EFFECTIVENESS OF SUPERMARKETS AS RETAIL OUTLET OF FAST MOVING CONSUMER GOODS IN NAIROBI COUNTY

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2014
DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

Full name: **James Watenga Kamau**

REG NO: **D61/P/7110/2005**

Signature ........................................ Date........................................

SUPERVISOR

This project has been submitted for examination with my approval as university supervisor.

Signature ................................. Date........................................

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Lecturer, Department of Business Administration,

University of Nairobi
DEDICATION

This research work is dedicated to my family members, who have always inspired me to be a successful person.
ACKNOWLEDGEMENTS

I would like to express my thanks to the Almighty God for his guidance and enabling me to complete this task.

I am extremely thankful and pay my gratitude to my supervisor Dr. Raymond Musyoka for his guidance and patient encouragement that aided the writing of this MBA project in innumerable ways.

I have taken efforts in this project. However, it would not have been possible without the kind support and help of many individuals and my employer. I would like to extend my sincere thanks to all of them.

A special feeling of gratitude to my loving wife Naomi Wambui and my children, Jayne Njeri and Jeff Kamau for words of encouragement, patience and perseverance throughout my studies. My brother Stephen Kigima has never left my side and he is very special.
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<td>Fast Moving Consumer Good</td>
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<td>ROI</td>
<td>Returns on Investments</td>
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ABSTRACT

This study sought to evaluate the effectiveness of supermarkets in the distribution of fast moving consumer goods in Nairobi County. The objectives of this study were to determine the effectiveness of supermarkets in the distribution of fast moving consumer goods in Nairobi County; and to determine the challenges facing supermarkets in distribution of fast moving consumer goods in Nairobi County. This research used descriptive research design approach which involved acquiring information about one or more groups of people about their characteristics, opinions, attitudes or previous experiences. The study population consisted of one hundred and two (102) supermarkets listed in the Nation Business Directory (2008). Random sampling was used to select 50 top and middle level managers of retail supermarkets within Nairobi County. The study used primary data which was collected using a drop pick later semi-structured questionnaire. Descriptive statistics were used to analyze the data. The analyzed data was presented in form of frequency, percentages, means and standard deviation tables. Out of the targeted 80 top and middle level managers in supermarkets, 69 filled and return the questionnaires making the response rate to be 86.3. The study disclosed that majority (69.6%) of the top and middle level management for the supermarkets in Nairobi County are university graduate with only 8.7% being high school certificate holders. The study findings indicate that supermarkets were effective in the distribution of FMCG products to a great extent. The study found that supermarkets were consulted before promotions are run and were sometimes informed before new products were introduced in the market; Product range was ranked first as affecting the performance of supermarkets in distribution of fast moving consumer goods in Nairobi County, followed by company image; relative price; size of market; investment in technology; differentiation and fragmentation of customers. Product innovation; motivation; and government legislations affected the performance of supermarkets in distribution of fast moving consumer goods in Nairobi County to a moderate extent. The study concluded that retail supermarkets were a key point of sale for FMCGs in Kenya. Supermarkets also offered high quality services and usually consulted the distributors before and after the promotions run to advice on the results. The study recommends that supermarket distribution should expand the storage spaces to hold more varieties of the products. The study was limited to Nairobi County and future research should be undertaken in other areas and Counties since the responses may vary depending on the customer base. Future research should be conducted to include the other components of the retail distribution chain such as the relationships between provision of distributor welfare programs and behaviour of retail outlets in Kenya. The future study should be wide enough but limited to particular sectors to control for the differences in various sectors or focus on specific retail outlets.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

After a company has defined its target market and desired positioning, it should identify its distribution channel. A distribution channel is the external contractual organization that management operates to achieve its distribution objectives (Rosenbloom, 1999). It is a set of institutions, agencies and establishments through which a product must move from the producer to the consumer (Kotler, 2003). Coughlan, Anderson, Stern & El-Ansary, (2001) add that distribution channels perform the work of moving goods from producers to consumers, thereby helping to overcome the time, place and possession gaps that separate goods and services from those who need or want them. They provide a link between production and consumption by filling any gap or discontinuity that exists between them (Baker, 1992). The company’s chosen channels ultimately affect all other marketing decisions (Kotler, 2003). This implies that channel decision have strong link with the firm marketing strategy.

At present, many supermarket chains are attempting to further reduce labor costs by shifting to self-service check-out machines, where a single employee can oversee a group of four or five machines at once, assisting multiple customers at a time (Zeithaml, Wilson & Bitner 2008). The supermarkets have made them adopt a range of management strategies to offer superior quality products, a wider choice, reduced wastage, greater value for money and shorter and more effective supply chains. The supermarkets have helped to reduce the length of the supply chain.
1.1.1 Distribution Channel
A distribution channel is a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption. Frequently there may be a chain of intermediaries; each passing the product down the chain to the next organization, before it finally reaches the consumer or end user (Kotler, 2003). This process is known as the 'distribution chain' or the 'channel.' Each of the elements in these chains will have their own specific needs, which the producer must take into account, along with those of the all-important end user (Cateora & Graham, 1996).

Both multinational and local or national brand owners operate through a similar channel structure and employ multiple distributors. The extent to which the brand owner takes channel leadership and therefore determines the flow of product and funds through the length of the channel differs between local and multinational brands. The latter generally are able to act as channel leaders to a far greater extent than can local brand owners. In countries where manufacturers dominate markets, brand owners can act as channel steward and heavily influencing the overall channel strategy (Rangan, 2006).

1.1.2 Supermarkets as Retail Outlet
A supermarket is a self-service store offering a wide variety of food and household merchandise, organized into various departments. It is larger in size and has a wider selection than a traditional grocery store, also selling items typically found in a convenience store, but is smaller and more limited in the range of merchandise than a hypermarket (Zeithaml et al, 2008). Supermarkets usually offer products at low prices by reducing their economic margins. Certain products (typically staple foods such as bread, milk and sugar) are occasionally sold as loss leaders, that is, with negative profit margins.
To maintain a profit, supermarkets attempt to make up for the lower margins by a higher overall volume of sales, and with the sale of higher-margin items. Customers usually shop by placing their selected merchandise into shopping trolleys or baskets (self-service) and pay for the merchandise at the check-out.

Supermarkets since they appeared have played an important role in food distribution. This distribution model was widely accepted by both companies and consumers. The evolution of these stores in recent years has been quite dynamic on the basis of their good combination of supply, proximity and service. The supermarkets have been able to create much more complex supply and distribution chains. This means that they are able to use a far greater number of suppliers, and that their stores can carry a far greater number of different lines, and that transport from suppliers to warehouses to shops has become far more efficient. The impact of supermarkets on global and local supply chains and its implications for all actors in the supply chains has received much attention in recent years (Neven & Reardon, 2004). Efforts made by supermarkets in production and marketing channels.

1.1.3 Fast Moving Consumer Goods (FMCG)

Fast Moving Consumer Goods (FMCG), are products that are sold quickly at relatively low cost. Though the absolute profit made on FMCG products is relatively small, they generally sell in large quantities, so the cumulative profit on such products can be large. Fast moving consumer goods include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, teeth cleaning products, shaving products and detergents, as well as other nondurable such as glassware, light bulbs, batteries, paper products and plastic goods. The FMCG distribution Chain is the interrelated collection of
processes and associated resources. It includes suppliers, manufacturers, logistics service providers, warehouses, distributors, wholesalers and all other entities that lead up to delivery to the final customer. Followed in the market through sales force activity it can help gain a high level of distribution.

1.1.4 Retailing Sector in Kenya
Retailing sector in Kenya has grown over the last five years with most channels experiencing an increase in growth. There has been a spate of new store openings to attract the upwardly-mobile middle-classes. Modern grocery outlets are slowly taking over the market. Traditional channels, such as roadside kiosks, which were heavily involved in bulk breaking i.e. buying multipacks from other retailers and then re-selling each unit as a separate product have been overtaken by modern outlets which offer a wider product variety and greater convenience. There is a trend developing whereby major retail outlets, rather than owning their own premises and other real estate, are instead becoming tenant.

Retail development has benefited from the fact that in recent years, the Kenyan government has made considerable headway in terms of making the business environment in Kenya more attractive for investors. Whilst ease of credit has significantly improved the business environment for investors, other factors such as an improved infrastructure, reduced corruption and political stability have all fuelled growth across the sectors. Nairobi, with a population exceeding three million, is currently estimated to account for 70% of the modern grocery market and has been targeted by many retailers as the most lucrative location for opening stores (Economic Survey, 2010).
The retailing industry plays a crucial role in the overall economy of Kenya contributing 10% to GDP and an estimated total wage payment of Ksh. 86.7 million within the private sector in 2009 (Economic Survey, 2010). Over the last fifteen years, the Kenyan retailing industry has experienced phenomenal growth with major retailers expanding to the broader East Africa and beyond. Retailers have positioned themselves for all kind of customer needs and income levels especially the growing young working population. Many retailers have been upgrading themselves by re-locating to up-coming modern malls and shopping centers, providing superior shopping atmosphere and experience especially in the urban and semi urban centers.

1.1.5 Supermarkets in Nairobi County
The growth of supermarkets in Kenya has been attributed to such factors as increased urbanization; a growing middle class and its changing lifestyles; and market liberalization that has led to increased competition in the sector. The supermarket is not a new concept in Kenya, having had the first store of its kind in the 1960s (Reardon & Swinnen, 2004). Some of the old players in the retail industry are Uchumi Supermarkets, founded in the mid ‘70s and Nakumatt Supermarkets, founded in 1987. However much growth was not seen within the retail chains until the mid ‘90s when supermarkets grew from 5 to the current over 300 stores in Kenya (Reardon & Swinnen, 2004). These range from well established retail chains to independent one store supermarkets.

The dominant players in the sector include Nakumatt, which is privately owned with a turnover of over 20 billion Kenya shillings per annum. It is the leading player in the sector with over 19 branches in Kenya as well as regional presence through a branch in Uganda and another in Rwanda. Nakumatt has been noted as a ground breaker in East
and Central Africa as it is the first retailer to have its stores open round the clock. Tuskys Supermarkets is another major chain in Nairobi County, ranking second, by sales, in the retail industry. The oldest and once leading supermarket chain, Uchumi Uchumi, is also a major player in the industry. Other key retail chains are Ukwala, Chandarana, Eastmatt and Naivas Supermarkets which is amongst the newest players.

1.2 Research Problem

To reach the final consumers, products need to be distributed, and thus the channel of distribution become of utmost importance. Markets are becoming increasingly international resulting in many companies being located further away from their buyers and final customers. Whatever distribution channel an organization chooses, priority is designed to help manage the campaign and monitor profitability (Gupta & Khanka, 2003). Changes in consumer buying habits and motives, changes in the marketing mix, changes in the availability of middlemen, changes in resources, changes in competition, and finally changes in all the environmental factors call for a modification or a redesign of a company’s channel structure. The one way for a company to “keep on top” of the situation is to constantly review these factors which affect the channel of distribution hence decisions must be made in the context of optimizing the following basic channel objectives (Gupta & Khanka, 2003).

Masese (2001) conducted a study on the factors considered important by large supermarkets in selecting their suppliers of merchandise among large supermarkets in Nairobi. Kiumbura, (2003) on the other hand did a study on retailer brands and channel conflict among supermarkets in Nairobi while Okwany (2003) in his study of the
influence of product assortment on consumer preference in store selection among supermarkets in Nairobi. Njuguna (2003) did a study on the use of relationship marketing strategy by supermarkets in Nairobi. He found out that relationship marketing was a major factor adopted by supermarkets in Nairobi to promote their products. Billow (2004) in his survey of competitive strategies adopted by supermarkets in Nairobi, found that supermarkets used popular labels or brand images, uniformed, trained and well groomed staff and spacious locations. Neven and Reardon (2005) did a research on supermarkets in urban Kenya focusing on the impact of the rise of domestic supermarkets on urban consumers of fresh fruits and vegetables (FFV). Wasamba (2008) did a study on the strategies used by manufacturers of FMCG to motivate channel members among supermarkets in Kenya. Mageto (2009) did a study on the relationship between supply chain performance and supply chain responsiveness among supermarkets in Nairobi. None of these previous studies has dealt with the effectiveness of supermarkets in the distribution of fast moving consumer goods in Nairobi County. Based on this evaluation, there is a gap in the literature to warrant this research to be conducted. This study therefore filled the void by answering the following question: how effective are supermarkets as retail outlet of fast moving consumer goods in Nairobi County?

1.3 Research Objectives

The objectives of this study were to:

i) To determine the effectiveness of supermarkets in the distribution of fast moving consumer goods in Nairobi County.
ii) To determine the challenges facing supermarkets in distribution of fast moving consumer goods in Nairobi County.

1.4 Value of the Study

Researchers and scholars can use this information to add to their understanding of product distribution channels in manufacturing firms in Kenya. The study will provide foundation and material for further related research. It will also introduce new comparative knowledge for managers to deal with challenges arising from the choice of product distribution channel.

Policy makers such as the government will find the study invaluable in the implementation of policies aimed at streamlining supply and distribution activities in various sectors within the country. The policy makers will also obtain knowledge on the distribution of fast moving goods, the dynamics and the responses that are appropriate and specific for various industries in Kenya, they will therefore obtain guidance from this study in designing appropriate policies that will ensure the effective implementation of relevant policies.

The study will assist the management of retail outlets to address the shortcomings in the distribution of their fast moving consumer products to the supermarkets, challenges experienced in the implementation of distribution strategies, and provide guidance in the up scaling of its distribution for increased sales levels.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review in form of both theoretical and conceptual framework. The chapter specifically discusses the theoretical foundation, retail distribution channels as well as supermarket distribution channels.

2.2 Theoretical Foundation

This study is based on the theory of Constraints, Transaction Utility theory as well as the Bargaining Theory of Distribution Channels.

2.2.1 Theory of Constraints (TOC)

This theory argues that, in FMCG distribution channel, stock should be set according to average replenishment time; average demand within replenishment time; fluctuations of demand within replenishment time; fluctuations in replenishment time; loss caused by shortage; customer tolerance time; cost of holding stock. Stock Norms (SN) can be set and the min-max principle can be used, as soon as the stock level falls below a pre-defined minimum level, an order is placed to replenish the stock up to the maximum level. The method seeks to reduce transportation costs. We should use the sales data and should factor variables affecting demand like trade promotion, consumer promotion and seasonality affecting demand. The TOC involves dynamically sticking to the system defined Stock Norms to reduce the stock pressures on supply chain and cutting down of operating expenses and, at the same time, contributing to an increase in the ROI (Kotler, 2003).
A process of establishing stock norms involves several steps where the first step examines and Monitor periodic sales and physical stock per SKU, per location. Step 2 determines the stock requirement to just meet the demand without carrying excess or stock shortage while the third step calculates the damage in terms of lost cash of both redundant inventories and lost sales. Step 4 traces all potentially factors affecting demand and supply include the necessary adjustment suggestions with the fifth step enables monitoring the variations from the stock norms and use the concept of dynamic buffer management (Kotler, 2003).

### 2.2.2 Transaction Utility theory

Transaction Utility theory was propounded by Thaler to explain that the value derived by a customer from an exchange consists of two drivers: Acquisition Utilities and Transaction utilities. Acquisition utility represents the economic gain or loss from the transaction. Whereas transaction utility is associated with purchase or (sale) and represents the pleasure (or displeasure) of the financial deal per se and is a function of the difference between the selling price and the reference price. Choice of a format has been studied from several dimensions including the cost and effort as well as the non-monetary values. However, the studies that present the complete picture and combine the aspects of the tangible as well as intangible values derived out of the shopping process are limited (Shaw & Haynes, 2004).

Most of the studies, all of them from the developed economies, have focused on the selection of a store. They represent a scenario where formats have stabilized. However, in Indian scenario formats have been found to be influencing the choice of store as well as
orientation of the shoppers. Also, retailers are experimenting with alternate format with differing success rates. The author has also not found a study that has applied this theory. It is felt that the Transactional Utility Theory may provide a suitable approach for making format decisions (Tan, Lyman & Wisner, 2002).

2.2.3 Bargaining Theory of Distribution Channels

A critical factor in channel relationships between manufacturers and retailers is the relative bargaining power of both parties. In this article, the authors develop a framework to examine bargaining between channel members and demonstrate that the bargaining process actually affects the degree of coordination and that two-part tariffs will not be part of the market contract even in a simple one manufacturer-one retailer channel. To establish the institutional and theoretical bases for these results, the authors relax the conventional assumption that the product being exchanged is completely specifiable in a contract. They show that the institution of bargaining has force, and it affects channel coordination when the complexity of non specifiability of the product exchange is present (Shaw & Haynes, 2004).

The authors find that greater retailer power promotes channel coordination. Thus, there are conditions in which the presence of a powerful retailer might actually be beneficial to all channel members. The authors recover the standard double-marginalization take-it-or-leave-it offer outcome as a particular case of the bargaining process. They also examine the implications of relative bargaining powers for whether the product is delivered "early" (i.e., before demand is realized) or "late" (i.e., delivered to the retailer only if
there is demand). The authors present the implications for returns policies as well as of renegotiation costs and retail competition.

2.3 Retail Distribution Channels

Distribution is where intermediaries, such as wholesalers and retailers, split large production runs into small amounts (breaking bulk) and create an assortment of products to offer customers. Distributors facilitate or help the flow of the transaction by physically moving product, information, or funds through the distribution channel. Distribution systems thus provide a standard of living for customers by moving products from producers to users in the most cost efficient manner as possible. This calls for marketing systems to constantly look for ways to lower the overall cost of distribution channels while striving to improve relationships between channel members. The main functions of a distribution system are ordering, warehousing and physical movement of the product from producers to end users (Kotler, 2003).

Retailing provides a combination of goods and services to their customers. Retail outlets channel has been characterized as a service with high degree of labour intensity, and low degree of interaction and customization (Tan, Lyman & Wisner, 2002). Examples of retailers in Kenya include the supermarkets, kiosks (very small convenience stores), hawkers, butcheries, fuel stations, bookshops, hotels, chemists, banks, ordinary shops, auto dealers, cloth stores, jewelry stores, gift shops, shoe stores, furniture stores, music stores and hair salons among others (Kagira & Kimani, 2010). While the traditional marketing emphasis in retail outlets channel has been on product quality (goods,
growing research in service quality has made many retailers to understand the importance of service quality in their retail offerings (Bougoure & Lee, 2009).

Customer perception has been defined as a customer’s overall impression of the relative inferiority/superiority of an organization and its services (Bitner & Hubbert, 1994). This perception is influenced by many factors such as employee’s performance, facilities, price of products and quality of service offered among other factors (Shaw & Haynes, 2004). Further, due to technological developments, affluence and rise in levels of education, customers perceptions are greatly changing calling for organizations to have concerted effort to understand these perceptions. Retail image on the other hand refers to how a retailer is perceived by customers and other parties. Numerous factors contribute to a retail image. According to Berman and Evans (2005) overall retail image is influenced by store location, merchandise attributes, pricing, firm’s positioning, customer service, target market, attributes of physical facilities, shopping experience, promotion tools (such as advertising, public relations, personal selling, sales promotion) and community service. Further, Berman and Evans (2005) note that a retailer's image depends heavily on its ‘atmosphere’ or the psycho-logical feeling a customer gets when in that retail outlet.

### 2.4 Supermarkets as Distribution Outlets

Supermarkets are basically grocery stores but usually have departments of non-food items, and at least the grocery department is operated on a self service basis. Besides, Kotler (2003) define a supermarket as a relatively large, low-cost, low-margin, high-volume, self-service operation designed to serve total needs for food, laundry and household maintenance products. Supermarkets earn an operating profit of only one
percent of sales and ten percent on net worth. The Supermarket Institute define a supermarket as a store with at least two thousand feet sales area, with three or more check-outs and operated mainly on a self-service basis, whose range of merchandize comprises all food groups, including fresh meat, fruits and vegetables plus basic household requirements such as soaps and cleaning materials. Agnese (2003) observes that there are a number of factors, external and internal, that impact the supermarket industry. External factors include decreased population growth in established markets, trends in Gross Domestic Product (GDP), inflation, and shifts in demographics. Internal factors impacting the industry include market saturation, limited market growth and competition.

In recent years, the customer base in much of the world has been declining or stabilizing and market demographics have shifted considerably requiring a new way of doing business. The pace of economic growth, however, can still impact supermarkets’ sales and margins as consumers become more diligent in seeking the best price and service available. World Development Indicators Database (2006) further notes that not only is the population growing more slowly, but it is also changing. Many world citizens today are wealthier, older, more educated and more ethnically diverse. Changing demographics affect tastes and expectations, which in turn affect per capita food spending. The grocery industry is fairly recession-proof as everyone needs to eat. The pace of economic growth, however, can still impact supermarkets’ sales and margins as consumers become more diligent in seeking the best price and service available.
Duff (2004) is of the opinion that the supermarket industry is well saturated as a result of urbanization and many existing supermarkets in residential neighborhoods. The industries within the USA, Canada, Europe and Japan are highly mature, while Stadler (2002) note that growth opportunities which traditionally came from opening new stores are now found mainly in same store growth, complimentary markets and acquisitions. Saturation has given rise to intense competition and required many grocers to address new types of competitive threats (restaurants, home shopping delivery, etc.) and rethink their traditional business model. Jones (2001) observes that market saturation, extreme competition and shifts in demographics teamed with the recent economic slump restrict players in the supermarket industry to limit external market growth.

In an attempt to deal with diverse markets, supermarket retailers are forced to customize various operating strategies – expanding the array of services and products, increasing loyalty of profitable customers, generating profits through private labeling, and reaching customers through new delivery methods like internet shopping and home delivery (Jones, 2001). He further reveals that increasing services has resulted in the proliferation of chain stores and hypermarkets that provide consumers with a one-stop shopping experience. In an effort to become increasingly more valuable to time-poor consumers, supermarkets now offer multiple services like pharmacies, photo processing, bill payment and banking options (Jones, 2001).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods, techniques and strategies that were used to answer the research problem. It gives a description of the research design, population, sampling techniques and data collection procedures that were used. It also describes the data analysis techniques to be used in the study.

3.2 Research Design

Kothari (2007) defines research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy procedure. This research adopted a descriptive research design approach which involved acquiring information about one or more groups of people about their characteristics, opinions, attitudes or previous experiences – by asking the questions and tabulating their answers (Gay & Airasian, 2003). The study sought to determine what green marketing practices, are adopted by supermarkets in Nairobi, which fits into the design, Mazrui (2003), Everyne (2013) and, Kamanu (2004) used descriptive study in their related studies.

3.3 Population of Study

For the current research work, study population consisted of all retail supermarkets in Nairobi County. The Nation Business Directory (2008) has a list of one hundred and two (102) supermarkets in Nairobi.
3.4 Sampling and Sample Size

Mugenda and Mugenda (1999) propose a rule of the thumb for determining a sample size and say that a size of 50 to 500 is appropriate for most academic researches. Random sampling was used to select 80 top and middle level managers of retail supermarkets within Nairobi County.

3.5 Data Collection

The study used primary data which was collected using semi-structured questionnaire (see appendix 1). The questionnaire was administered using drop and pick method. Marketing managers for the respective supermarkets was targeted for interview. Given that, this method of administering questionnaires usually has low response rate, visits were made to the premises to persuade them to respond to the questionnaires. Five point likert-scale was used for the closed ended questions. The intent of the likert scale was that the statement represented different aspects of the same attitude. The questionnaire was administered on a drop and pick method. It was divided into three parts; part A, B and C. Part A intended to capture general information about the respondents while part B collected specific information about the study concept. Part C collected specific information about the challenges facing supermarkets in the distribution of fast moving consumer goods in Nairobi County.

3.5 Data Analysis

Data analysis involves reducing the accumulated data to manageable size, developing summaries and looking for patterns and applying statistical techniques. Descriptive statistics were used to analyze the data. Section one contained the demographic
information and data was analyzed using frequencies and percentages. Section two focused on the effectiveness of supermarkets in the distribution of fast moving consumer goods in Nairobi County and the factors that influence distribution of fast moving consumer goods, this data was analyzed using frequencies and percentages, means and standard deviation. Section three contains challenges facing supermarkets in distribution of fast moving consumer goods in Nairobi County which were analyzed using mean score tabulations and standard deviation. The Statistics Package for Social Science (SPSS) program was used to analyze the data and presented in form of frequency, percentages, means and standard deviation tables.
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter presents data analysis, findings, interpretation and presentation. The purpose of the study was to investigate the effectiveness of supermarkets as retail outlet of fast moving consumer goods in Nairobi County. The chapter is divided into sections based on the research questions as well as a section on demographic factors. Out of the targeted 80 top and middle level managers in supermarkets, 69 filled and return the questionnaires making the response rate to be 86.3 as presented in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<tr>
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<td>69</td>
<td>86.3</td>
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<tr>
<td>No Response</td>
<td>11</td>
<td>13.8</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research (2014)

This was adequate for the purpose of this study as Edward et al (2002) asserts that, a response rate of 80% and above is excellent while that of between 60% and 80% is just sufficient for a study.
4.2 Demographic Factors

Table 4.2: Designation of the Respondent

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<tr>
<th>Designation of the Respondent</th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>General Manager</td>
<td>9</td>
<td>13.0</td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>32</td>
<td>46.4</td>
</tr>
<tr>
<td>Operations Manager</td>
<td>5</td>
<td>7.2</td>
</tr>
<tr>
<td>Supervisor</td>
<td>13</td>
<td>18.8</td>
</tr>
<tr>
<td>Administration</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research (2014)

As indicated in Table 4.2, 32(46.4%) of the respondents were marketing managers with 13% being general managers. Others were in administration 5(7.2%) supervision 13(18.8%) and administration 2(2.9%). This implies that majority of the respondents were in either marketing or general management, a position that made them suitable to answer the research questions for this study based on their vast knowledge and experience on supermarkets as retail outlets of fast moving consumer goods.
Table 4.3: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>41</td>
<td>59.4</td>
</tr>
<tr>
<td>Female</td>
<td>28</td>
<td>40.6</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research (2014)

On the gender of the respondents, Table 4.3 reveals that majority 41(59.4%) of the respondents were male with the remaining 28(40.6%) being female. This implies that majority of the top and middle level managers are male.

Table 4.4: Education level of the Respondents

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school and below</td>
<td>6</td>
<td>8.7</td>
</tr>
<tr>
<td>College graduate</td>
<td>48</td>
<td>69.6</td>
</tr>
<tr>
<td>University graduate</td>
<td>15</td>
<td>21.7</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research (2014)

Findings (as illustrated in Figure 4.4) disclosed that majority 48(69.6%) of the top and middle level management for the supermarkets in Nairobi County are college graduate with only 6(8.7%) being high school certificate holders. The other 15(21.7%) were university graduates. The level of education of the respondents was important for this
study as an indicator of respondents’ capability to comprehend the concept of distribution of fast moving consumer goods.

**Table 4.5: Length of Time the Respondents Have Worked with the Supermarket**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 years</td>
<td>10</td>
</tr>
<tr>
<td>2-5 years</td>
<td>22</td>
</tr>
<tr>
<td>5-7 years</td>
<td>28</td>
</tr>
<tr>
<td>over 7 years</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69</strong></td>
</tr>
</tbody>
</table>

**Source: Research (2014)**

Regarding the length of time the (as indicated in Table 4.5), respondents had worked with their respective supermarkets, 28(40.6%) of the respondents indicated 5-7 years with 22(31.9%) disclosing that they have worked with their current organizations for 2-5 years. Only 10(14.5%) of the respondents had worked with their organization for below 2 years. This indicates the majority of the top and middle level managers for supermarkets in Nairobi County have worked with their respective organizations for at least 5 years. This duration is adequate enough for them to comprehend fully the effectiveness of supermarkets as outlets for fast moving consumer goods.
Table 4.6: Rating respondents knowledge on distribution of products in supermarkets

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>39</td>
<td>56.5</td>
</tr>
<tr>
<td>High</td>
<td>22</td>
<td>31.9</td>
</tr>
<tr>
<td>Medium</td>
<td>6</td>
<td>8.7</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research (2014)

The researcher also required the respondents to rate their knowledge on distribution of products in supermarkets. As shown in Table 4.6, majority 39(56.5%) of respondents rated their knowledge as very high with 22(31.9%) rating their knowledge on distribution of products in supermarkets as high. Only 2(2.9%) disclosed that they have low knowledge on distribution of products in supermarkets as high.

4.3 Effectiveness of Supermarkets in Distribution of FMCG

This section was based on how effective are the supermarkets in distribution of FMCG, rating statements related to retail distribution of FMCG, the role of the supermarkets in the distribution of FMCG and rating supermarkets in the distribution of FMCG as well as factors impacting on the effectiveness of supermarkets in distribution of fast moving consumer goods in Nairobi County.
Table 4.7: Effectiveness of supermarkets in distribution of FMCG

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>To a Little extent</td>
<td>4</td>
<td>5.8</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>14</td>
<td>20.3</td>
</tr>
<tr>
<td>To a great extent</td>
<td>38</td>
<td>55.1</td>
</tr>
<tr>
<td>To a very great extent</td>
<td>10</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source: Research (2014)**

Table 4.7 illustrates the effectiveness of supermarkets in distribution of FMCG. From the findings majority 48(69.6%) of the respondents expressed that supermarkets are greatly in distribution of FMCG with 7(10.1%) disapproving existence of meaningful effectiveness in distribution of FMCG through retail outlets.
Table 4.8: Approving statements related to retail distribution of fast moving consumer goods in Nairobi County

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there constant communication between manufacturers and the supermarket</td>
<td>2.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Are you consulted before promotion(s) are run</td>
<td>2.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Are you consulted after the promotion to advice on the results</td>
<td>2.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Are you informed before new product(s) is introduced in the market</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Are you consulted when the company wants to change price</td>
<td>1.9</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Research (2014)

To extract some information related to retail distribution of fast moving consumer goods in Nairobi County, the researcher used a 3-point Likert scale with a score of 3 indicating highest approval (always) while a score 1 indicated the least respondents’ approval (never). Mean and standard deviation were thereafter computed. As shown in Table 4.8, the researcher discovered that there is always constant communication between manufacturers and the supermarket (mean = 2.8; standard deviation = 0.4). At the same time respondents are frequently consulted after the promotion to advice on the results (mean = 2.4; standard deviation = 0.6) as opposed to when the company want to change the price (mean = 1.9; standard deviation = 0.8). This implies that while most supermarkets frequently consult their top and middle level management on product promotions, they on few occasions seek advice from them when they want to change prices of their products.
Regarding the role of the supermarkets in the distribution of FMCG in Kenya, respondents expressed that they build the market power, financial means and geographic presence to realize all these changes and to demand compliance from their suppliers, thus creating a fundamental structural change in the chain for fast moving consumer goods. Respondents added that, the supermarket have taken the role of producing procurement managers in Kenya, since they are under cost pressures to deal with fewer and larger suppliers (a larger supplier can be a collective of smaller suppliers or just larger individual suppliers). This is because low-income consumers also shop in supermarkets. Focus group research by United Nations (2011) in low income neighbourhoods (e.g., Kibera, reputed to be Africa’s largest urban slum area) indicates that most of the residents shop at near-by supermarkets, albeit not so frequent (mostly once a month) and for small values at a time. The report also indicated that, the low per capita expenditure is partially off-set by the vast numbers of low-income consumers (e.g., Kibera has an estimated 800,000 residents). The poor buy mostly easy-to-store bulk goods such as sugar or soap from the supermarket, while for their small and perishable purchases such as milk or produce they prefer to buy from near-by kiosks.
Table 4.9: Rating supermarkets in the distribution of FMCG in Kenya

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>60</td>
<td>87.0</td>
</tr>
<tr>
<td>Average</td>
<td>8</td>
<td>11.6</td>
</tr>
<tr>
<td>Bad</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research (2014)

The study also sought to seek the rating by top and middle level managers of supermarkets in the distribution of FMCG in Kenya. An overwhelming majority of them, 60(87.0%) greatly approved supermarkets as good in distribution of FMCGs with only 1(1.4%) rating them bad. Table 4.9 illustrates the information. The argument behind this effectiveness was that, supermarket require higher and more consistent quality, consistent year round delivery, larger volumes, more stringent payment terms, and so on. In addition, suppliers who are successful in meeting these criteria face great growth opportunities, but those who can’t make the grade are likely to be dropped. As the market share of supermarkets in retailing grows, the effects of this supplier rationalization process will not be marginal.
Table 4.10: Impact of certain factors on the effectiveness of supermarkets in distribution of fast moving consumer goods

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variety</td>
<td>4.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Convenience</td>
<td>4.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Good communication to customers</td>
<td>2.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Less expensive/cheap prices</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Quick or prompt service</td>
<td>3.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Reliability and consistency of service and products</td>
<td>4.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Deep assortment of products</td>
<td>3.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Courtesy and friendliness</td>
<td>3.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Honest, trust and confidence</td>
<td>3.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Access or ease of approach and contact</td>
<td>3.4</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: Research (2014)

The researcher also sought to know the impact of certain factors on the effectiveness of supermarkets in distribution of fast moving consumer goods. A 5-point likert scale was used with a score of five showing the largest impact with a score of 1 indicating very little impact. From Table 4.4, supermarkets are most effective in distribution of FMCGs because of the variety of products they provide (mean = 4.5; standard deviation = 0.8); their reliability and consistency of service and products (mean = 4.3; standard deviation = 1.0) as well as their convenience (mean = 4.1; standard deviation = 1.1).

Respondents however refuted that effectiveness of supermarkets in distribution of fast moving consumer goods is derived from the cheap price they sell the products (mean =
2.4; standard deviation = 1.5) and neither because of good communication to customers (mean = 2.9; standard deviation = 1.5). This implies that while supermarkets are preferred in distribution of FMCGs for their variety, convenience and reliability, they are met with the challenge of pricing and communication.

As designated by Economic Survey (2010), traditional channels, such as roadside kiosks, which were heavily involved in bulk breaking i.e. buying multipacks from other retailers and then re-selling each unit as a separate product have been overtaken by modern outlets which offer a wider product variety and greater convenience. There is a trend developing whereby major retail outlets, rather than owning their own premises and other real estate, are instead becoming tenant.

4.4 Challenges of Supermarkets in Distribution of FMCG

This section was based on the factors affecting the performance of supermarkets in distribution of fast moving consumer goods; the extent to which some factors pose challenges to supermarkets in distribution of fast moving consumer goods and respondents opinion on the challenges that supermarkets face in distribution of fast moving consumer goods.
Table 4.11: Challenges of Supermarkets in Distribution of FMCG

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither Agree Nor Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding customer expectations</td>
<td>2.08</td>
<td>6.25</td>
<td>27.08</td>
<td>52.08</td>
<td>2.08</td>
</tr>
<tr>
<td>Motivation of the staff</td>
<td>2.08</td>
<td>0.00</td>
<td>35.42</td>
<td>50.00</td>
<td>2.08</td>
</tr>
<tr>
<td>Customers perception towards supermarkets</td>
<td>2.08</td>
<td>2.08</td>
<td>27.08</td>
<td>56.25</td>
<td>2.08</td>
</tr>
<tr>
<td>Communicating a consistent and relevant image</td>
<td>2.08</td>
<td>0.00</td>
<td>43.75</td>
<td>45.83</td>
<td>2.08</td>
</tr>
<tr>
<td>Handling difficult customers</td>
<td>2.08</td>
<td>4.17</td>
<td>25.00</td>
<td>62.50</td>
<td>2.08</td>
</tr>
<tr>
<td>Smartness and personal grooming</td>
<td>2.08</td>
<td>8.33</td>
<td>54.17</td>
<td>27.08</td>
<td>2.08</td>
</tr>
<tr>
<td>Awareness of the company’s activities and products</td>
<td>2.08</td>
<td>6.25</td>
<td>45.83</td>
<td>37.50</td>
<td>2.08</td>
</tr>
<tr>
<td>Customers level of awareness</td>
<td>12.50</td>
<td>10.42</td>
<td>12.50</td>
<td>54.17</td>
<td>12.50</td>
</tr>
<tr>
<td>Product range to meet customer needs</td>
<td>0.00</td>
<td>16.67</td>
<td>37.50</td>
<td>25.00</td>
<td>20.83</td>
</tr>
<tr>
<td>Management commitment to customer service</td>
<td>2.08</td>
<td>2.08</td>
<td>10.42</td>
<td>72.92</td>
<td>4.17</td>
</tr>
<tr>
<td>Staff training on customer service</td>
<td>8.33</td>
<td>29.17</td>
<td>12.50</td>
<td>25.00</td>
<td>25.00</td>
</tr>
</tbody>
</table>

Source: Research (2014)

The study sought to find out the extent to which the factors listed posed challenges to supermarkets in distribution of Fast moving consumer goods in Nairobi County. The respondents were asked to rate on a scale of 1-5, where 1=Strong Disagree, 2= Disagree, 3= Neither Agree nor Disagree, 4=, Agree 5= Strongly Agree.

From Table 4.11, it is evident that majority (52.08%) of the respondents indicated they agreed that understanding customer expectations posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets. 27.08% of the respondents indicated that they neither agreed nor disagreed, 6.25% indicated they disagreed while 2.08% indicated they strongly agreed. When the respondents were asked to indicate the
whether motivation of the staff posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets, 50.00% indicated they agreed; 35.42% indicated they neither agreed nor disagreed while 2.08% indicated they strongly agreed and strongly disagreed respectively.

The respondents were asked to indicate whether customer’s perception towards supermarkets posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets. 56.25% of the respondents indicated they agreed. 27.08% of the respondents indicated they neither agreed nor disagreed, while 2.08% indicated that strongly agreed, agreed and strongly disagreed respectively. Majority (45.83%) of the respondents agreed that communicating a consistent and relevant image posed a challenge to distribution of fast moving consumer goods in Nairobi. 43.75% of the respondents indicated they neither agreed nor disagreed that communicating a consistent and relevant image posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets while 2.08% indicated they strongly agreed of strongly disagreed.

When the respondents were asked to indicate the extent to which handling difficult customers posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets, 62.50% indicated they agreed, 25.00% indicated they neither agreed nor disagreed and 2.08% indicated they strongly agreed and disagreed. As regards the extent to which smartness and personal grooming posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets, majority 54.17% of the respondents indicated they agreed, 27.08% indicated they neither agreed nor disagreed
while 2.08% indicated they strongly agreed and strongly disagreed. Majority (45.83%) of the respondents indicated they neither agreed nor disagreed that awareness of the company’s activities and products posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets, 37.50% indicated they agreed and 2.08% indicated they strongly agreed and strongly disagreed.

The respondents were asked to indicate whether customer’s level of awareness posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets. From Table 4.11 above, majority (54.17%) of the respondents indicated they agreed, 12.50% of the respondents indicated they strongly agreed, and strongly disagreed. Majority (37.50%) of the respondents indicated that they neither agreed nor disagreed that maintaining a product range to meet customer needs posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets. The results further indicated that 25.00% of the respondents indicated they agreed, 20.83% indicated they strongly agreed.

When asked whether management commitment to customer service posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets, 72.92% indicated that they agreed, 10.42 indicated they neither agreed nor disagreed and 4.17% indicated they strongly agreed. 29.17% of the respondents indicated they disagreed that staff training on customer service posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets. However it is worth noting that majority of the respondents indicated that they strongly agreed and agreed each as depicted by the frequencies of 25%.
The respondents further noted that some of the other challenges that supermarkets face in
distribution of fast moving consumer goods in Nairobi County included, price, product
range, company image, and motivation. They also indicated that inventory management
also posed a challenge to distribution of fast moving consumer goods in Nairobi through
supermarkets.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the results gathered from the analysis of the data, as well as the conclusions reached. The chapter incorporates the various suggestions and comments given by the respondents in the interview. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given.

5.2 Summary of the Study

The population of the study comprised of one hundred and two (102) supermarkets listed in the Nation Business Directory (2008) and located in Nairobi County. 69 questionnaires were completed and returned by top and middle level managers of the respondent retail supermarkets, representing a 90.00% response rate which was good enough considering the difficulties involved in making a follow up of questionnaires. The results show that the study was able to collect responses from the managers as had been set out in the research methodology. The findings indicate that there were more male respondents as compared to the females. The respondents possessed diploma level of education and above illustrating that they were able to understand the concept of supermarkets as retail outlet of fast moving consumer goods.
The first objective of the study was to determine the effectiveness of supermarkets in the distribution of fast moving consumer goods in Nairobi County. The study findings indicate that supermarkets were effective in the distribution of FMCG products to a great extent. From the findings majority (69.6%) of the respondents expressed that supermarkets are greatly in distribution of FMCG with 10.1% disapproving existence of meaningful effectiveness in distribution of FMCG through retail outlets.

The researcher discovered that there is always constant communication between manufacturers and the supermarket (mean = 2.8; standard deviation = 0.4). At the same time respondents are frequently consulted after the promotion to advice on the results (mean = 2.4; standard deviation = 0.6) as opposed to when the company want to change the price (mean = 1.9; standard deviation = 0.8). This implies that while most supermarkets frequently consult their top and middle level management on product promotions, they on few occasions seek advice from them when they want to change prices of their products.

Regarding the role of the supermarkets in the distribution of FMCG in Kenya, respondents expressed that they build the market power, financial means and geographic presence to realize all these changes and to demand compliance from their suppliers, thus creating a fundamental structural change in the chain for fast moving consumer goods. Respondents added that, the supermarket have taken the role of producing procurement managers in Kenya, since they are under cost pressures to deal with fewer and larger suppliers (a larger supplier can be a collective of smaller suppliers or just larger individual suppliers).
Findings revealed that, supermarkets are most effective in distribution of FMCGs because of the variety of products they provide (mean = 4.5; standard deviation = 0.8); their reliability and consistency of service and products (mean = 4.3; standard deviation = 1.0) as well as their convenience (mean = 4.1; standard deviation = 1.1). Respondents however refuted that effectiveness of supermarkets in distribution of fast moving consumer goods is derived from the cheap price they sell the products (mean = 2.4; standard deviation = 1.5) and neither because of good communication to customers (mean = 2.9; standard deviation = 1.5). The respondents further indicated that the manufacturers sometimes informed them before new products are introduced in the market; sometimes consulted them after the promotion to advice on the results and sometimes consulted them when the company wanted to change the price, as evidenced by the means of 1.65, 1.7 and 2.3 respectively.

The study indicated that the retail supermarkets were a key point of sale for FMCG’s in Kenya and the world as a whole. They indicated that most consumers were now turning to the supermarkets for all their shopping needs including readymade food which was the new trends in the market. They also indicated that this is where the manufacturers and distributors got their market intelligence since the supermarkets regularly reviewed the performance of products with the distributors. Supermarkets offered high quality services and usually consulted the distributors before and after the promotions run to advice on the results.

The supermarkets advised the distributors and manufacturers on poorly performing products in the market and also studied emerging trends to contribute to the role of new
product development. 90.00% of the respondents believed supermarkets were good in distribution of FMCG in Kenya. The respondents ranked variety first, as impacting on the effectiveness of supermarkets in distribution of fast moving consumer goods to a great extent. This was followed by convenience; and deep assortment of products, impacting on the effectiveness of supermarkets in distribution of fast moving consumer goods.

5.3 Conclusion

From the findings it can be concluded that supermarkets were effective in the distribution of FMCG products. It can also be concluded that manufacturers consulted supermarkets before promotions are run and there is constant communication between manufacturers and the supermarket. It can be conclude that the retail supermarkets were a key point of sale for FMCG’s in Kenya and the world as a whole. Most consumers were turning to the supermarkets for all their shopping needs including readymade food which was the new trends in the market. The study also concludes that the manufacturers and distributors got their market intelligence from supermarkets which regularly reviewed the performance of products with the distributors. Supermarkets also offered high quality services and usually consulted the distributors before and after the promotions run to advice on the results.

The study findings conclude that variety; convenience; and deep assortment of products, impacted on the effectiveness of supermarkets in distribution of fast moving consumer goods. The product range, company image; relative price; size of market; investment in technology; differentiation and fragmentation of customers affected the performance of supermarkets in distribution of fast moving consumer goods in Nairobi County. The
study also concludes that understanding customer expectation; motivation of the staff; customer’s perception towards supermarkets; communicating a consistent and relevant image; smartness and personal grooming and management commitment to customer service posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets. The study also concludes that price, product range, company image, motivation and inventory management also posed a challenge to distribution of fast moving consumer goods in Nairobi through supermarkets.

5.4 Limitations of the Study

The research study constituted of only 102 supermarkets listed in the Nation Business Directory (2008) and located in Nairobi County. This is a relatively small number since there are many more other smaller supermarkets operating in Nairobi County though not listed on the Nairobi Business Directory. This limits generalization of the findings to the smaller supermarkets that were not included in the study. The study only looked at one aspect of the effectiveness of supermarkets as retail outlet of fast moving consumer goods. It therefore left out the other aspects of the retail distribution chain, financial performance and stability of the retail supermarkets.

5.5 Recommendations and Suggestions

(a) Policy Recommendations

From the findings the study recommends that the fast moving consumer goods offered by supermarkets should be of a wide variety. As concerns the level of satisfaction, it is determined by a supermarkets’ range of products, and therefore the supermarkets should
maintain a wide range of products. Therefore, supermarkets should aim at commitment to
customer satisfaction. From the study findings notable factors affecting effectiveness of
supermarkets in distribution of FMCG are a wide range of products, price (charges),
reputation or company image, customer service, and appearance and grooming of staff.
The study recommends that supermarkets should always aim to maintain a strong
reputation in the market which will make them stand out. To be competitive and to
command a higher market share, supermarkets must adhere to high levels of customer
service. Supermarkets as retail outlet of fast moving consumer goods are very important
factors that affect organizations not only in Kenya but the world over, it is therefore
recommended that suggested that they expand the storage spaces to cover a wider product
range for the customers to choose from.

(b) Suggestions for Further Research

The research study constituted of only 102 supermarkets listed in the Nation Business
Directory (2008) and located in Nairobi County. Future research should be undertaken to
include the smaller supermarkets operating in Nairobi County though not listed on the
Nairobi Business Directory and in addition include a more recent listing of the retail
supermarkets. The study was limited to Nairobi County and future research should be
undertaken in other areas and Counties since the responses may vary depending on the
customer base. Future research should be conducted to include the other components of
the retail distribution chain such as the relationships between provision of distributor
welfare programs and behaviour of retail outlets in Kenya. The future study should be
wide enough but limited to particular sectors to control for the differences in various
sectors or focus on specific retail outlets.
REFERENCES


APPENDIX

Appendix I: Questionnaire

SECTION A: Background information

1. Please indicate your designation __________________________________________

2. Please indicate your gender.
   Male [ ] Female [ ]

3. Please indicate your education background.
   High school and below [ ] College graduate [ ]
   University graduate [ ]
   Other (specify) _________________________________________________

4. How long have you been working in this company?
   0-2 years [ ] 2-5 years [ ]
   5-7 years [ ] over 7 years [ ]

5. How would you rate your knowledge on distribution of products in your company?
   Very high [ ] High [ ]
   Medium [ ] Low [ ]

SECTION B: Effectiveness of Supermarkets in Distribution of FMCG

6. How effective are the supermarkets in distribution of FMCG.
   Not at all ( ) To a Little extent ( ) To a moderate extent ( )
   To a great extent ( ) To a very great extent ( )
7. Below are statements related to retail distribution of fast moving consumer goods in Nairobi County? Please tick the box that applies

<table>
<thead>
<tr>
<th></th>
<th>Always</th>
<th>Sometimes</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there constant communication between manufacturers and the supermarket</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you consulted before promotion(s) are run</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you consulted after the promotion to advice on the results</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you informed before new product(s) is introduced in the market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you consulted when the company wants to change price</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. In your opinion what is the role of the supermarkets in the distribution of FMCG in Kenya?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

9. How would you rate supermarkets in the distribution of FMCG in Kenya?

Good [ ] Average [ ] Bad [ ]
10. To what extent do the factors below impact on the effectiveness of supermarkets in distribution of fast moving consumer goods in Nairobi County? 1=Not at all, 2=Very little extent, 3=little extent, 4=Greater extent, 5=Very large extent

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variety</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good communication to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less expensive/cheap prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quick or prompt service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability and consistency of service and products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deep assortment of products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Courtesy and friendliness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honest, trust and confidence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access or ease of approach and contact</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**SECTION C: Challenges of Supermarkets in Distribution of FMCG**

11. To what extent do the below factors affect the performance of supermarkets in distribution of fast moving consumer goods in Nairobi County? 1=Not at all, 2=very little extent, 3=little extent, 4=Greater extent, 5=Very large extent

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product range</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
12. To what extent do the factors listed below pose challenges to supermarkets in distribution of Fast moving consumer goods in Nairobi County? Where: 1=strong agree, 2= agree, 3=neither agree nor disagree, 4= disagree, 5 strongly disagree

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding customer expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation of the staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers perception towards supermarkets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicating a consistent and relevant image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handling difficult customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smartness and personal grooming</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness of the company’s activities and products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers level of awareness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product range to meet customer needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management commitment to customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff training on customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
13. In your opinion what are the challenges that supermarkets face in distribution of fast moving consumer goods in Nairobi County?

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………………………………………………………………………………………………
………………………………………………………………………………………………

14. Any other comments……………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
Appendix II: Likert Data Output

Approving statements related to retail distribution of fast moving consumer goods in Nairobi County

<table>
<thead>
<tr>
<th></th>
<th>Always</th>
<th>Sometimes</th>
<th>Never</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there constant communication between manufacturers and the supermarket</td>
<td>75.4</td>
<td>24.6</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Are you consulted before promotion(s) are run</td>
<td>26.1</td>
<td>63.8</td>
<td>10.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Are you consulted after the promotion to advice on the results</td>
<td>40.6</td>
<td>55.1</td>
<td>4.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Are you informed before new product(s) is introduced in the market</td>
<td>17.4</td>
<td>73.9</td>
<td>8.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Are you consulted when the company wants to change price</td>
<td>27.5</td>
<td>33.3</td>
<td>39.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Impact of certain factors on the effectiveness of supermarkets in distribution of fast moving consumer goods

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variety</td>
<td>2.9</td>
<td>-</td>
<td>5.8</td>
<td>27.5</td>
<td>63.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Convenience</td>
<td>2.9</td>
<td>7.2</td>
<td>13.0</td>
<td>29.0</td>
<td>47.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Good communication to customers</td>
<td>23.2</td>
<td>21.7</td>
<td>21.7</td>
<td>10.1</td>
<td>23.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Less expensive/cheap prices</td>
<td>42.0</td>
<td>17.4</td>
<td>15.9</td>
<td>10.1</td>
<td>14.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Quick or prompt service</td>
<td>11.6</td>
<td>29.0</td>
<td>-</td>
<td>-</td>
<td>59.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Reliability and consistency of service and products</td>
<td>-</td>
<td>10.1</td>
<td>14.5</td>
<td>13.0</td>
<td>62.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Deep assortment of products</td>
<td>4.3</td>
<td>17.4</td>
<td>15.9</td>
<td>33.3</td>
<td>29.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Courtesy and friendliness</td>
<td>17.4</td>
<td>1.4</td>
<td>21.7</td>
<td>2.9</td>
<td>56.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Honest, trust and confidence</td>
<td>4.3</td>
<td>23.2</td>
<td>7.2</td>
<td>7.2</td>
<td>58.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Access or ease of approach and contact</td>
<td>14.5</td>
<td>14.5</td>
<td>23.2</td>
<td>10.1</td>
<td>37.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>