International Business & Economics Studies
ISSN 2640-9852 (Print) ISSN 2640-9860 (Online)
Vol. 2, No. 4, 2020
www.scholink.org/ojs/index.php/ibes

Original Paper

The Moderating Influence of Competitive Environment on the Relationship between Marketing Mix Strategies and Performance of Tour Firms in Kenya

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Received: October 19, 2020 Accepted: October 27, 2020 Online Published: November 13, 2020

doi:10.22158/ibes.v2n4p15 URL: http://dx.doi.org/10.22158/ibes.v2n4p15

Abstract

This study examined the competitive environment's moderating effect on the relationship between marketing mix strategies and tour firms' performance in Kenya. The researcher adopted a descriptive research design and used a survey approach to collect pertinent data for analysis. The study population comprised all tour firms, both locally and foreign-registered, operating under the Kenya Association of Tour Operators (KATO) as of September 2019. Two hundred thirty-four tour firms were surveyed out of a population of 260 registered firms. Descriptive statistical and inferential analyses were conducted and regression analysis results were used to test the hypothesis. The study established a positive and significant moderating effect of Competitive Environment (CE) on the relationship between Marketing Mix Strategies (MMS) and the Organizational Performance (OP) of tour firms in Kenya. The study's findings are significant to policymakers and stakeholders operating in the tourism industry.

They accentuate the significance to tour firms in implementing the right kind of marketing mix strategies to maximize their organizational performance. The study recommends future studies in the same area be expanded to include other travel trade areas such as hoteliers and travel agencies. Such a study would increase the empirical knowledge in the subject matter while also extending the generalizability of the results.

Keywords

Marketing Mix Strategies (MMS), Tour Firms, Competitive Environment (CE), Organizational Performance (OP)

1. Introduction

A competitive environment is an essential determinant of the marketing decision strategy to implement or standardize goods and services in global markets in attaining customer satisfaction. Research has revealed that the tourism market environment is highly competitive and unpredictable (Jogaratham & Law, 2006; Yao-li et al., 2006). The current study examined the competitive environment's moderating effect on the relationship between marketing mix strategies and organizational performance. It was anchored on the Service Marketing Theory (SMT) supported by Marketing Mix Strategy Theory (MMST) and Competitive Environment Theory (CET). A review of the extant literature shows that the performance and strategies are shaped by its environment through its interactions at multiple levels of analysis, while organizational capabilities and competitive environments are shaped by strategy and implementation (Aremu & Lawal, 2012; O'Cass & Julian, 2003). Wells (2013) views the competitive environment as an external system in which a firm operates and competes as being dynamic. Henderson and Mitchell (1997) posit that environment shapes the performance and strategies through dealings at various degrees of analysis during interactions between strategy and performance, nurturing competitive environments and organizational capabilities.

Furthermore, the competitive environment theory argues that superior performance is substantially determined by competitive advantage. A firm's operations are heavily determined by its structure and competitive dynamics, determining its profitability and performance (Schendel, 1994). Porter (2008) added that business triumphs are established on the level of structural forces of the industry it operates in.

Several empirical studies also exist that focus on the moderating impact of the competitive environment on the relationship between marketing mix strategies and organizational performance. For instance, Lin (2011) conducted a study in Taiwan to determine how the environment affects travel agency performance. The results indicated that the competitive environment is the moderating determinant of the relationship between the two variables. Lonial and Raju (2001) studied the impact of market orientation on the USA's hospital sector's performance. They established that market orientation and the hospital sector's performance in the USA were significantly related, but environmental uncertainties influence this relationship. O'Cass and Julian (2003) studied the relationship between export performance and marketing mix strategy of Australian exporters. The scholars established that competitive willpower results in a more significant adaptation that is utmost in achieving the customer's varying needs, thus enhancing customer performance in host markets by exporting firms. In Kenya, Kosure (2015) studied firms' organizational characteristics, the perceived value of investment promotion incentives, and the macro-marketing environment in Kenya's export processing zones. The study concluded that market orientation affects performance and external environmental factors moderate the relationship between market orientation and performance and directly influence performance.

The researcher anticipates the study's findings to shed more light on the existing and current theoretical debates on marketing mix strategies and organizational performance. The study's findings add to the extant literature on the competitive environment as an essential determinant of the marketing decision strategy to implement or standardize goods and services in global markets in attaining customer satisfaction.

2. Method

2.1 Research Design

The current study was anchored on the positivist philosophy. The researcher sought to ascertain the nature of existing affiliations that underlie the variables, test the hypotheses formulated and deduce generalizations from the research findings. A descriptive research design was adopted, with data collection, mainly being executed using a survey approach.

2.1.1 Sample, Sample Size and Data Collection

The study population comprised all tour firms, both locally and foreign-registered, operating under the Kenya Association of Tour Operators (KATO) as of September 2019. A total of 234 tour firms were surveyed out of the possible 260 registered firms, with 131 responses being recorded. 10 of the questionnaires were incomplete giving 121 as the final sample size. 51.7% of the collected and complete responses formed the surveyed firms' representative sample size for further analysis. The researcher used both inferential research and descriptive cross-sectional research designs at the data analysis stage, with hypothesis testing being done using regression analysis.

3. Result

The study focused on Porter's (2008) five-competitive-forces model and also technological turbulence. This comprised: the threat of new entrants, bargaining power of buyers; the threat of substitute goods/services; bargaining power of suppliers; rivalry among firms; and technological turbulence. These components were measured and reduced into the composite scores of the competitive environment. Table 1 displays a summary of descriptive statistics results for competitive environment sub-components.

Table 1. Summary Descriptive Statistics for Competitive Environment

No.	Competitive Environment (Composite scores)	N	Mean Score	Std. Deviation	Cv (%)
i)	Threat of new entrants	121	3.42	1.20	37
ii)	Bargaining power of buyers	121	3.83	1.02	27
iii)	Threat of substitute goods/services	121	3.93	1.04	27
iv)	Bargaining power of suppliers	121	3.77	1.08	29
v)	Rivalry among firms	121	4.15	0.96	24

vi) Technological turbulence	121	4.24	0.90	21
Overall	**121**	**3.89**	**0.99**	**26**

The results in Table 1 give a mean score of 3.89, the standard deviation of 0.99 and a coefficient of variation of 26%. This shows that tour firms consider the competitive environment as a good contributor to organizational performance. All the sub-variables of the competitive environment (the six under review) have a Coefficient of Variation (Cv) equal to or less than 37%, indicating that individually, all the six variables are good contributors to organizational performance. It is further observed that both sub-variables, rivalry among firms and technological turbulence had coefficients of variation that were 24% and 21%, respectively, meaning that tour firms considered both as very good contributors to organizational performance. Not surprisingly, technological turbulence has the lowest coefficient of variation at 21%, meaning that the tour firms felt it is the most significant sub-variable contributing to the competitive environment.

The study examined the moderating effect of Competitive Environment (CE) on the relationship between Marketing Mix Strategies (MMS) and Organizational Performance (OP) of tour firms in Kenya. The hypothesis formulated was: H_1*: The relationship between marketing mix strategies and organizational performance is not significantly moderated by the competitive environment.* The hypothesis was tested by using Baron and Kenny's (1986) three-step models of moderation. The derived statistical results from simple regression analysis are presented in Table 2.

Table 2. The Moderation Effect of Competitive Environment on the Relationship between Marketing Mix Strategies and Organizational Performance

Model Summary[d]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.752[a]	.565	.562	.18983	.565	154.816	1	119	.000	
2	.865[b]	.748	.744	.14514	.183	85.572	1	118	.000	
3	.897[c]	.805	.800	.12829	.057	34.021	1	117	.000	1.945

a. Predictors: (Constant), MMS

b. Predictors: (Constant), MMS, CE

c. Predictors: (Constant), MMS_ CE Interaction

d. Dependent Variable: OP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.579	1	5.579	154.816	.000[b]

	Residual	4.288	119	.036		
	Total	9.867	120			
2	Regression	7.381	2	3.691	175.207	.000[c]
	Residual	2.486	118	.021		
	Total	9.867	120			
3	Regression	7.941	3	2.647	160.832	.000[d]
	Residual	1.926	117	.016		
	Total	9.867	120			

a. Dependent Variable: OP

b. Predictors: (Constant), MMS

c. Predictors: (Constant), MMS, CE

d. Predictors: (Constant), MMS_ CE Interaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.804	.187		9.652	.000		
	MMS	.573	.046	.752	12.443	.000	1.000	1.000
2	(Constant)	.926	.172		5.393	.000		
	MMS, CE	.221	.052	.290	4.253	.000	.461	2.170
3	(Constant)	.641	.159		4.021	.000		
	MMS_CE interaction	.386	.060	.440	6.436	.000	.357	2.804

a. Dependent Variable: OP

Scale; MMS=Marketing Mix Strategies, CE=Competitive Environment, OP=Organizational Performance.

Table 2 shows that model 1 is significant (p-value < 0.05, R^2= .565) implying that a competitive environment explain 74.8% of variation in organizational performance. Further, upon the introduction of the interaction term, the coefficient of determination (R^2) changed from .565 in model 1 to .748 in model 2, then to .805 in model 3, therefore, giving a variation change of .057, which is significant at 95% confidence level (p=0.000<0.05). Further, the change in p-value in model 3 is 0.00, which is also significant (p-value<0.05), implying that competitive environment significantly moderates the relationship between marketing mix strategies and organizational performance. The results further depict that F-value for all the three models was high and significant (F=154.816 for model 1; F=175.207 for model 2 and F=160.832 for model 3), implying that the overall models for direct and moderating relationships are significant and have explanatory value in explaining performance. The results further show that marketing mix strategies and competitive environment individually are significant in explaining organizational performance ($t=12.443$, $p<0.05$) for model 1, ($t=4.253$, $p<0.05$) for model 2 and for model 3 when interaction term is introduced it is also significant ($t=6.436$, $p<0.05$). Therefore based on the results of the test, the hypothesis that the competitive environment does not significantly moderate the relationship between marketing mix strategies and organizational performance was rejected.

4. Discussion

The findings of the study empirically established a positive and significant moderating effect of the Competitive Environment (CE) on the relationship between marketing mix strategies (MMS) and the Organizational Performance (OP) of tour firms in Kenya. The results are consistent with Katsikeas, Samiee and Theodosiou (2006). They posited that a competitive environment is an essential determinant of the marketing decision strategy to implement or standardize goods and services globally to attain customer satisfaction. Henderson and Mitchell (1997) and Katsikeas, Samiee and Theodosiou (2006) explained that environment shapes a firm's performance and strategies through its interactions at multiple levels of analysis while organizational capabilities and competitive environments are shaped by strategy and performance.

The findings also support the competitive environment theory, which argues that superior performance is substantially determined by competitive advantage. A firm's operations are heavily determined by its structure and competitive dynamics, which determine its profitability and performance (Schendel, 1994). The theory postulates that the results from a firm's activities and firm strategies are influenced by the market environment, which also affects the business's performance. The environmental changes shape organizational capabilities through information received from the environment (Ingram & Baum, 1997).

The results are also consistent with other previous scholarly works (Aremu & Lawal, 2012; Njeru, 2013; O'Cass & Julian, 2003). Further, the current study's findings are consistent with and largely corroborate the presumptions of the competitive environment theory that posits that the environment helps to shape strategies that define the organization's performance. The current study results indicate that a competitive environment is an essential determinant of the marketing mix strategy to implement or standardize goods and services in global markets in attaining customer satisfaction.

The study findings' present, as part of the recommendations, a need for further research in other sectors to assess the competitive environment's moderating effect on the interaction between marketing mix strategies and organizational performance. Such studies would increase the empirical knowledge in the subject matter while also extending the generalizability of the study findings.

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