Assessment of Industry Competition and Marketing Productivity on the Performance of Hotel Firms in Kenya

Dr. Joseph A. Mose, PhD

School of Business, University of Nairobi, P.O BOX 30197-00100, Nairobi, Kenya

Abstract

The principal objective of the study was to empirically assess the influence of industry competition (new entrants, substitute services, power of buyers, power of supplier and rivalry among firms) and marketing productivity (marketing activities and salesforce performance) on the performance of hotel firms in Kenya. The pertinent hypotheses were derived from the objectives. The study population comprised 209 hotel firms registered with the Kenya Association of Hotelkeepers and Caterers (KAHC) which is the principal umbrella body that brings together duly registered hotels, lodges, restaurants, membership clubs and camps operating in Kenya. A descriptive cross-sectional survey was used. The relevant primary data were collected from Chief Executives and Senior Managers using semi-structured questionnaire. Data were analyzed using descriptive statistics, inferential statistics and regression analysis.The results of the study revealed that both industry competition and marketing productivity significantly influences performance. The coefficient of determination (R^2) showed that industry competition explained 18% of the variation in overall firm performance. Holding other factors constant, a unit increase in industry competition would cause a 0.426 increase in firm performance. A t-value of 4.344 was established at p=0.000 depicting that the relationship was statistically significant at 95% confidence level (p-value < .05). On the other hand the coefficient of determination (R^2) depicted that marketing productivity accounted for 8% variations in the overall success in firm performance. Holding other factors constant, a unit increase in marketing productivity would cause a 0.238 increase in firm performance. A t-value of 8.181 was established at p=0.000 depicting that the relationship is statistically significant at 95% confidence level (p-value < .05). The study has made contributions to theory, policy and practice in relation to marketing in general and specifically in industry competition, marketing productivity and firm performance in the hotel industry. Future research should include additional factors, use a longitudinal research design and test the model in different sectors of the economy.

Keywords: Industry Competition, Marketing Productivity, Firm Performance, Companies, Kenya

1. Introduction

Businesses operate in an environment which is continuously changing and affecting firm performances. Reflection of the effects of this dynamic environment is frequently witnessed among consumers, within the firms and the environment (Njeru, 2014). This business environment require to be evaluated to minimize the risks involved in any business decision making (Seaton and Bennet, 1998). O'Cass et al., 2004 contend that the managerial perception of the industry competition can influence the choice of the firm's strategic adaptation and marketing strategies that lead to higher firm performance. The existing literature suggests that the role of the competitive environment is an emerging area of significance in the strategic marketing (O'Cass, Weerawardena and Craig, 2004). The performance of firms can be influenced by the level of competition in an industry, the behaviuor of existing firms and the structure of the industry environment (Porter, 1980). In strategic marketing, the five competitive forces comprising: bargaining power of buyers, bargaining power of suppliers, threats of new entrants, rivalry among existing firms and the threat of substitute products model forms a basis for the analysis of industry structure and competition. The industry construct (INDUSTRUCT) model developed by Pecotich, Hattie and Low (1999) based on Porter's five competitive forces formulation measure the perceptions of industry structure.

The inherent profit potential of an industry or sub-segment of an industry is as determined by the competitive forces in that same industry. The competitive forces can determine a firm's position in an industry allowing the firm to defend herself against competitive forces or influence the competitive forces in its favour (Porter, 1980). In support, Teece et al. (1997) assert that the five forces competitive framework offers a systematic way of thinking on how competitive forces work at the industrial level and how the forces affect the profitability of different industries and industrial segments.

The competition in the business environment is determined by industry's competitive forces anchored on the organizational theory (Zou and Cavusgil, 1995). The Industrial Organizational theory as advocated by Porter (2008) suggests that a firm's success can be explained by the structural forces of the business environment. Teece, et al. (1997) espouses that the industry structure robustly influences the competitive rules and the strategies available to the operating firms. This same view was advanced by Pecotich et al. (1999) who suggested that the analysis of industry competition is a reflection of the behaviour of existing firms and the structure of the industry's environment. Porter's (1980) five competitive forces model consists of threat of substitute goods,

threat of entry, power of suppliers, power of buyers and rivalry among existing firms that are present in a firm's environment (Weerawardena et al., 2006). The behaviour of the existing firms and the structure of the industry's environment form the basis of the analysis of the industry competition.

As much as industry competition significantly influences firm performance, marketing activities and performance of the firm's salesforce also plays a vital role in determining the overall success of the organization. Marketing function must strive to acquire, retain, grow and satisfy customers profitably. Marketing's ability to add value is contributed by its success in retaining and growing existing customers, as well as generating profitable new customers. Therefore marketing function needs to generate satisfied customers at low cost. Thomas (1984) argues that marketing must perform the specific marketing actions necessary to achieve the desired marketing objectives efficiently and effectively. This will always create a competitive edge for the organization in the industry and therefore influence business performance.

2. Industry Competition

Each business operates among a group of companies that produces competing products or services. Competition refers to a range of actions aimed at ensuring the realization of the choices of a given firm while restraining actions of its rivals (Saviotti and Krafft, 2004). It is a process of rivalry between firms which takes the form of contests within existing markets (intra-industry competition), and the form of potential entry into new areas (inter-industry competition).

Competition includes rivalry in terms of price, improved techniques of production or products, and provision of information to consumers. All these forms of rivalry have consequences for the level and rate of growth/decline of production and standards/variety of consumption and for the evolution of the structures of markets themselves which are increasingly shaped by new forms of organizations in which customers, suppliers, partners and even competitors are involved (Krafft, 2000). Porter (1991) argues that the level of competition in an industry, the behavior of existing firms and the structure of the industry environment can influence firm performance.

Factors associated with industry structure have been found to play a dominant role in the performance of many companies, with the exception of those that are its notable leaders or failures. The extant literature confirms that the industry's competitive forces play a vital role in the determination of the success or failure of the firm (Njeru, 2014). The role of competitive environment in strategic marketing discourse has been viewed as an emerging area of interest (O'Cass et al., 2004). A firm's success according to Porter (1980) can be explained by the strengths and weaknesses of the industry forces within where it operates in. This view is supported by Pecotich et al. (1999) who contend that the five competitive forces model forms the basis for industry structure measurement.

Porter (2001), a leading authority on industry analysis, proposed a systematic means of analyzing the potential profitability of firms in an industry known as Porter's "five forces" model. According to Porter (2001) an industry's overall profitability, which is the combined profits of all competitors, depends on five basic competitive forces, the relative weights of which vary by industry. These include intensity of rivalry among incumbent firms (the extent to which firms in the industry vigorously and frequently engage in outwardly manifested competitive actions and reactions in their search for competitive advantage in the market place), threat of new competitors entering the industry, threat of substitute products or services (the extent to which other products and services that are similar in physical, structural and functional characteristics and perform the same generic function are available to consumers), bargaining power of buyers (the extent to which buyers are able to exert influence and affect the firm's profitability and the general corporate wellbeing) and bargaining power of suppliers (the extent to which suppliers are able to exert influence and affect the firm's profitability and the general corporate wellbeing).

Figure 1. Porter's Five Forces Model
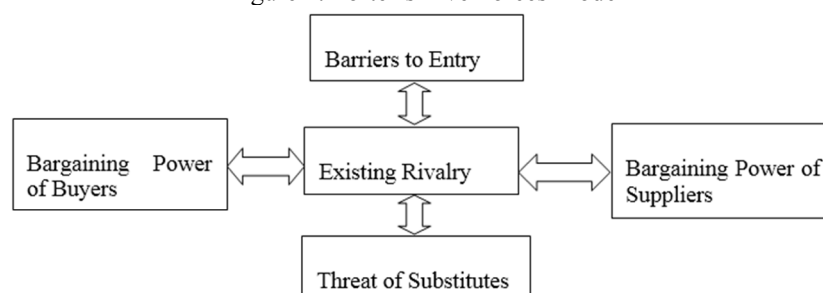
These five factors combine to form the industry structure and suggest (but do not guarantee) profitability prospects for firms that operate in the industry. Firms tend to operate quite profitably in industries with high entry barriers, low intensity of competition among member firms, no substitute products, weak buyers, and weak

suppliers. These relationships are tendencies, however, and do not mean that all firms will perform in a similar manner because of industry factors.

Using a measure of competition at industry level, Konings (1998) studied the effects of competitive pressure on the performance of firms in Bulgaria and Estonia and found out that more competitive pressure in the industry enhanced firm performance in Bulgaria but not in Estonia. However, in their study on competition and firm performance in Russian firms, Brown and Earle (2000) reported strong positive effects of domestic and import competition in the product market on total factor productivity. These relationships are tendencies, however, and do not mean that all firms will perform in a similar manner because of industry factors. This study proposed that industry competition has a significant effect in hotel performance.

3. Marketing Productivity

According to Thomas (1984), marketing is related to the way a firm manages the efficiency of marketing spending. Marketing should ensure performance of specific marketing activities necessary to achieve the desired marketing objectives efficiently and effectively. Marketing productivity is the quantifiable value added by the marketing function relative to its costs (Sheth and Sisodia, 2002). Both the dimensions of efficiency (doing things right), and effectiveness (doing the right things) (Sheth and Sisodia, 2002) are embraced in this definition. Measuring marketing productivity has been a major concern for marketers and academicians (Morgan, Clark, and Gooner, 2002). In today's highly competitive environment, consumers are very demanding as they seek better quality of products/services at the lower prices (Slater, 1997), resulting in more emphasis on efficiency in marketing (Bush, Smart, and Nichols, 2002). For marketing managers to find ways to become more productive to survive in such an environment (Nasution, 2009), marketing must focus on delivering greater value to customers at the lower cost in order to be more effective and efficient (Sheth and Sisodia, 2002). Despite the importance of marketing productivity, there is lack of studies examining the issues of measuring and enhancing marketing productivity comprehensively (Bush, Smart, and Nichols, 2002). Marketing function is very critical in the delivery of superior customer value.

Nasution et al., (2009) assert that marketing productivity assessment consist of market activities and salesforce performances. According to Slater (2001) market orientation and integrated marketing communication as dimensions of marketing activities mainly refer to firms that have mainly focused on understanding the expressed needs of customers in their several markets and on developing and communicating products and services that satisfy those needs. Salesforce performance is viewed as an evaluation of the salesforce contribution to achieving the organisational goals (Cravens et al., 1993).

Empirical study (Nasution et al., 2009) indicate that marketing productivity assessment consists of marketing activities and salesforce performance that are regarded as drivers of brand equity and customer value; which consequently may influence business performance. Nasution et al., 2009 conducted a study to investigate drivers of marketing productivity in large companies and SME's; and to examine whether different sizes of companies exhibit different levels of marketing productivity. The results indicate that marketing activities and salesforce performance as dimensions of marketing productivity have a significant impact on business performance. In this study marketing and salesforce activities are proposed to have significant impact on customer value creation as non financial measures of marketing productivity, which in turn lead to business performance. This view is supported by Srivastava, Shervani, and Fahey (1998) who suggest that customer value creation as market-based asset is expected to generate profitability.

4. Conceptual Framework and Hypotheses

The relationships between the independent variables, industry competition comprising new entrants, substitute services, power of buyers, power of supplier and rivalry among firms and marketing productivity comprising marketing activities and salesforce performance and the dependent variable consisting of various firm performance measures are depicted in Figure 2.

Figure 2: Conceptual model
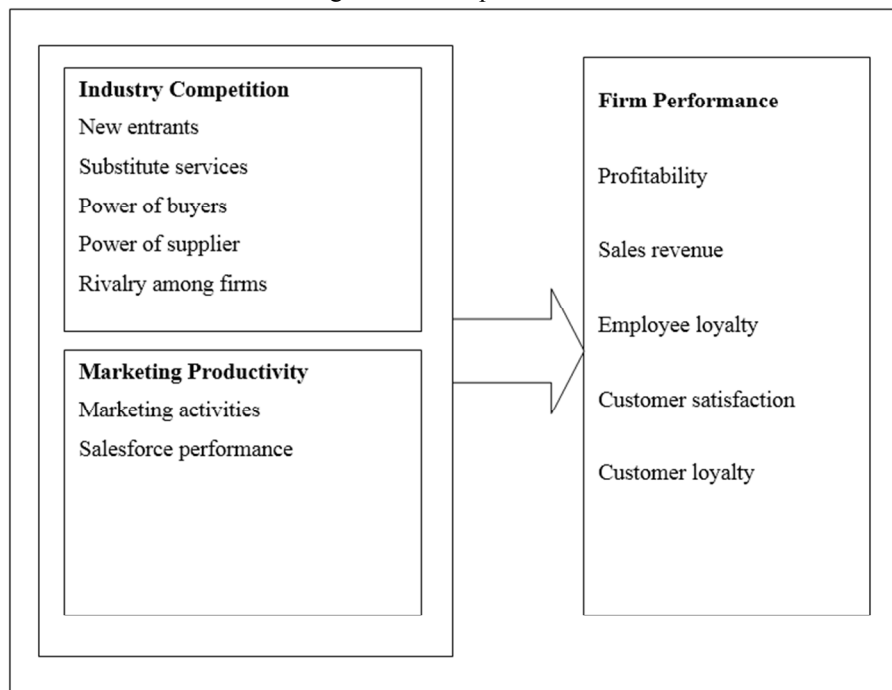
From the conceptual model depicted in Figure 2, firm performance is directly influenced by industry competition (new entrants, substitute services, power of buyers, power of supplier and rivalry among firms) and marketing productivity (marketing activities and salesforce performance). The hypotheses were derived from the literature and can be stated as follows:

H_1: *Industry competition has a statistically significant influence on hotel performance*

H_2: *Marketing productivity has a significant influence on firm performance.*

5. Methodology

The study adopted a descriptive cross-sectional survey design. The study was descriptive as it focused on finding out what, when and how much of phenomena (Cooper and Schindler, 2003). In this type of design, Olsen and George (2004) pointed out that either the entire population or a subset is selected and from these individuals, data is collected to assist answer research questions of interest. They termed it cross-sectional because the information collected about the subjects represents what is going on at one point in time. It was also appropriate because the researcher intended to gather descriptive data which was subjected to statistical computations that was used for hypothesis testing in order to produce objective conclusions (Cooper and Schindler, 2003).

The population of the study comprised both locally and foreign owned hotels operating in Kenya and were duly registered members of Kenya Association of Hotels and Caterers (KAHC). According to the KAHC, there are 209 members mostly star-rated hotels, restaurants, caterers, lodges and tented camps (Appendix 3) widely spread throughout the country. However, 50% of the hotels and restaurants are located in Coast and Nairobi regions.

The target population comprised all KAHC member hotels, restaurants, caterers, lodges and tented camps in both Nairobi and Coast regions. These classes of hotels were presumed to be offering superior customer value and therefore making the implementation of SQM approach a necessity. Both were reflective members of the hotel industry and had the capacity to better implement SQM approach.

Primary data was collected using a semi-structured questionnaire through a five-point Likert type scale. Target respondents were the managing directors, owners, the marketing/sales directors/managers or their equivalent in the targeted firm. These were the key informants in each hotel firm as they were deemed to have the experience and specific knowledge on strategic marketing responsibilities. Secondary data was also obtained from the hotel's reports, KAHC reports, HRA reports and any other published reports that related to the hotels. Descriptive and inferential statistics were both used in analyzing the data. Descriptive statistics covered the profiles of the respondent firms. Thereafter regression analyses were conducted in order to assess the influence of industry competition (new entrants, substitute services, power of buyers, power of supplier and rivalry among firms) and marketing productivity on hotel firms' performance.

6. Validity and Reliability Tests

The reliability of the measurements was evaluated by Cronbach alpha coefficient (Sekaran, 2005). Different

scholars have used different Cronbach's Alpha coefficients cut-off points (Nunnally 1978; Hair et al., 1998). The reliability results exceeded the 0.6 level of acceptability and were therefore considered reliable for further analysis (Hair et al., 1998). Hair, Money, Samouel and Page (2007) postulate that alpha coefficient below 0.6 represent poor strength of association among data instrument. The study used Cronbach alpha coefficient of 0.7 and above. Nunnally and Berstein (1994) contend that cronbach alpha coefficients of 0.7 and above indicate sound and reliable measures for further analysis.

Cronbach's Alpha coefficient was computed. The pertinent results are summarized in Table 1

Table 1. Cronbach's Alpha Reliability Coefficient

Variable	Measures	No. of Items	N	Cronbach's Alpha Coefficient
Industry Competition	• Bargaining power of buyers, • Bargaining power of suppliers, • Threat of new entrants, • Threat of substitute goods • Rivalry among existing firms	25	88	.857
Marketing Productivity	• Marketing activities • Salesforce performance	13	88	.881
Firm Performance	• Customer loyalty • Customer satisfaction • Employee loyalty	10	88	.643

Source: Primary Data

7. Assessment of Industry Competition

The study sought to establish the effect of industry competition on firm performance. The respondents were asked the extent to which they agreed with the attributes associated with each of the industry competition indicators (bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute goods, rivalry among existing firms,) and to rank their level of agreement or disagreement along a number of constructs. The study used a 5-point like scale ranging from "Not at all" to "To a very great extent" in ascending order. Industry competition involved the average of all the attributes associated with each of the indicators.

7.1 New entrants

The respondents had been asked to indicate the extent to which they agreed on specific new entrants statements. Four statements were used. The pertinent results are presented in Table 2.

Table 2: Respondents Scores on New entrants

	N	Mean	Std. Deviation	CV (%)
New competitors are joining our industry	88	3.90	.695	17.8
Retaliation by established hotels towards new entrants into our industry is and has been strong	88	3.86	.925	24.0
New entrants into our industry have to spend heavily to build their brand names and to overcome existing brand loyalties	88	3.82	.720	18.8
Large capital and/or financial resources are required for entry into our industry	88	4.25	.665	15.6
Average Score	**88**	**3.96**	**.48**	**12.0**

Source: Primary Data

The results in Table 2 shows that the average mean score for the four statements used to evaluate new entrants was between 3.82 and 4.25 (To a large extent). Large capital and/or financial resources are required for entry into our industry had the highest mean score (mean score=4.25 CV=15.6%) whereas new entrants into our industry having to spend heavily to build their brand names and to overcome existing brand loyalties had the lowest mean score (mean score=3.82, CV=18.8%). This implies that mainly the new entrants must have lots of finances to enter the hotel industry. New entrants are still joining even if retaliation by established hotels is strong but have to also spend heavily to build their brands and overcome the existing brand loyalties.

7.2 Substitute services

The respondents had been asked to indicate the extent to which they agreed on specific substitute services statements. Five statements were used. The pertinent results are presented in Table 3.

Table 3: Respondents Scores on Substitute services

	N	Mean	Std. Deviation	CV (%)
Substitutes of our products/services are available to our customers	88	3.75	.665	17.7
In our industry, there is considerable pressure from substitute products/service	88	3.95	.693	17.5
All firms in our industry are aware of the strong competition from substitutes	88	3.85	.720	18.7
The availability of substitute products/services limits the potential returns in our industry	88	4.03	.765	19.0
Substitute products/services limit the profitability of this industry	88	3.97	.823	20.7
Average Score	**88**	**3.91**	**0.47**	**11.9**

Source: Primary Data

The results in Table 3 shows that the average mean score for the five statements used to evaluate substitute services was between 3.75 and 4.03 (To a large extent). Availability of substitute products/services limits the potential returns in the hotel industry had the highest mean score (mean score=4.03 CV=19.0%) whereas substitutes of the hotel's products/services are available to their customers had the lowest mean score (mean score=3.75, CV=17.7%). This implies that the substitute products/services limit the returns and profitability in the hotel industry due to strong competition as the substitutes are available to the customers.

7.3 Power of buyers

The respondents had been asked to indicate the extent to which they agreed on specific power of buyers statements. Three statements were used. The pertinent results are presented in Table 4.

Table 4: Respondents Scores on Power of buyers

	N	Mean	Std. Deviation	CV (%)
In our industry, buyers or buyer groups are very powerful	88	3.65	.728	19.9
Buyers in our industry create and determine demand of our business	88	4.01	.877	21.9
There is a small number of buyers who form a large proportion of our industry's sales	88	3.68	.704	19.1
Average Score	**88**	**3.78**	**.65**	**17.3**

Source: Primary Data

The results in Table 4 shows that the average mean score for the three statements used to evaluate power of buyers was 3.65, 3.68 and 4.01 respectively in ascending order. Buyers in the hotel industry create and determine demand of our business had the highest mean score (mean score=4.01 CV=21.9%), whereas buyers or buyer groups in the hotel industry being very powerful had the lowest mean score (mean score=3.65, CV=19.9%). This implies that demand in the hotel industry business is determined by buyers, who are small in number and form a large proportion of the industry's sales and the buyers/buyer groups are very powerful.

7.4 Power of suppliers

The respondents had been asked to indicate the extent to which they agreed on specific power of suppliers statements. Five statements were used. The pertinent results are presented in Table 5.

Table 5: Respondents Scores on Power of suppliers

	N	Mean	Std. Deviation	CV (%)
The suppliers product/service quality can affect the final quality of the product/service in our industry	88	3.94	.701	17.8
The suppliers product/service is an important input into our product/service	88	4.22	.702	16.6
The suppliers of product/service in our industry can easily raise their prices or threaten to reduce the quality of their product/service	88	3.75	.777	20.7
In our industry, supplier or supplier groups are powerful	88	3.84	.756	19.7
There exist a small number of suppliers who contribute to a large proportion of our industry's inputs	88	3.88	.800	20.6
Average Score	**88**	**3.93**	**.43**	**10.8**

Source: Primary Data

The results in Table 5 show that the average mean score for the five statements used to evaluate power of suppliers was between 3.75 and 4.22. Suppliers product/service being an important input into the hotel's

product/service had the highest mean score (mean score=4.22 CV=16.6%); whereas, suppliers of product/service in the hotel industry easily raising their prices or threatening to reduce the quality of their product/service had the lowest mean score (mean score=3.75, CV=20.7%). This implies that suppliers of product and services to the hotels are very important, they can affect the final quality of the product/service and raise the prices. They are small in number, powerful and they contribute to a large proportion of the industry's inputs.

7.5 Rivalry among firms
The respondents had been asked to indicate the extent to which they agreed on specific rivalry among firms statements. Eight statements were used. The pertinent results are presented in Table 6.

Table 6: Respondents Scores on Rivalry among firms

	N	Mean	Std. Deviation	CV (%)
Firms in our industry compete intensely to hold/or increase their market share	88	3.91	.768	19.6
In our industry, competitive moves among the hotels affect our profitability	88	4.06	.778	19.2
In our industry, advertising battles occur frequently and are highly intense	88	3.67	.784	21.4
In our industry, price competition is highly intense (i.e. price cuts are quickly and easily matched)	88	4.00	.743	18.6
Price cutting is a common competitive action in our industry	88	3.99	.766	19.2
In our industry, competition is described with terms such as "warlike", "bitter", or "cut-throat"	88	3.55	.982	27.7
In our industry, firms have the resources for vigorous and sustained competitive action and for retaliation against competitors	88	3.75	.762	20.3
In our industry, foreign firms play an important role in industry completion	88	3.61	.780	21.6
Average Score	88	3.82	0.47	12.2

Source: Primary Data

The result in Table 6 shows that the average mean score for the eight statements used to evaluate rivalry among firms was between 3.55 and 4.06. In the hotel industry, competitive moves among the hotels affecting hotel's profitability had the highest mean score (mean score=4.06 CV=19.2%); whereas, in the hotel industry, competition is described with terms such as "warlike", "bitter", or "cut-throat" had the lowest mean score (mean score=3.55, CV=27.7%). This implies that there is stiff competition in the hotel industry which brings about rivalry.

Given the uni-dimensionality of the five components of industry competition the simple averages of each of the components was computed. Table 7 presents the summary.

Table 7: Summary Scores of Industry Competition

	N	Mean	Std. Deviation	CV (%)
Threat of entrants	88	3.96	.475	12.0
Threat of substitutes	88	3.91	.466	11.9
Bargaining power of buyers	88	3.78	.653	17.3
The bargaining power of suppliers	88	3.93	.425	10.8
The rivalry among firms	88	3.82	.467	12.2
Average Score	88	3.88	0.37	9.5

Source: Primary Data

The results in Table 7 reveal that mean score for the six statements used to measure service quality practices was between 3.7803 and 3.9574 (To a large extent). This shows that the hotel firms focuses more than moderately on the industry competition. Threat of entrants had the highest mean score (mean score=3.96 CV=12.0%) and the bargaining power of buyers had the lowest (mean score=3.78, CV=17.3%). The results from the above factors imply that the firms are cautious about the competition in the hotel industry.

8. Assessment of Marketing Productivity
The respondents were asked the extent to which they agreed with the attributes associated with each of the marketing productivity indicators (Sales force performance, Marketing activities), and to rank their level of agreement or disagreement along a number of constructs. The study used a 5-point Likert scale ranging from "Not at all" to "To a very large extent", in ascending order. Marketing productivity involved the average of all

the attributes associated with each of the indicators.

8.1 Marketing activities

The respondents had been asked to indicate the extent to which they agreed on specific marketing activities statements. The pertinent results are presented in Table 8.

Table 8: Respondents Scores on Marketing Activities

	N	Mean	Std. Deviation	CV(%)
We use our customer information to identify our best customers	88	3.95	.710	18.0
We develop customer profiles and segment markets using customer information	88	4.26	.735	17.3
We use customer information to forecast customer preferences	88	4.07	.708	17.4
Customer information assists us to assess customer satisfaction and loyalty	88	4.37	.631	14.4
We assess customer lifetime value using our customer information	88	3.93	.691	17.6
We use customer information to customize our service offerings	88	4.28	.742	17.3
We design appropriate channels to reach our customers using customer information	88	3.92	.761	19.4
We deliver relevant information to our customers on timely basis	88	4.07	.708	17.4
Our marketing planning and budget is always supported by customer information requirements/needs	88	4.16	.693	16.7
Average Score	**88**	**4.11**	**0.49**	**11.8**

Source: Primary Data

The results in Table 8 reveal that average mean score for the five statements used to measure marketing activities was between 3.92 and 4.37 (To a large extent). Assistance of customer information to assess customer satisfaction and loyalty had the highest mean score (mean score=4.37 CV=14.4%) whereas designing of appropriate channels to reach customers using customer information had the lowest (mean score=3.92, CV=19.4%). This implies that the hotel firms mainly focus on understanding the needs of the customers so that they can develop and communicate products and services that satisfy customer needs.

8.2 Salesforce Performances

The respondents had been asked to indicate the extent to which they agreed on specific salesforce performances statements. The pertinent results are presented in Table 9.

Table 9: Respondents Scores on Salesforce performances

	N	Mean	Std. Deviation	CV
Our employee have positive attitude when serving customers	88	4.17	.665	15.9
Our employees always try to understand our customers' changing tastes & preferences	88	4.47	.606	13.6
Our organization often try to match service delivery with customer expectations	88	4.26	.735	17.3
We have a close interpersonal interaction with our customers	88	4.41	.618	14.0
Average Score	**88**	**4.33**	**0.48**	**11.2**

Source: Primary Data

The results in Table 9 shows that the average mean score for the four statements used to evaluate salesforce performances was between 4.17 and 4.47 (To a large extent). Employees always trying to understand customer's changing tastes & preferences had the highest mean score (mean score=4.47 CV=13.6%), whereas employee having positive attitude when serving customers had the lowest (mean score=4.17, SD=15.9%). This implies that the salesforce in the hotels are efficient and effective in marketing the products/services.

Given the uni-dimensionality of the two components of marketing productivity the simple averages of each of the components was computed. Table 10 presents the summary.

Table 10: Summary Scores of Marketing Productivity

	N	Mean	Std. Deviation	CV
Marketing activities	88	4.11	.485	11.8
Salesforce performances	88	4.33	.483	11.2
Average Score	**88**	**4.22**	**0.44**	**10.4**

Source: Primary Data

The results in Table 10 reveal that the hotel firms surveyed recognizes marketing activities (mean score=4.11 CV=11.8%) and salesforce performances (mean score=4.33, CV=11.2%), to a large extent. The

results imply that the hotel firms are focused on satisfying customers' needs by understanding them.

9. Assessment of Firm performance

To measure financial performance measures, the respondents were asked to give the range of their firm's approximate annual gross profit and approximate annual sales turnover in 2010, 2011 and 2012. To measure non-financial performance measures, the respondents were asked the extent to which they agreed with the attributes associated with each of the non-financial performance indicators (customer loyalty, employee loyalty, customer satisfaction) and to rank their level of agreement or disagreement along a number of constructs. The study used a five point rating scale ranging from "Not at all" to "To a very great extent" in ascending order. In this study the dependant variable was the financial performance measures of firm performance.

9.1 Profitability

The study established the approximate annual gross profit of the hotels in 2010, 2011 and 2012. The data finding is presented in Table 11.

Table 11: Approximate Annual Gross Profit in 2010, 2011 and 2012

	2010		2011		2012		Average	
Profitability	**Frequency**	**(%)**	**Frequency**	**(%)**	**Frequency**	**(%)**	**Frequency**	**(%)**
Less than 250 million	56	69.1	58	69.9	59	70.2	58	69.8
250-500 million	12	14.8	12	14.5	12	14.3	12	14.5
501-1billion	11	13.6	11	13.3	10	11.9	11	12.9
More than 1 billion	2	2.5	2	2.4	3	3.6	2	2.8
Total	81	100.0	83	100.0	84	100.0	83	100.0

Source: Primary Data

The results in Table 11 indicate that on average for the three years (2010 to 2012), 69.8% of the hotels make a profit of less than 250 million; 14.5% make a profit of between 250 and 500 million; 12.9% make a profit of between 500 million and 1 billion; and only 2.8% make more than 1 billion in profits.

9.2 Sales revenue

The study established the approximate annual sales turnover of the hotels in 2010, 2011 and 2012. The data finding is presented in Table 12.

Table 12: Approximate annual sales turnover in 2010, 2011 and 2012

	2010		2011		2012		Average	
Sales revenue	**Frequency**	**(%)**	**Frequency**	**(%)**	**Frequency**	**(%)**	**Frequency**	**(%)**
Less than 1 billion	65	79.3	65	78.3	64	77.1	65	78.2
1 to 5 billion	15	18.3	16	19.3	17	20.5	16	19.4
6 to 10billion	2	2.4	2	2.4	2	2.4	2	2.4
Total	82	100.0	83	100.0	83	100.0	83	100.0

Source: Primary Data

The results in Table 12 indicate that on average for the three years(2010 to 2012), 78.2% of the hotels have approximate annual sales of less than 1 billion; 19.4%, 1 to 5 billion and 2.4% 6 to 10 billion.

9.3 Customer loyalty

The respondents had been asked to indicate the extent to which they agreed on specific customer loyalty statements. Three statements were used. The pertinent results are presented in Table 13.

Table 13: Respondents Scores on Customer loyalty

	N	Mean	Std. Deviation	CV (%)
Our customers always come back for more purchase	88	4.15	.537	12.9
Our customers do not switch to other brands/our competitors	88	3.98	.909	22.8
Our customers do not leave us even when there are prices changes in the market	88	3.92	.731	18.6
Average Score	**88**	**4.02**	**0.46**	**11.5**

Source: Primary Data

The results in Table 13 reveal that mean score for the three statements used to evaluate customer loyalty was 4.15, 3.98 and 3.92 respectively. Customers coming back for more purchase always had the highest mean score (mean score=4.15 CV=12.9%) whereas customers not leaving even when prices change in the market had the lowest mean score (mean score=3.92, CV=18.6%). This implies that most customers to these hotels are loyal.

9.4 Customer satisfaction

The respondents had been asked to indicate the extent to which they agreed on specific customer satisfaction statements. Four statements were used. The pertinent results are presented in Table 14.

Table 14: Respondents Scores on Customer satisfaction

	N	Mean	Std. Deviation	CV (%)
We deliver services that meet customer requirements, needs and expectations	88	4.07	.621	15.3
Our customers commend us for exemplary service delivery	88	4.40	.704	16.0
Our customers' rate of trial of competitors' services is very low	88	3.92	.731	18.6
Our customers are always proud of our services	88	4.34	.523	12.1
Average Score	**88**	**4.18**	**0.40**	**9.5**

Source: Primary Data

The results in Table 14 reveal that mean score for the four statements used to evaluate customer satisfaction was between 4.40 and 3.92. Customers commending hotels for exemplary service delivery had the highest mean score (mean score=4.40 CV=16.0%) whereas customers' rate of trial of competitors' services is very low had the lowest mean score (mean score=3.92, CV=18.6%). This implies that most customers to these hotels are satisfied with the level of service.

9.5 Employee loyalty

The respondents had been asked to indicate the extent to which they agreed on specific employee loyalty statements. Three statements were used. The pertinent results are presented in Table 15.

Table 15: Respondents Scores on Employee loyalty

	N	Mean	Std. Deviation	CV (%)
Our employees do not leave us for competition	88	3.59	.866	24.1
Senior management gives employees' welfare top priority	88	4.32	.704	16.3
Rate of employee turn-over is very low in our organization	88	3.75	.950	25.3
Average Score	**88**	**3.89**	**0.59**	**15.2**

Source: Primary Data

The results in Table 15 reveal that mean score for the three statements used to evaluate employee loyalty was 4.32, 3.75 and 3.59 respectively, senior management gives employees' welfare top priority had the highest mean score (mean score=4.32 CV=16.3%); whereas employees not leaving for competition had the lowest mean score (mean score=3.59, CV=24.1%). This implies that most employees to these hotels are loyal.

9.6 Summary of Descriptive Statistics

The results of the descriptive statistics are summarized in Table 16.

Table 16: Summary of Descriptive Statistics

Thematic Area	Item Description	N	Mean Score	SD	CV (%)
Non-financial performance measures	Customer loyalty	88	4.02	.463	11.5
	Customer satisfaction	88	4.18	.399	9.5
	Employee loyalty	88	3.89	.593	15.2
Average score			4.03	.368	9.1

Source: Primary Data

10. Regression Analysis and Hypotheses Testing

This study was based on the premise that there is a relationship between industry competition and firm performance. To establish the statistical significance of the hypothesis, multiple regression analysis was conducted.

10.1 Industry competition and firm performance

The objective was to assess the influence of industry competition on the hotel performance in Kenya. Industry competition comprised the bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute goods and rivalry among existing firms. To assess the relationship between industry competition and firm performance the following hypothesis was tested.

H₁: Industry competition has a statistically significant influence on hotel performance

Firm performance (FP) is a function of industry competition (IC) i.e. FP =f (IC)

Regression Analysis of industry competition and firm performance

A multiple linear regression model was used to determine the relative effects of industry competition on firm

performance.

Table 17 (a): Model Goodness of Fit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.424[a]	.180	.170	.33535

a. Predictors: (Constant), Industry Competition

Source: Primary Data

The study was to establish whether firm performance has a linear dependence on industry competition. The study established a correlation value of 0.424. This depicts a weak linear dependence between the variables. An R-square value of 0.180 was established. The coefficient of determination depicts that industry competition bring about 18% variations in overall success in firm performance.

Table 17 (b): Analysis of Variance (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.122	1	2.122	18.866	.000[b]
	Residual	9.672	86	.112		
	Total	11.793	87			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Industry Competition

Source: Primary Data

Analysis of Variance was used to test the significance of the regression model as pertains to significance in the differences in means of the dependent and independent variables. The ANOVA test produced an f-value of 18.866 which was significant at p=0.000. This depicts that the regression model is significant at 95% confidence level.

Table 17 (c): Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.377	.382		6.225	.000
	Industry Competition	.426	.098	.424	4.344	.000

a. Dependent Variable: Financial Performance

Source: Primary Data

From the Table 17(c), the established regression equation was:

Y= 2.377 + 0.426IC

From the above regression equation, when other factors are held constant, a unit increase in industry competition would cause a 0.426 increase in firm performance. A t-value of 4.344 revealed that the relationship is statistically significant at 95% confidence level (p-value < .05).

10.2 Marketing productivity and firm performance

The objective of the study was to assess the influence of marketing productivity on the hotel performance. Market productivity comprised the marketing activities and salesforce performance. To assess the effect of marketing productivity on the hotels' performance, the following hypothesis was tested using a multi-variate regression analysis as below;

H_2: Marketing productivity has a significant influence on the hotel performance.

Firm performance (FP) is a function of marketing productivity (MP) i.e. FP= f(MP).

A multiple linear regression model was used to determine the relative effects of marketing productivity on the hotel performance.

Table 18 (a): Model Goodness of Fit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.283[a]	.080	.069	.355

a. Predictors: (Constant), Marketing Productivity

Source: Primary Data

The study was to establish whether marketing productivity has a linear effect on firm performance. The coefficient of determination depicts that marketing productivity accounts for 8% variations in overall success in firm performance;

Table 18 (b): Analysis of Variance (ANOVA)

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.945	1	.945	7.495	.008[b]
	Residual	10.848	86	.126		
	Total	11.793	87			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Marketing Productivity

Source: Primary Data

Analysis of Variance was used to test the significance of the regression model as pertains to significance in the differences in mean scores of the dependent and independent variables. The ANOVA test produced an F-value of 7.495 which was significant at p=0.008. This depicts that the regression model is significant at 95% confidence level.

Table 18(c): Regression Coefficients

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.022	.369		8.181	.000
	Marketing Productivity	.238	.087	.283	2.738	.008

a. Dependent Variable: Financial Performance

Source: Primary Data

From Table 18(c), the established regression equation was:

Y= 3.022 + 0.238MP   p=0.008

From the above regression equation, a unit increase in marketing productivity would cause a 0.238 increase in firm performance. A t-value of 8.181 was established at p=0.000 depicting that the relationship between marketing productivity and firm performance was statistically significant at 95% confidence level (p-value < .05).

10.3 Marketing Productivity, Industry Competition and Firm Performance

The objective of the study was to establish the combined effect of marketing productivity and industry competition on the hotel performance. To establish this combined effect, the following hypothesis was tested using a multi-variate regression analysis as below;

H₃: Marketing productivity and industry combined have a significant effect on the hotel performance.

Firm performance (FP) is a function of the combined marketing productivity (MP) and industry competition (IC) i.e. FP= ƒ (MPIC).

A multiple linear regression model was used to determine the combined effect of marketing productivity and industry competition on the firm performance.

Table 19 (a): Model Goodness of Fit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.446ª	.199	.189	.33148

a. Predictors: (Constant), Marketing Productivity and Industry Competition

Source: Primary Data

The study was to establish whether firm performance has a linear dependence on industry competition and marketing productivity combined. The study established a correlation value of 0.446. This depicts a weak linear dependence between the variables. An R-square value of 0.199 was established. The coefficient of determination depicts that industry competition and marketing productivity combined bring about 19.9% variations in overall success in firm performance;

Table 19 (b): Analysis of Variance (ANOVA)

ANOVAªa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.344	1	2.344	21.332	.000ᵇ
	Residual	9.449	86	.110		
	Total	11.793	87			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Marketing Productivity and Industry Competition

Source: Primary Data

Analysis of Variance was used to test the significance of the regression model as pertains to significance in the differences in means of the dependent and independent variables. The ANOVA test produced an f-value of 21.332 which was significant at p=0.000. This depicts that the regression model is significant at 95% confidence level.

Table 19 (c): Regression Coefficients

Coefficientsªa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.907	.461		4.141	.000
Marketing Productivity and Industry Competition	.524	.113	.446	4.619	.000

a. Dependent Variable: Financial Performance

Source: Primary Data

From the Table, the established regression equation was:

Y=1.907 + 0.524 MPIC   p=0.000

From the above regression model, when a combination of marketing productivity and industry competition have null value; financial performance would be 1.907. Holding other factors constant, a unit increase in marketing productivity and industry competition would cause a 0.524 increase in firm performance. A t-value of 4.619 was established at p=0.000 depicting that the relationship is statistically significant at 95% confidence level (p-value < .05).

11. Discussion

11.1 Industry competition and firm performance

The results of the current study revealed a positive significant relationship between the industry competition and firm performance. This suggests that industry competition has a significant effect on hotel performance. The contribution of the five competitive forces is significant to the performance of hotel firms in Kenya. This is consistent with previous studies such as Konings (1998) and Brown and Earle (2000) that support the effects of competitive pressure on the performance of firms.

Competition includes rivalry in terms of price, improved techniques of operations and provision of information to consumers. Firms take into consideration competitors' moves to strategize on how to gain competitive advantage (Saviotti and Krafft, 2004).

11.2 Marketing productivity and firm performance

The study established a weak positive and significant relationship between marketing productivity and firm performance. This implies that marketing productivity has an effect on firm performance. Marketing activities and salesforce performance statistically impacts on performances of hotels in Kenya.

Sheth and Sisodia, 2002 argue that marketing and salesforces performances determine the performance of firms. Delivery of customer value determines the survival of any firm in a competitive environment (Nasution, 2009). Results do support the contribution of marketing activities and salesforce performances towards the performance of hotels in Kenya.

11.3 Marketing productivity, industry competition and firm performance

The study established a positive and statistically significant relationship between the combined marketing productivity and industry competition and hotel performance. This suggests that marketing productivity combined with industry competition have a positive contribution towards the performance of hotels in Kenya. Marketing productivity is the quantifiable value added by the marketing function relative to its costs (Sheth & Sisodia, 2002). Results support the contribution of marketing activities and salesforce performances and industry

competition towards the performance of hotel firms in Kenya.

Results support further studies conducted by (Sheth & Sisodia, 2002; Nasution, 2009) that marketing must focus on delivering greater value to customers at the lower cost in order to be more effective and efficient. Hotel firms in Kenya strive to deliver greater customer value in order to survive and gain a competitive advantage in the market.

12. Conclusion

The study examined the relationship between industry competition measured by the bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute goods and rivalry among existing firms and performance (profitability, sales revenue, employee loyalty, customer satisfaction and customer loyalty) of hotel firms in Kenya. The positive relationship revealed in the study suggested that the hotel firms in Kenya are cautious about competition and focuses more than moderately on the industry competition.

In today's highly competitive environment, consumers are very knowledgeable and demanding as they seek better quality of products/services at lower prices (Slater, 1997). This has resulted in more emphasis on efficiency in marketing (Bush, Smart and Nichols, 2000). For the hotel firms to succeed in the competitive environment, their marketing activities must focus on delivering greater value to customers. This compels firms to be customer-focused, competitor-oriented and cost-efficient. The results demonstrate that competitor-oriented approach is an important strategy for service firms that strive to achieve a competitive edge in the market environment.

On the relationship between marketing productivity measured by marketing activities and salesforce performances and performance (profitability, sales revenue, employee loyalty, customer satisfaction and customer loyalty) of hotel firms in Kenya, the study established a positive relationship. Marketing activities and salesforce performances are significantly recognized by hotel firms surveyed. This demonstrated that hotel firms are focused on satisfying customers' needs by understanding them and that marketing activities ensures the development and communication of products and services that satisfy customer needs. Results further indicated that salesforce in hotel firms are efficient and effective in marketing the products/services.

13. Implications of the Study

The findings from this research present a number of issues that have implications for the theory of marketing, managerial practices and policy issues.

13.1 Theoretical Implications

The findings provide support for the hypothesized direct-relationship that industry competition statistically influences performance of firms consistent with previous studies (Konings, 1998 and Brown & Earle, 2000) that acknowledge the influence of industry competition on the performance of firms.

The empirical evidence presented in this study revealed that there is a relationship between a firm's performance and industry competition. These findings could contribute to a renewed research interest for industry competition and its contribution to superior firm performance and further development at the theoretical and conceptual level. The study findings contribute to the existing industry competition and performance body of knowledge both theoretically and empirically testing the hypotheses in the Kenyan context.

The results also demonstrated that marketing activities and salesforce performances are key to overall success of hotel firms in Kenya. This contributes to the already existing knowledge on marketing productivity underscoring the importance of marketing activities and salesforce performance on acquiring, retaining, growing and satisfying customers profitably. The findings also boost the understanding of the needs of the customers, enabling hotels to develop and communicate products and services that satisfies those needs.

13.2 Policy Implications

Under the economic pillar in the Vision 2030, tourism has been identified as a one of the priority sectors and therefore there is need for government interventions as the country endeavors to a globally competitive and successful country. The economic significance of the tourism industry in the development of Kenya especially in achieving the vision 2030 agenda and the marketing management approach of the hotel firms being a key delivery partner of the tourism product is of major concern to policy-makers whose major goal is to arouse the growth of the tourism sector in the country.

From the current study, it is evident that industry competition and marketing productivity have a direct and positive effect on performance of hotel firms surveyed in Kenya. The policy-makers in the tourism industry may support the hotel firms by offering marketing management skills and capabilities to ensure delivery of superior customer service to the target customers. This can be achieved with the involvement of other key players in the tourism industry such as the airlines, tours and travel agents.

With the unique characteristics of the tourism product, policy- makers can consider offering support in

terms of developing and implementing strategic marketing policies that can enhance the performance of the tourism sector and the hotel industry in particular.

13.3 Practitioners

Industry competition analysis and marketing productivity have been given much recognition as business practices and strategies that are widely used by many firms to gain a competitive edge and improve performance. The findings of the study indicate that both industry competition and marketing productivity positively influences firm performance. In this regard, managers can consequently develop a firm culture that supports the understanding of competition and marketing productivity in order to survive and succeed in the delivery of superior customer service.

Intensified competition and changing of marketing landscape due to globalization, makes the sustainability of hotel businesses possible with the adoption of competitor-oriented and customer-oriented approaches. Understanding of industry competition and marketing productivity is key and underscores a firm's strategic decision for competitive market positioning. The results of the current study provide important insights to firms' executives in terms of developing a better understanding of the industry competition, provision of superior customer service and managing the firms for superior performance.

14. Suggestions for Further Research

The findings contribute to the existing conceptual and empirical evidence that industry competition and marketing productivity influences firm performance. The inclusion of additional factors not covered in this study could bring more insights into the industry competition, marketing productivity and firm performance studies. The factors used to measure the study variables, namely; industry competition (the bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute goods and rivalry among existing firms), marketing productivity (marketing activities and salesforce performance) and performance (profitability, sales revenue, customer loyalty, employee loyalty, customer satisfaction) are not exhaustive. A further review of industry competition and marketing literature would identify additional factors that contribute to the measurement of competition and marketing productivity approaches. The additional factors could augment the strength of the study model and generalizabilty and validity of the results.

Future studies on industry competition and marketing productivity on hotel firms or any type of firms should use both subjective and objective measures of performance so that the relationship among the three can be investigated. It may be helpful for future studies to build up constructs that combine both objective and subjective performance measures.

The replication of this study in other sectors of the tourism industry such as tours and travel agencies, other firms in the service industry, the manufacturing sector, nonprofit making organizations, government ministries, departments and agencies or a combination of the industries and firms can produce a more detailed view of the nature of the relationships recognized in the study. The reproduction of this study in other countries especially in the Sub-Saharan region would further reveal the generalizability view of the industry competition, marketing productivity and performance relationships.

The current study employed a cross-sectional research design where data were gathered at a single point in time. The limitation of cross-sectional research design is that the causal effects of variables are not detected. A cross-sectional study cannot correctly assess measurement of constructs that are dynamic in nature. A better assessment would be provided by a longitudinal study which would demonstrate on how firms become market-oriented over time, and how market-oriented culture affects performance indicators. A longitudinal testing of industry competition and marketing productivity would also be significant in terms of reaching the causal linkages instead of relationship testing established in cross-sectional design.

With only one respondent from each firm, triangulating the responses especially those of the self-reported performance variables is complex. The potential for mono-method unfairness arise due to self reported and the single-informant approach which may affect the survey responses (Gatignon and Xuereb, 1997; Greenley, 1995). A combination of multiple internal informants such as suppliers, customers, distributors and other firm stakeholders should be considered for future research to generate dependable conclusions of the study variables. Finally, examining the relationships among industry competition and marketing productivity with other strategic business orientations would contribute to a better understanding of the determinants of firm performance.

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