

Antecedents to Kenyan Coast Hotels' Purchases of Agricultural Products

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The paper investigated tourism and agriculture linkages by determining the local agricultural products purchased by hotels, purchase considerations and antecedents to purchase of agricultural products. The study was conducted in Coastal Kenya which is a major tourist destination. A census survey of the hotels was undertaken. Data were analyzed through descriptive statistics and logit model. The results indicate that the local agricultural products purchased by hotels were eggs, meat, chicken, fish, vegetables, fruits and milk. The purchase considerations were price, quality and supply reliability. Age of the hotel, bed capacity and number of employees influenced the proportion of local agricultural products purchased by the hotels. The results have implications for enhancing tourism and agriculture linkages to improve rural livelihoods.

KEYWORDS: *Agriculture, Linkages, Tourism, Kenyan Coast, Hotel.*

1. INTRODUCTION

Many developing countries including Kenya are focusing on tourism as a means for economic growth. In Kenya, the sector contributes about 12.5% to the country's GDP after agriculture which generates about 25% (Government of Kenya (GoK), 2002). In addition, it generated export income of about 48.9 billion Kenya shillings for the country in 2005 (GoK, 2006) and 8.7% of Kenya's total employment (World Travel and Tourism Council (WTTC, 2008). In order for tourism to contribute to the local economy, improve rural livelihoods and alleviate poverty,

it has to develop linkages with different sectors such as agriculture which is an important economic source for the poor. Meyer (2010) contends that livelihood diversification via intersectoral linkages between tourism and agriculture offer tremendous opportunities that are frequently not tapped into. Such opportunities provide income to local farmers and can cut the import costs of tourism businesses. One important market for agricultural produce at the Kenya Coast is the tourism sector. However the area of tourism and agricultural linkages is under researched in Kenya. This study empirically investigated the local agricultural products purchased by tourist hotels, the hotel

considerations in purchasing the local agricultural products and the hotel characteristics influencing purchase of local agricultural products.

LITERATURE SUMMARY

Tourism and agricultural linkages can lead to improving the livelihoods of the poor most of who participate in agricultural activities. According to Ngwenya (2010), a linkage is understood in terms of the potential and capacity of local farmers to supply fresh produce to hotels and resort restaurants. This view of linkages between tourism and agriculture is supported by Torres (2003) and Torres and Momsen (2004), who looked at the linkages between tourism and agriculture in Mexico. Torres (2003) contended that having linkages between tourism demand for food and local agricultural production is critical in maximizing host country's benefits. Accordingly, she argued that linkages between tourism and agriculture were influenced by several factors. The first factor was demand, made up of hotel industry size and promotion of regional foods. Secondly, there were production related factors such as physical conditions; nature of local farming systems; quality, quantity, reliability, seasonality and elevated price of local production; level of technological capabilities and the existence of food processing facilities. Another factor was marketing support factors including availability and quality of regional transportation, storage, distribution system and telecommunications facilities. Her findings suggested that the linkages between these two sectors were weak.

In Dominica, agriculture is closely related to tourism with most tourist destinations located in farming areas. As a result, improvement of roads to make these destinations accessible to tourists also increases possibilities for on farm sales. The country has also diversified from banana production only to vegetable and flower production geared towards hotels and restaurants (The Courier, 1993).

Apart from the above literature, the relationship between tourism and agriculture has been pointed out by other scholars such as Telfer (1996) who looked at linkages between tourism and food production; Saville (2001) who contends that it can lead to development of vegetable and fruit enterprises to supply tourism, that is, to supply hotels and restaurants; Ogundele (2010) who argues that positive linkages between tourism and agriculture provide ample benefits such as job opportunities, generate income and other economic benefits to the people in the rural areas; Ashley et al. (2000) who state that tourism earnings can be

invested to improve local agriculture; Berno (2010) who argues that tourism and agriculture linkages can result in higher levels of economic retention as well as contribute to sustainable tourism; Goodwin (1998) who points out that tourism helps to diversify local farming; Trejos and Chiang (2009) who posit that linkages with agriculture are negatively affected by scale and seasonality, resulting in leakages out of the community and Sims (2010) who explored the relationship between 'local food' and sustainable rural tourism in the UK.

Moreover, Mathieson and Wall (1992) contend that the extent to which the tourism sector can establish linkages with local entrepreneurs depends upon such factors as the types of suppliers and producers with which the industry's demand are linked, the capacity of local suppliers to meet these demands, the historical development of tourism in the destination areas; and the type of tourism development. In support of this, Lundgren (1973) suggested that the speed of hotel growth is also significant in generating local entrepreneurial activity. He looked at the contribution of hotel development to the growth of agricultural activity in the Caribbean. His study showed that rapid growth of hotels leads to increased demand in agricultural products. In their study, Mshenga et al. (2010) pointed out that tourism contributed positively to the growth of farm and non-farm micro and small scale enterprises at the Kenya coast.

Linking tourism to agriculture can reduce foreign exchange leakages (Bah and Goodwin, 2003; Smith and Jenner, 1992). As such, tourist hotels should purchase local products as opposed to importation. Meyer (2006) points out that since the term "linkages" for most studies is synonymous with investigation of the proportion of imported food to domestic food utilised by the tourism industry, then the aim of creating linkages is to reduce the high import content in the tourism sector, which is achieved by substituting foreign imports with local suppliers. In looking at the Caribbean economy, Timms (2006) posits that the production of agricultural products for export while relying on imported food has long dominated the agricultural sector in the Caribbean. Therefore he suggests that one strategy that can have a positive impact on reducing this dependency is the use of locally grown agricultural products by the hotel sector.

For a hotel to purchase local agricultural products, it depends on the type of tourism enterprise (Meyer, 2006). Shah (2000) found out that in cases where formal sector tourism enterprises are owned by the local elite then there is a very high likelihood of using local supplies as the local elite would wish to promote the local economy. In his

study, Andriotis (2002) found out that 85 percent of tourism enterprises purchased their fresh food supplies locally and smaller hospitality firms were more likely to purchase their supplies locally. This view is supported by Mshenga and Owuor (2009).

Goodwin (1998) contends that the poor can participate more in tourism if there is development of local sources of supply to the tourism establishments. Participation can be increased by finding ways to help farmers tap into hotel and restaurant markets (Ashley, 2006). Wright (2005) gives the benefits of farmers selling directly to restaurants. He argues that restaurants provide a steady market throughout the production season and are willing to pay top dollar, especially for those items that they cannot find elsewhere. Additionally, there is also the personal relationship farmers can build with owners, managers and chefs. Through this, farmers can gain a marketing edge by becoming acquainted with the latest ideas and trends in the restaurant industry and by tailoring their product to specifically fit the restaurant needs. Finally, restaurants offer the opportunity for farmers to create brand recognition since restaurants like to emphasize locally grown products and will often mention the name of farm suppliers on their menus as an attraction to their tourist clientele. The growth in tourists' consumption of local foods is partly attributed to the globalization of diet and greater familiarity with international cuisines and hence food served in most tourist hotels is proudly advertised as from local sources (Ngwenya 2010).

STUDY DESCRIPTION

This study was conducted in coastal Kenya which contributes 60% of the country's tourism earnings. Purposive sampling was used to choose three destinations in the region based on their level of tourism activity: Mombasa, Malindi and Diani. A census survey was used to select the hotels. All hotels with a bed capacity of 40 and above were considered in the survey. In total 49 hotels participated in the survey. Data were collected using semi-structured questionnaire. Descriptive statistics were used for the hotel characteristics and purchase considerations.

In evaluating the hotel characteristics influencing the purchase of local agricultural products, the study employed a logit model which is generally expressed as:

$$\ln(ODDS) = \ln\left(\frac{\hat{Y}}{1 - \hat{Y}}\right) = a + bX$$

Y is the dependent variable indicating whether the hotel purchased local agricultural products or not and is equal to 1 if the hotel mostly purchased local agricultural products and 0 otherwise. The X variables are characteristics of the observed hotel such as ownership, management, bed capacity, number of employees and the age of the hotel.

RESULTS

Characteristics of Hotels at the Kenyan Coast

The findings showed that 34.7 per cent of the surveyed hotels were located in Diani, 36.7 per cent in Mombasa and 28.6 per cent in Malindi. As regards the ownership of the hotels, 42.9 per cent of the hotels were owned by Kenyans, 26.6 per cent of the hotels were foreign owned while the ownership of the remaining 30.6 of the hotels was shared as shown in Table 1 below. This shows majority of the hotels are domestically owned. This finding is contrary to earlier literature and is an indication that there is a shift from foreign ownership to domestic ownership in the hotel industry as opposed to earlier years where Crompton (in Jommo, 1987) observed that tourism in Kenya was instituted as a 'European hedenocracy' and that the Europeans mostly had the right to invest in the tourism industry. It should however be noted that some of the owners of the hotels are Kenyans of European descent. The shift in ownership may be due to past efforts by the government to indigenize tourism enterprises as seen in the country's tourism objectives in 1965; one being 'to increase Kenyan ownership and management of the industry' (GoK, 1965b). However the study found out that there is a significant difference (pearson chi-square value of 11.613, 0.02 significance) in the ownership of the hotels in the three locations with Malindi hotels being more foreign owned.

Of the 14 hotels sampled in Malindi, only one hotel is domestically owned. This supports Akama (1997) and Joosten and Marwijk (2003) findings that a high percentage of tourist facilities in Malindi are Italian owned. In fact, it is mostly Italians who patronize these establishments as the owners mostly focus on the Italian market and hence domestic tourists are very few. Thus during low season most of these hotels close down for renovations.

TABLE 1. Characteristics of Tourist Hotels

		Diani	Mombasa	Malindi	Mean %
Ownership of Hotel (%)	Domestic	47.1	66.7	7.1	42.9
	Foreign	23.5	16.7	42.9	26.5
	Shared	29.4	16.7	50.0	30.6
Management (%)	Domestic	64.7	72.2	35.7	59.2
	Foreign	11.8	0.0	14.3	8.2
	Shared	23.5	27.8	50.0	32.7
Continent of origin of foreign Managers (%)	Europe	25.0	0.0	100.0	46.7
	Asia	25.0	40.0	0.0	20.0
	Europe and Asia	50.0	60.0	0.0	33.3

Source: Survey Data

An analysis of the country of origin of the top managers of the hotel revealed that 59 per cent were Kenyans, 8 percent were foreigners while 33 per cent had both domestic and foreign managers. Of the managers who were foreign, 48 per cent were from European countries, 20 per cent from Asian countries and some hotels had both from Europe and Asia. These findings show a contradiction with earlier literature such as Dieke (1991). This study showed that there is involvement of Kenyans in the management of tourism and related operations. This was due to the government policy of indigenization in the late 1960s. In 1969, the government started formal training for the tourism industry thus reducing the number of expatriates. The government established the Kenya Utalii College in 1975 to train personnel for the various positions in the tourism industry. The shift from expatriate to domestic management of the hotels is of importance as this minimizes foreign exchange leakages in terms of expatriate pay.

Table 2 below gives the results for age of the hotel, bed capacity, and number of employees.

The average age of the large tourist hotels was found to be 18 years with the newest being one year old and the oldest established in 1955 during the colonial times and this hotel served as the resting place of the European settlers when they visited the Coast from the Kenyan highlands. The average number of employees in these hotels was found to be 125. The average bed capacity was approximately 230 beds with the largest hotel having 710 beds. The study found out that there was a statistically significant difference between bed capacity and location of the business.

TABLE 2. Bed Capacity, Age and Number of Employees of Hotels

<i>N</i> = 49		Mean	Std. Deviation	Minimum	Maximum
Bed capacity of hotel	Diani	246.12	180.12	42.00	596.00
	Mombasa	286.28	191.87	60.00	710.00
	Malindi	132.50	91.67	40.00	310.00
	Total	228.41	173.72	40.00	710.00
Years in business	Diani	15.34	9.15	1.00	33.00
	Mombasa	23.93	13.58	1.00	55.00
	Malindi	14.96	14.96	1.00	50.00
	Total	18.39	13.12	1.00	55.00
Total employees	Diani	151.12	104.96	30.00	402.00
	Mombasa	131.44	110.12	30.00	400.00
	Malindi	85.36	39.52	30.00	183.00
	Total	125.10	95.42	30.00	402.00

Source: Survey Data

Proportion of Local Agricultural products purchase by hotels

The local agricultural products purchased by hotels at the Kenyan Coast were found to be eggs, meat, chicken, fish, vegetables, fruits, flowers and milk as given in Table 3. The coastal area is rich in such fruits as mangoes and citrus fruits. The high percentages show the importance placed on local agricultural products. This is supported by Hardesty (2008) who suggests that in the U.S, there is a nationwide interest among schools, colleges, hospitals, and other institutions in purchasing fresh, locally and sustainably produced food.

TABLE 3. Proportion of Local Agricultural products purchased by Hotels

Product	Percentage	Std. deviation
Fruits	94	0.21385
Vegetables	90	0.28394
Chicken	62	0.42996
Eggs	84	0.34394
Meat	65	0.43510
Milk	57	0.47871
Fish	91	0.26445
Flowers	68	0.46429

Hotel Purchase Considerations

Hotels and lodging services regularly purchase a large quantity of supplies for which procurement systems play a

crucial role in maintaining daily operations and quality (Kothari et al. 2005). In looking at the procurement activities of hotels, respondents were asked what factors they consider in the decision to buy local. From the results, 14 per cent of the hotels considered price, 35 per cent quality, 8 per cent supply reliability and 43 per cent all the above as shown in Table 4 below. Local purchases are cheap due to reduced transport costs from the place of production to the place of consumption. This view is supported by Edwards-Jones et al. (2008) who report that local production can be more energy efficient than non-local production, largely because of transportation savings and that local food serves to reduce food miles and greenhouse gas emissions, improve food safety and quality, strengthen local economies and enhance social capital.

As regards freshness, this is especially important for perishables like vegetables, fruits, meat and fish. These need to be consumed immediately to avoid spoilage otherwise there will be need for storage and refrigeration facilities which is an extra cost. Edwards-Jones et al. (2008) point out that the commercial and nutritional quality of fruits and vegetables is determined by a range of characteristics, attributes and properties. The commercial quality standards for fruits and vegetables include cleanliness, firmness, lack of damage, freedom from disease, colour, size and shape, freshness, appearance, texture, aroma, consistency, origin and use-by-date (UN-ECE, 2007). Additionally, quality is viewed in terms of nutritional quality which relates to essential nutrients (carbohydrates, amino and fatty acids) and biologically active compounds (vitamins, dietary fibre, flavonoids, carotenoids, phytosterols, phenolic acids and glucosinolates). Both of these aspects of quality may be affected by the various activities that occur along the supply chain. For example, fresh vegetables can experience deterioration in their marketing quality during transportation due to mechanical damage caused by handling and transit vibrations. Storage can also reduce vegetable quality due to microbial spoilage and nutritional losses, with the most susceptible nutrient compounds being ascorbic acid, niacin, folic acid, phenolics, carotenoids and flavonoids. Preservation methods such as refrigeration, gas and controlled modified atmosphere, chlorination, electrolyzed water treatments, ionizing radiation, application of film packaging and surface coating aim to reduce the nutritional losses and to increase the shelf-life of fresh vegetables.

With respect to availability, if products are available locally, this reduces the search costs involved in looking for prospective suppliers. Oke et al. (2008) contend that

cost, physical and cultural proximity, political factors and reliability are found to be the primary criteria for sourcing suppliers in Eastern Europe, Asia and Africa. The above findings are supported by Starr et al. (2003), Hakansson and Wootz (1975), Leenders and Fearon (1993) as well as Torres and Momsen (2004). Similarly, Ilbery and Maye (2006) point out that local food is championed as one alternative response to industrial systems of food production and supply.

TABLE 4. Purchase Considerations in Local Buying Decisions

<i>Considerations in local buying decisions</i>	<i>Percentage</i>
Price	14.3
Quality	34.7
Supply reliability	8.2
All the above	42.9
Total	100.0

Purchase Arrangements of Hotels with Suppliers

Table 5 below gives the results of purchase arrangements the hotels had with suppliers.

TABLE 5. Types of Purchase Arrangements with Suppliers

<i>Supply arrangement</i>	<i>Percentage</i>
Spot markets	23.9
Formal contracts	47.8
Informal contracts	19.6
Formal and Informal contracts	8.7
Total	100.0

Source: Survey Data

From the results, 24 per cent of the hotels did not have any arrangements as they bought from spot markets. This was mostly in the case of foodstuff such as fruits and vegetables that were purchased from local markets. The respondents who purchased from spot markets usually sent their staff to markets such as *Kongowea*. For other products, the hotels shopped around to get the best prices. A survey of consumers in southeastern Missouri indicated that most consumers perceived local produce at farmers markets as being of higher quality and less costly (Brown 2003). Similarly, in the study by Wolf, Spittler, and Ahern (2005), consumers perceived that produce at farmers

markets was fresher looking, fresher tasting, of higher quality, and a better value for the money; however, many consumers found shopping at farmers markets too inconvenient.

The percentage of hotels that had formal contracts with suppliers was found to be 48 per cent. A good example is the White Sands Hotel which had formal contracts with the suppliers of chicken and eggs. The reason they gave for this was that they wanted to be assured of supplies especially during the peak season when demand is high. In fact, this hotel went as far as assisting the poultry producers in setting up the poultry farm so as to maintain quality standards. This hotel also had a contract with the supplier of small decorative baskets. Contracts are an increasingly common method for coordinating exchange in the food industry. Contracts often include specifications for product attributes including food safety. One of the goals of explicit safety specifications is to discourage or deter suppliers who would deliver unsafe food (Starbird and Amanor-Boadu, 2007). Formal contracts are good as they define the conditions for exchange and specify remedies in case one party does not fulfill its obligations thus protecting parties to a transaction from opportunistic behaviour (Bensako et al., 2004). In their study, Starbird and Amanor-Boadu, (2007) found out that the motivation to select against unsafe producers depends on the magnitude of the failure costs and the proportion of the failure costs allocated to producers.

Another type of purchase arrangement was informal contracts of which 20% of the hotels used. These informal contracts had to do with the 'gentleman's agreement' whereby the supplier agreed to supply while the hotel had the responsibility to pay. It has been observed that business networks based on social ties and governed by norms of trust and reciprocity are extremely powerful (Bensako et al., 2004). Trust gives parties access to resources and information and this helps improve efficiency which is difficult to acquire through arm's length contracts. Informal contracts are viable since there is a threat of losing future business in case one party breaks the contract. Finally, 9% of the respondents had both formal and informal contracts with suppliers.

Most of the contracts were non-exclusive. Having non-exclusive contracts enables the local agricultural product suppliers to have a wider market to supply their products and have more customers as well as expanding their network base. Itoh and Morita (2006) showed that where, under spot transaction, formal contracts had no value because of the cooperative nature of investment and that

writing a simple fixed-price contract can be valuable under repeated transactions.

Factors Influencing Local Agricultural Product Purchase by Hotels

In determining the factors influencing local agricultural product purchase by hotels, a logit model was employed and results shown in Table 6 below. The results on age of the hotel were found to be negative and significant. Thus the number of years a hotel had been in operation determined whether it would purchase local agricultural products or not. This indicated that as the number of years the hotel had been in operation increased, the lower the probability of the hotel purchasing local agricultural products. This was due to the fact that older hotels had established contracts with larger businesses and thus would not want to dishonor the contracts and start buying from local suppliers who are mostly small scale.

The significant effect of the number of employees a hotel had shows the importance of hotel size on whether a hotel purchased local agricultural products or not. The results revealed that smaller hotels purchased more local agricultural products. This was because smaller hotels required smaller quantities which could easily be supplied by local suppliers.

TABLE 6. Factors Influencing Local Agricultural Product Purchase by Hotels

N = 49 LR $X^2 2(7)$ =20.338*** Pseudo $R^2 = 0.410$ Log likelihood = - 14.625 % correct prec. = 83.6735				
	<i>Marginal effects</i>	<i>Standard Error</i>	<i>Z</i>	<i>P/ Z >z</i>
	<i>Coefficient</i>			
	<i>t</i>			
Constant	0.1460	0.1756	0.8360	0.4031
Location- Diani	-0.0003	0.0125	-0.238	0.8116
Location -Mombasa	-0.0002	0.0129	-0.124	0.8773
Years in Business	-0.0934	0.0496	-2.009	0.0446**
Number of employees	-0.0312	0.0145	-2.152	0.0314**
Management (local =1, others=0)	-0.1473	0.1000	-1.481	0.1385
Ownership	-0.0805	0.0870	0.926	0.3546
Bed capacity	-0.0022	0.0010	2.189	0.0286**

*significant at 0.1, **significant at 0.05, ***significant at 0.01

Source: Survey Data

Bed capacity had a significant and negative effect on the source of supply of hotel products. This showed that the bigger the hotel in terms of number of beds, the less likely it was to purchase local agricultural products.

CONCLUSIONS AND RECOMMENDATIONS

From the results, hotels at the Kenyan Coast purchased more than 50% their requirements of vegetables, meat, milk, fish, fruits, chicken, eggs and flowers locally. The factors that influenced the purchase of local agricultural products by hotels were: bed capacity, year of establishment and number of employees.

Based on the results, it is recommended that local farmers should produce for the tourism industry. To do so, they should find out the agricultural product requirements of the hotels and supply these in the quality and quantities that are required. It is also recommended that farmers and suppliers of agricultural products target smaller and newly established hotels and focus on supplying foodstuff such as fruits, vegetables, chicken, eggs, meat, and milk.

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