- ii. Training on cost cutting approaches by industry stakeholders. The metrics used for evaluation and classification of hotels as either 5 star, 4 star, 3 star or 2 star should be widely publicized so as they contain essential provisions for guest satisfaction. The guidelines should incorporate cost reduction as a measure of excellence among hotels to encourage the practice.
- iii. The regulator in the hotel and hospitality industry should develop and enforce guidelines for use of casual labour and laying-off of staff as currently the practices are being done on ad-hoc basis and are injurious to the welfare of the staff and guest satisfaction in hotels. This was the main reason for cost reduction strategies not leading to guest satisfaction.
- iv. The hoteliers, through their association, should develop guidelines for outsourcing services replete with service level agreements and standardized uniform charges to encourage more hotels to outsource as outsourcing was found by the study to be

significantly contributing to guest satisfaction and cost reduction. The study found that only a few hotels were using outsourcing on all areas of service provision leading to insignificant contribution of outsourcing to guest satisfaction.

- v. Hotel managers should be sensitized on the cost advantages of using modern and sophisticated energy conservation strategies such as procuring electronic gadgets and other appliances on the basis of energy conservation and efficiency because hotels are mostly using elementary energy conservation measures like use of energy saving bulbs with minimal investments in energy efficient appliances.
- vi. Regulations should be enacted and enforced to ensure hotels in fresh water scarce areas such as the coast region of Kenya are compelled to use the basic and cost effective water conservation strategies such as harvesting of rain water, use of censure taps and recycling of water as these conservation measures are not being implemented robustly by hotels despite their obvious cost reduction potential
- vii. Hotel managers should be sensitized and encouraged to avoid transactional dealings with suppliers but rather engage supplier management strategies such as pre-qualification and stakeholders approach to suppliers who should be invited to hotel functions as partners to enable suppliers understand the operations of the hotels and further boost their commitment and responsiveness to the needs of the hotels. This recommendation is made as the study found that effective supply chain management strategies had very significant effect on guest satisfaction.

### **5.5 Suggestions for Further Studies**

The following studies should be carried out to fill the gaps in identified on cost reduction and guest satisfaction among hotels;

- i. A study should be carried out on the motivation for guests visiting hotels to inform on the measures of service quality that lead to guest satisfaction. Another study should be conducted in different location such as Nairobi &/ Kisumu with a wider target population that includes employees and guests.
- ii. A study should be conducted on role of labour relations practices on guest satisfaction among hotels in the coast region of Kenya

- iii. Studies should be conducted on factor affecting outsourcing of diverse services by hotels in different status of accreditation and classification in Kenya
- iv. A study should be conducted on institutional determinants of use of both water and energy conservation strategies by hotels
- v. Studies should be conducted on critical success factors on use of supply chain management strategies by diverse category of hotels



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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

#### PART A: GENERAL INFORMATION

**1. The following are hotel classes, kindly tick your hotel's class:**

5 Star    4 Star    3 Star    2 Star    1 Star

**2. Kindly indicate the number of years the hotel has been operating:**

Less than 5 years    6-10 years    11-15 years    16- 20 years  
 More than 20 years

**3. Please indicate the position/designation you hold in your hotel**

Department	Manager	Supervisor
Accounting		
Front office		
Food & Beverage		
Housekeeping		
Guest Relationship		
Security		
Human Resource Management		

#### PART B: LEVEL OF GUEST SATISFACTION

**4. As a staff, how would you rank this hotel's level of customer satisfaction?**

Very good      Good      Average     
 Poor      Very poor  

**5. When it comes to measuring visitor satisfaction at this hotel, how often have the following events occurred in the last year?**

Guest Satisfaction measures	Always	Regularly	Often	Rarely	Never
i. Numerous repeat guests at this hotel					
ii. Customers are recommending this hotel to their friends and family.					
iii. Maintaining a long-term relationship with business customers after their first visit to hotel					
iv. Resolving customer issues in a way that makes them happy					

**PART C: LABOURCOST CUTTING STRATEGIES**

6. Using the scale provided, rate how often the following methods of reducing labor costs are employed by the hotel.

<b>Labor cost reduction metrics</b>	<b>Always</b>	<b>Regularly</b>	<b>Often</b>	<b>Rarely</b>	<b>Never</b>
i. Staff retraining and development					
ii. On-demand hiring of specialist workers					
iii. Bringing in outside experts to help with onboarding and training current employees					
iv. Laying off employees with the help of a casual laborer					
v. Any other (please specify)					

7. Use the supplied scale to score the effectiveness of the following labor cost-cutting methods in reducing this hotel's wage bill. Where  
 5= To a very great extent, 4 = Great extent, 3 = Moderate extent, 2 = To a small extent, 1= To a very small extent.

<b>Strategy/ Scale</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
i. Staff retraining and development					
ii. On-demand hiring of specialist workers					
iii. Bringing in outside experts to help with onboarding and training current employees					
iv. Laying off employees with the help of a casual laborer					
v. Any other (please specify)					

**PART D: OUTSOURCING STRATEGIES**

8. Indicate whether or not the hotel employs outside organizations to perform the following tasks on its behalf and without involving hotel employees with a simple yes or no.

<b>Activity/ Scale</b>	<b>Yes</b>	<b>No</b>
I. Providing a sense of safety		
II. Service providers for housekeeping		
III. Services for doing laundry		
IV. Services of a housekeeper		
V. Promoting a product or service		

VI. Getting passengers to and from the airport		
--	--	--

9. Outsourcing these services has resulted in lower costs than if they had been performed by hotel workers, rate according to the scale given. Where.5= To a very great extent. 4= Great extent, 3= Moderate extent, 2= To a small extent, 1= To a very small extent.

<b>Outsourcing</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
i. Providing a sense of safety					
ii. Service providers for housekeeping					
iii. Services for doing laundry					
iv. Services of a housekeeper					
v. Promoting a product or service					
vi. Getting passengers to and from the airport					

10. The following advantages of outsourcing for the hotel can be evaluated using the scale supplied. Where: 5=Strongly Agree, 4= Agree, 3= Moderate, 2=Disagree, 4=Strongly Disagree

<b>Outsourcing advantages</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
i. Fewer people are employed as a result of outsourcing.					
ii. The operational costs of outsourcing are reduced.					
iii. New technology is brought in by other companies.					
iv. Hotel staff is more inefficient than outsourced companies.					
v. Then there's (please specify)					

**PART E: ENERGY AND WATER SAVING STRATEGIES**

11 Please give your opinion on the hotel's energy-saving abilities.

Very good [ ] Good [ ] Average [ ]  
 Poor [ ] Very poor [ ]

12 This hotel's ability to conserve water should be evaluated as per below scale:

Very good [ ] Good [ ] Average [ ]  
 Poor [ ] Very poor [ ]

13. Use the scale provided to help you evaluate the hotel's efforts to reduce its energy consumption. "Where: 5=Strongly Agree, 4= Agree, 3= Neither agree nor disagree 2=Disagree, 4=Strongly Disagree

<b>Energy Saving Strategies</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
i. The hotel's operating costs are lower because it uses renewable energy sources.					
ii. Efforts are made to conserve energy at the hotel.					

iii.	The hotel is equipped with new appliances that use less energy					
iv.	Lamps that are more energy-efficient.					
v.	To keep costs down, the hotel has implemented automated lighting and cooling systems.					
vi.	Refrigerators and elevators are purchased based on their energy efficiency.					
vii.	In order to conserve energy, the heating of swimming pools is done so.					
viii.	Any other (please specify....					

14. This hotel's water saving efforts can be evaluated using the scale provided below. Where: 5=Strongly Agree, 4= Agree, 3= Neither agree nor disagree 2=Disagree, 4=Strongly Disagree

Water saving strategies	5	4	3	2	1
i. Cleaning services at the hotel are subject to water usage restrictions.					
ii. Cleaning service water is recycled and put to other uses.					
iii. for the hotel's use, rainwater is harvested					
iv. Landscape plants that are drought-resistant are utilised in the hotel's water conservation efforts.					
v. In an effort to conserve water, the hotel has installed restricted taps in its restrooms.					
vi. Seawater is desalinated and recycled at the hotel.					
vii. Any other (please specify....					

#### PART E: SUPPLY CHAIN MANAGEMENT PRACTICES

15. Use the scale provided to rate this hotel in terms of how it guarantees that suppliers of goods and services to this hotel get value for their money.

Very good [ ]      Good [ ]      Average [ ]  
 Poor [ ]      Very poor [ ]

16. Provided below is a scale for you to rate the performance of this hotel's suppliers in the following areas. Where: 5=Strongly Agree, 4= Agree, 3= Neither agree nor disagree 2=Disagree, 4=Strongly Disagree

<b>Supply chain performance/ Scale</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
i. In accordance with the established specifications, deliver goods and services					
ii. Has a good grasp of the needs of hoteliers					
iii. Delivers the items on time and reliably responds quickly to requests for emergency deliveries					
iv. Depending on the needs of the hotel, they can adjust their supplies accordingly.					

17. In each of the following areas, using the scale provided, rate how well this hotel performs in terms of relationships with suppliers: Where: 5=Strongly Agree, 4= Agree, 3= Neither agree nor disagree 2=Disagree, 4=Strongly Disagree

<b>Supply chain performance/ Scale</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
i. Provide suppliers with timely updates on new information.					
ii. Re-negotiate contracts with suppliers on a regular basis.					
iii. The hotel's vendors should be thoroughly vetted.					
iv. Reduce costs by utilizing e-procurement technology.					
v. Make sure there is a lot of turnover in your inventory.					
vi. As part of a long-term partnership with a competent supplier,					

**APPENDIX 1I: INTRODUCTION LETTER**



**DIRECTORATE OF GRADUATE STUDIES**

MHM/2017/66051

22<sup>nd</sup> October, 2021

*The Director, Research Coordination Division  
National Commission for Science, Technology & Innovation  
Utalii House, 8<sup>th</sup> & 9<sup>th</sup> Floor  
P.O Box 30623- 00100  
NAIROBI*

Dear Sir/Madam,

**RE: SUSAN WOTHAYA GATURU - REGISTRATION NO. MHM/2017/66051**


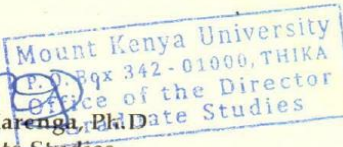
The purpose of this letter is to introduce the above named student who is pursuing **Master of Science in Hospitality Management** in the **Department of Hospitality Management** in the **School of Hospitality, Travel and Tourism**.

The title of her research is *"Cost Reduction Strategies and Guest Satisfaction Among Hotels in The Coast Region of Kenya"*

She has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data for her research between **November and January, 2022**.

Any assistance accorded to her will be highly appreciated.

Thank you.

  
  
**Dr. Samuel M. Karenga, Ph.D.**  
**Director, Graduate Studies**  
Enc.

## APPENDIX III: ERC LETTER



REF: MKU/ERC/1845  
TO: SUSAN WOTHAYA GATURU

REG: MHM/2017/66051

Dear Sir/Madam,

**RE: COST REDUCTION STRATEGIES AND GUEST SATISFACTION AMONG HOTELS IN THE COAST REGION OF KENYA**

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **918**. The approval period is **02/07/2021 - 01/07/2022**.


This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://oris.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

**The Chairman**  
**Mount Kenya University**  
Ethics Review Committee  
P. O. Box 342 - 0100, Thika

  
**Dr. Peter G. Kirira**  
Chairman, Mount Kenya University IERC

**APPENDIX IV: RESEARCH PERMIT FROM NACOSTI**

  
**REPUBLIC OF KENYA**

**Ref No: 732818**

**Date of Issue: 15/November/2021**

**RESEARCH LICENSE**



**This is to Certify that Miss.. SUSAN WOTHAYA GATURU of Mount Kenya University, has been licensed to conduct research in Mombasa on the topic: HOTEL COST REDUCTION STRATEGIES AND GUEST SATISFACTION IN MOMBASA COUNTY for the period ending : 15/November/2022.**

**License No: NACOSTI/P/21/14341**

**732818**  
**Applicant Identification Number**

  
**Director General**  
**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION**

**Verification QR Code**



**NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.**



**APPENDIX VII: LIST OF REGISTERED HOTELS AND RESTAURANTS IN THE  
KENYA COAST, 2021**

1	Leopard Beach Resort and Spa	Coast	Kwale	198	396	*****
2	Hemingways Watamu	Coast	Kwale	166	200	*****
3	Diani Reef Beach Resort & Spa	Coast	Kwale	143	286	*****
4	Swahili Beach Resort	Coast	Kwale	125	250	*****
5	Medina Palms Suites and Villas	Coast	Kilifi	40	70	*****
6	Baobab Beach Resort & Spa	Coast	Kwale	343	686	****
7	Sarova White Sands Beach Resort and Spa	Coast	Mombasa	335	435	****
8	Leisure Lodge Beach & Golf Resort	Coast	Kwale	253	506	****
9	Voyager Beach Resort	Coast	Mombasa	236	472	****
10	Severin Sea Lodge	Coast	Mombasa	188	376	****
11	Diani sea resort	Coast	Kwale	170	340	****
12	Serena Beach Resort and Spa	Coast	Mombasa	164	328	****
13	Turtle Bay Beach Club	Coast	Kilifi	145	290	****
14	Lantana Galu Beach	Coast	Kwale	47	240	****
15	Silver Palm Spa & Resort	Coast	Kilifi	40	80	****
16	Diamond Dream of Africa	Coast	Kilifi	35	70	****
17	Marina English Point	Coast	Mombasa	26	28	****
18	Leopard Point Luxury Beach Resort	Coast	Kilifi	15	30	****
19	Sandies Tropical Village	Coast	Kilifi	109	218	***
20	Bahari Beach Hotel	Coast	Mombasa	105	212	***
21	Indian Ocean Beach Resort	Coast	Kwale	101	180	***
22	Kenya Bay Beach Hotel	Coast	Mombasa	99	198	***
23	Royal Court Hotel	Coast	Mombasa	89	188	***
24	Mnarani Club	Coast	Kilifi	80	160	***
25	Crystal Bay Beach Resort	Coast	Kilifi	76	176	***

26	Ashnil Aruba Lodge	Coast	Taita	52	108	***
27	Isinya Resorts Limited	Coast	Mombasa	43	86	***
28	PrideInn Mombasa	Coast	Mombasa	40	96	***
29	Azul Margarita Beach Resort	Coast	Mombasa	35	98	***
30	Sentrim Tsavo East Camp	Coast	Taita	25	50	***
31	JacyJoka Apartments	Coast	Mombasa	12	16	***
32	North Coast Beach Hotel	Coast	Kilifi	124	199	***
33	Papillon Lagoon Reef Hotel	Coast	Kwale	150	300	**
34	Neptune Paradise	Coast	Kwale	92	184	**
35	Plaza Beach Hotel	Coast	Mombasa	88	176	**
36	Seven Islands Resort	Coast	Kilifi	84	226	**
37	Jambo Travellers Hotel	Coast	Kilifi	75	99	**
38	Castle Royal Hotel	Coast	Mombasa	68	99	**
39	Midview Hotel	Coast	Mombasa	68	136	**
40	Neptune Palm Beach Resort & Spa	Coast	Kwale	60	120	**
41	Morning Star Apartments	Coast	Kwale	50	65	**
42	Gasaro Hotel Limited	Coast	Mombasa	39	58	**
43	Kilili Baharini	Coast	Kilifi	35	70	**
44	Voyager Safari Camp	Coast	Taita	25	50	**

Source: TRA, (2022)