

**FACTORS INFLUENCING MARKETING STRATEGIES ADOPTED BY
NAKUMATT SUPERMARKET RETAIL CHAIN IN NAIROBI**

MARGARET WAMAITHA MAGU

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DECLARATION

This management project is the result of my independent study and has not been submitted for a degree in any other university.

Signed

Date

Margaret Wamaitha Magu

D61/70299/2009

This management report has been submitted for examination with my approval as the university supervisor

Signed

Date

Dr. Raymond Musyoka

School of Business

University of Nairobi

DEDICATION

This project is dedicated to my family, friends and colleagues.

ACKNOWLEDGEMENTS

I am indebted to many individuals for their support and contributions towards the successful completion of this project. My first and deep appreciation goes to my supervisor Dr. Raymond Musyoka, for his professional support, guidance, commitment and encouragement. I also acknowledge the senior management of Nakumatt Holdings Limited who helped me with collection of data to enable me complete this project.

ACRONYMS AND ABBREVIATIONS

CBD	: Central Business District
CSR	: Corporate Social Responsibility
GDP	: Gross Domestic product
HR	: Human Resources
PEST	: Political, Economic, Social, and Technological
R&D	: Research & Development
ROI	: Return on Investment
SBU	: Strategic Business Unit

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ABSTRACT

The study's objective was to assess factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. Consequently, the researcher adopted a case study research design in this study. In this case, data was gathered relating to factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. For the purposes of this study, the researcher collected primary data by conducting interviews. Interviews were selected as they allowed the researcher to acquire more data and information from the respondent through probing. The interview sessions were aided by an interview guide containing open ended questions. The interviews were conducted within the respondent's office at the organization's head office in Nairobi or at any other convenient location as was preferred by the respondent. The researcher conducted interviews with the organization's senior management as they were deemed to have developed the organization's marketing strategies, hence, it was required of them to possess the necessary information regarding the planning and implementation of marketing strategies. The researcher interviewed two (2) senior managers holding the following offices: the Managing Director and Director of Operations. Data was analyzed using content analysis whereby the researcher qualitatively analyzed the respondents' comments and responses with regards to the factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. In instances where the respondent had been asked to rate or categorically give a certain response as may be guided during the interview process, the data was edited, coded and analyzed using descriptive statistics such as percentages, frequencies, cumulative frequencies and mean. The data was then analyzed using both content and factor analysis and the results presented using pie-charts, graphs and tables. Findings indicated that the organization adopts different marketing strategies as dictated by the business environment and organizational capacity at different points in time. It was therefore concluded that Nakumatt supermarket retail chain in Nairobi does not pursue specific marketing strategies. Findings also indicated that availability of support enterprises like banks, shopping centers and retail outlets; the country's overall macroeconomic environment; intense competition; market demographic characteristics; business customers; business suppliers; business competitors; and business intermediaries influenced the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. It was therefore concluded that the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi are influenced by both broad and task environmental factors. Based on the study's conclusions, the researcher made the following recommendations: The government needs to implement policies that will hinder the emergence of the counterfeits and substandard products to sustain the quality of the brands and also protect consumers from health hazards. Senior management of Nakumatt supermarket retail chain should maintain its expansion strategy and ensure that overall marketing and promotional strategies are harmonized within the different strategic business units. They should also harmonize and standardize their business practices to enhance their business operations among all their retail stores.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Many firms in USA and Atlantic Canada have actually adopted the marketing concept as a source of critical business success factor (Blotnicky, 2009). This would be particularly important for supermarkets which according to Nielsen (2002) can be defined as self service stores handling predominantly food and drug fast moving consumer goods (FMCG) with at least 150m² (1,625 sq.ft) of floor space. Melanie and Marian (2011) indicate that to improve competitiveness, supermarkets are growing rapidly, adopting aggressive strategies to attract customers due to emergence of new supermarket formats and competition between supermarkets.

Aila (2013) indicates that in Kenya today, the service industry is undeniably a very important sector to the growth of gross domestic product. He adds that according to the published report from Ministry of Planning and Vision 2030 (2010), tourist and the service industry, within which supermarkets are classified, has grown at the rate of 15.1% in the year 2010. However, in recent years, service firms have been experiencing an increasing competitive market place. Consequently, the top management team in the service businesses has accorded all the four aspects of marketing concept, that is, customer orientation, coordinated marketing, market focus and profitability considerable importance. For instance, service firms such as banks, law firms, accounting firms, automobile glass replacement specialists, medical group practices, supermarkets and advertising companies have established a full marketing division to constantly keep pace with changing needs and wants of customers through marketing research and a very actively incorporated customer care department to receive and respond to customer complains in their bid to enhance relationship marketing to retain key contact with their key clients.

1.1.1 Marketing Strategies

Palmer (2000) believes that there are many definitions of marketing, which primarily revolve around satisfying customers' needs as part of an exchange process. For instance, the Chartered Institute of Marketing defines marketing as, the management process which identifies, anticipates and supplies customer requirements efficiently and profitably. The American Marketing Association (AMA) defines marketing as, the activity set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Porter (1980) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic marketing strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy.

According to Kotler and Keller (2009), marketing strategies should include integrated marketing which means mixing and matching marketing activities to maximize their individual and collective efforts. It usually takes place on two levels. First, the various marketing functions-advertising, product management, marketing research and so on-must work together. Secondly, and marketing must be well coordinated with other company departments. That marketing does not work only when it is merely a department; it works only when all employees appreciate their impact on customer satisfaction. Coordinated marketing may only be executed successfully when the business executives of the organization understand the value of this notion and can make it work in the organization.

Jung and Sung (2008) point out that marketing strategy may be adopted to combat competition, to improve the position of the company in the market or to grow the business. The type of strategy required will depend upon several factors but the main influences include: number and power of competitors; company strengths; size of business; financial position; and government influences. They add that marketing strategy aims to communicate to customers the added-value of products and services. This considers the right mix of design, function, image or service to improve customer awareness of the business' products and ultimately to encourage them to buy.

Recent literature has added innovation strategy as part of the marketing strategies that can assist companies in achieving competitive advantage. According to Hamel (2012), innovation strategy is to leapfrog other market players via the introduction of completely new or notably better products or services. This strategy is typical of technology start-up companies which often intend to "disrupt" the existing marketplace, obsoleting the current market entries with a breakthrough product offering. It is harder for more established companies to pursue this strategy because their product offering has achieved market acceptance.

1.1.2 Kenyan Retail Sector

Kenya's retail market comprises a mixture of modern retail outlets that supply consumer goods from major international firms and informal traders or family-run concerns that sell more basic goods. Traditional retailing is dispersed over the country with the highest concentration in kiosks/dukas, open air markets, and street hawking. Reportedly, it remains the largest segment of the market, with an 80 percent market share. These shops commonly sell locally-manufactured food, beverages, fresh fruits and vegetables, pulses, and grains. The

country's Vision 2030 includes plans to improve the efficiency of the retail market and once the formal retail expands, there should be significant opportunities for logistics service providers (PWC, 2012).

Ngigi (2012) indicates that Kenya is second to South Africa as the most formalized African country in terms of formal retail penetration with retail penetration standing at around 30 per cent. The retail market is dominated by four major outlets; Nakumatt, Tuskys, Uchumi and Naivas. Three of them (except Naivas) have already crossed into the neighboring countries. Nakumatt is the largest retailer in Kenya by turnover. It has 37 stores, followed by Tuskys which has 37 outlets, Uchumi 18 outlets and then Naivas with 19 branches. Nakumatt is also present in Uganda, Tanzania and Rwanda, while Tuskys and Uchumi are also in Uganda. Uchumi recently announced plans to increase its presence in Uganda with three more branches. Use of the formal outlets increases customer choices, while creating employment.

In real industry terms, a report by the Central Bank of Kenya indicates that the overall Kenyan economy grew by 4.6 percent in 2012 compared with increases of 4.4 percent in 2011 and 5.8 percent in 2010. In value terms real output amounted to Ksh 1.61 trillion compared to Ksh 1.54 trillion in 2011. Of the total output produced in 2012, retail trade and manufacturing contributed 12.3 percent, 11 percent and 9.5 percent, respectively (CBK, 2013). According to a report by Euromonitor International (2014), Kenya's retailing industry continued to experience considerable growth in 2013. This can be attributed to increased purchasing power among Kenya's middle class and upper class populations. Other key factors include improved infrastructure, which has facilitated the movement of goods and meant higher quality at lower prices. In addition, the sustained property boom had allowed retailers to establish outlets prime locations near residential neighborhoods, offering more

convenience to consumers. Retailing in Kenya is thus on an upward growth trajectory, especially supermarkets.

Looking into the future, the Kenyan retailing industry is expected to experience strong and steady growth. The large and growing Kenyan population is set to provide steady and ever-growing demand for retail products. In addition, the anticipated entry and expansion of international retailers is set to continue driving growth over the forecast period. The increasing rate of urbanization, rapid growth in the Kenyan middle class and rising demand for specific goods and services are set to combine with the Kenya's overall positive economic outlook to boost growth in retailing in Kenya during the forecast period (Euromonitor International, 2014).

1.1.3 Nakumatt Supermarket Retail Chain

Nakumatt holdings was established in 1987 as a small shop (family managed outlet) and has over the years grown from the small shop to a multimillion business empire with 40 branches all over Kenya and in east Africa. Currently the supermarket has 5,500 employees with an annual turnover of over Ksh. 38 billion constituted by an average 85,000 transaction a day. Nakumatt is the largest retail outlet in East Africa having branches in Uganda, Rwanda and Tanzania. Nakumatt's stores formats range from supermarkets to hypermarkets which showcases distinct world class shopping floor layout and amenities with 1.5 million square feet of selling space. Its main competitors include Tuskys Supermarket, Naivas Supermarket, Ukwala Supermarket, Uchumi Supermarket and Chandarana Supermarket. As the largest retail market player in East Africa, Uganda and Rwanda, Tanzania and still expanding to the

wider East African region. All the branches hold a range of over 75,000 SKU's of products with an average basket value of Ksh 1,275.

Nakumatt Holdings has in keeping with global standards managed to adopt various marketing strategies that differentiate their brand. For instance, Nakumatt pioneered 24-hour supermarkets in 2007, with the view of accommodating emerging trends. Subsequently, commencing May 1, 2007, Nakumatt Lifestyle and Nakumatt Ngong Road began operating as 24hour outlets. Nakumatt Holdings has launched a wide range of retail products under its new private label. In 2013, Nakumatt progressively introduced on its shelves the branded Nakumatt Blue Label, which is geared at providing the retailer's shoppers with a range of quality, value for money products. Benchmarked against leading brands in the respective categories, all Nakumatt Blue Label products are priced fairly to provide more value for money to shoppers. The products are distinctively branded with an iconic blue band to reflect Nakumatt's commitment to deliver quality and reliable products. In the same year, Nakumatt launched its Global MasterCard which is a prepaid debit card combined into a loyalty card, with access to over 33 million retailers and businesses across 210 countries where MasterCard is accepted.

Nakumatt has also eyed acquisition of other supermarket chains as part of its growth strategy. In 2010, it acquired Woolmatt for an undisclosed amount, gaining a larger share of the CBD market, and at the same time moving to replace the footprint of its Downtown branch lost in a fire tragedy in 2009. In the same year, Nakumatt made a major milestone in its expansion strategy when it opened three supermarkets in Kakamega, Diani, Nanyuki and a 24-hour hypermarket in Eldoret. The chain opened a new store in Uganda on October 12, 2013 and plans to open two more in Kenya and three in Uganda, as part of a region wide expansion drive targeting to have 65-70 stores by 2015. The chain has 40 branches in Kenya, Uganda,

Tanzania and Rwanda, and hopes to open outlets in Djibouti, South Sudan, Ethiopia and Burundi (Mwaniki, 2013).

1.2 Research Problem

According to Kotler and Keller (2009), marketing concept holds that the key to achieving organizational goal is being more effective than competitors in creating, delivering and communicating superior customer value to your chosen target markets. Shilpa (2009) indicates that in order to obtain competitive advantage, companies are required as soon as possible to adapt to the competitor's environment with fast answers, improving and/ or reforming processes and implementing strategies appropriately. Additionally, companies are required to develop their learning capacities since superior knowledge is what achieves competitive advantage and organizational competence creation.

Over the course of 2011 and 2012, Kenya's formal retailers registered substantial expansion in the number of outlets, with the target of this expansion middle-class consumers and affluent consumers living in upscale residential areas. During this time period, more than 20 retail branches opened in Kenya, widening the presence of these formal retailers. In a bid to promote consumer loyalty and increase revenues, Kenya's nascent supermarket chains are packaging and branding their own private label products, especially in the case of Nakumatt. A recent increase in the adoption of online retailing platforms and the enduring popularity of home shopping represent innovative ways in which retailers are maintaining and increasing their value shares. In addition, Kenya has always been a challenging country for foreign investors. Several foreign retailers such as South Africa-based Metro Cash & Carry and Lucky 7 exited Kenya in 2005 after brief stints in the country. The limited success of foreign

companies in Kenya's retail industry has been attributed to strong competition, insufficient and expensive suitable locations for retail outlets and inadequate launch strategies, among other factors.

In Kenya, several studies have been undertaken relating to marketing strategies and supermarkets. For instance, Obonyo (2013) evaluated marketing strategies adopted by supermarkets for competitive edge in Kisii town. In this study, findings indicated that the factors underlying the buying behavior need be improved and that the majority who shop at supermarkets normally are middle class and upper class people. To improve the customer base, the supermarkets need to position themselves strategically, in terms of location and space. Mbithi (2011) undertook a study on strategy implementation at Nakumatt Holdings Limited in Kenya and the findings revealed that participants from different levels of the organisation have unique perceptions of the implementation process, and that implementation variables could become roadblocks that undermine the implementation process. In addition, Mutuku (2010) looked into the effectiveness of marketing strategies used in destination branding in the promotion of domestic tourism. Minchil (2010) studied the effects of marketing strategies on the performance of insurance companies in Kenya. Omollo (2010) looked into challenges faced by life insurance companies in implementation of marketing strategies from gaining competitive advantage in Kenya.

However, none of these studies have exhaustively looked into Nakumatt Holdings Limited position as the leading supermarket, thus as the largest retail market player in East Africa, intensified competition and increased organizational growth give rise to various challenges in adopting appropriate marketing strategies that will assist the supermarket maintain its market leader position. Moreover, the dynamic business environment within the Kenyan supermarket industry necessitates an assessment of the factors influencing marketing strategies adopted by

supermarkets in Kenya. This study therefore aimed at answering the following research question: what factors influence marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi?

1.3 Research objective

The study's objective was to assess factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. Specifically the study addressed the following objectives:

1. To determine the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi.
2. To determine factors influencing the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi.

1.4 Value of the study

This study is of value in informing the supermarket management on the factors influencing adoption of marketing strategies in order to capture the market and also to identify a strategy that attracts customers as compared to others for greater market share. The study's findings also provide valuable information on the challenges faced by branch managers in the adoption of marketing strategies formulated and provide recommendations on possible measures applicable in overcoming such challenges.

Consumers would benefit by understanding that supermarkets adopt various strategies and this would help them to associate themselves with supermarkets having strategies that gave

them greater satisfaction. In addition, consumers are in a position to evaluate whether the adopted marketing strategies have an impact on their knowledge, beliefs, morals and customs.

The study also assist the government and other regulatory bodies to better understand the factors influencing adoption of marketing strategies by supermarkets, hence are in a position to create an environment that promotes the adoption of marketing strategies aligned to the country's Vision 2030. Moreover, the study's findings assist in ensuring that supermarkets do not devise strategies that promote monopoly as a way of protecting consumers' against exploitation by business persons.

The study are also of value to research and academic institutions by providing information and a benchmark for further research on marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on marketing strategies including but not limited to: Market orientation theory, Porter's theory of competitive advantage and market growth strategies. It also incorporates an empirical review of studies related to adoption of marketing strategies by supermarkets.

2.2 Theoretical Background

The body of marketing literature termed as strategic market planning primarily focuses on the content of strategy and process of strategy formulation at the business unit level and the corporate level, and the role of marketing in these spheres of organizational activity (Kotler and Keller, 2009). This section outlines Porter's theory of competitive advantage and the market orientation theory.

2.2.1 Porter's Model of Competitive Advantage

Porter's model of competitive advantage of 1980 identifies five competitive forces namely: Potential entrants, Buyers, Substitutes, Suppliers and Industry competitors that define the rules of competition in an industry. Porter (1980) notes that, the goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against these competitive forces or can influence them in its favor. Therefore, the essence of formulating competitive strategy is to relate a company to its environment. Knowledge of these underlying sources of competition pressure highlights the

critical strengths and weaknesses of the company, animates its positioning in its industry, clarifies the areas where strategic changes yield the greatest payoff and highlights the areas where industry trends promise to hold the greatest significance as either opportunities or threats.

Porter (1985) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy. Porter (1990) outlines three approaches to competitive strategy: Low cost leadership strategy where the firm strives to be the overall low cost producer; Differentiation strategy where the firm seeks to differentiate its product offering from that of its rivals; and, Focus strategy where the firm focuses on a narrow portion of the market.

An organization may also choose a combination strategy by mixing of the aforementioned generic strategies. For example, a firm may choose to have a focused differentiation strategy. This means the organization has a unique product offered to a targeted market segment. An organization may also choose to have a focused cost-leadership strategy. In this instance, an organization would use a cost leadership strategy targeted to a specific market segment (Hlavacka, 2001).

Davidson (2001) points out that the strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the market place and purports companies must be competitive to become an industry leader, to be successful both nationally and abroad, and these strategies for gaining competitive advantage apply to all industries in most nations.

2.2.2 Market orientation theory

A review of the literature reveals diverse definitions of the marketing concept. Felton (1959) defines the marketing concept as a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic purpose of producing maximum long-range corporate profits. In contrast, McNamara (1972) takes a broader view and defines the concept as a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments.

Reviewed literature also reveals that Kohli and Jaworski (1990) and Narver and Slater (1990) were early pioneers in investigating market orientation theory. According to these pioneers, market orientation consists of a focus on customers (customer orientation), an intimate understanding of competitors (competitor orientation), and integration of all functions within the company to create superior customer value (inter-functional coordination). Providing superior customer value is key for maximizing long-term profit and sustainable competitive advantage. Active integration of functional groups within the company to create superior value results in a behavioral culture that guides the way employees think and act (Dobni and Luffman, 2003).

Hunt and Lambe (2000) point out that market orientation is positioned as marketing's contribution to business strategy and is considered an important strategic orientation. Stoelhorst and van Raaij (2004) position market orientation as marketing's explanation of performance differentials between firms. These advantages of market orientation are

generally agreed to be a consequence of improved market-sensing capabilities and thus improved market responsiveness, particularly in more hostile and unpredictable environments.

Empirical evidence presents different results with regard to market orientation. Von (2002) reports that consumers are increasingly confronted with intense market place competition. Saturation, Overstoring and a rapid proliferation of new formats have changed competitive dynamics in retail markets. Low prices produced by price warfare would change consumer's perceptions of all prices. In other words, consumers' concept of 'low' price conforms to the context. Consumers might be persuaded to switch to the new low price stores unless loyalty keeps them from it. He however points out that, even if price is the only one aspect of the determinant mix, the various theories of search behavior and choice still do not explain how consumers use price in the decision process, especially when they do not know the price at all or where their guess is considerably outside of an acceptable range of price knowledge.

2.3 Marketing Strategies

Market Leader Strategies: Kourdi (2009) suggests five routes companies can take in order to expand on their activities after entering the market(s) include: Organic growth (expanding through green field investment); Mergers and acquisitions; Integration (strategic alliances and JVs); Diversification; and Specialization. The growth strategies are not mutually exclusive and can overlap.

According to Cravens (2000), by offering their customers economic benefits beyond the functionality of their traditional products, companies have connected their products to bigger issues and bigger opportunities and used demand innovation to uncover three sources of new

growth: (1) New, more powerful opportunities to grow core product sales by reinforcing and expanding customer relationships and shifting the basis of competition from product price and performance to new, more differentiated and valuable dimensions. (2) By focusing on broader customer needs, to combine multiple products and services into more valuable integrated offers. This allows them to capture new sales from adjacent markets and create a more lucrative balance between product and service sales. (3) Turning the improvements in the customer's value chain into new revenue streams from outsourcing fees, tolling charges, output guarantees, subscription fees, and the like. The best growth practitioners create growth along all three dimensions simultaneously. As a result, they create high-intensity profit growth in otherwise low-margin industries, enhance earnings stability, and forge tighter bonds with their customers.

Empirical review indicates that supermarkets today face increasing competition prompting them to focus on improved customer service and promotion strategies to improve their shares of consumer purchases and wallets. Supermarket services are likely to directly expand demand for all items sold by attracting more consumers (Shilpa, 2009). On the cost side, the process of enhancing store quality through services generates an increase in costs (Ellickson, 2006). Borges-Tiago (2008) argues that improved customer service allows the identification of customers' needs and put more emphasis on superior customer value and gives opportune answers to their needs or requirements and consequently obtaining satisfaction and loyalty. In addition to equipping the organization to cope with the outside world of customers and competitors, it is also necessary to train and motivate all staff within the organization to provide appropriate level of service to customers.

Market Challenger Strategies: Peng (2006) argue that although the choice of entry modes is important, it is not a guarantee for success. Post entry strategies or growth strategies are

according to of similar or even greater importance. He points out that Ansoff (1957) growth strategy indicated that companies can grow the business via existing and/or new products, in existing and/or new markets. Market penetration strategy means that companies are selling more of their existing products in existing markets. This can be achieved by taking a share from the competitors or by attracting non users. The company can also develop new products for the existing markets (product development) or enter new markets (segments) with present products (market development). The latter does not necessarily have to be done through internationalization. Finally, diversification means to enter new markets (segments) with new products.

Thompkins (2006) indicates that location strategy consists of strategic decisions that are impacted by manufacturing location and facilities or support functions for each company area, handling of materials, information systems, the acquisitions and the series of logistic activities. Shilpa (2009) similarly argues that location has a connection backward to suppliers or forward to customers for contributing to improved performance of the supply chain, being basic to developing core competencies. According to Bell (2008), location explains up to 70% of the variations in the choice of grocery store based on industry research in the US. Even though location is critical as a first in a consumer decision process that requires search or the retail options and formats available that best match the consumers' needs.

Mazumdar and Monroe (2002) note that it is difficult to simplify retailer's price comparisons because they are few printed price lists and advertisements feature a small proportion of merchandise. Furthermore, advertisements often report only sale prices, leaving consumers uninformed about retailers 'everyday' price levels. In their study, they report that consumers appeared to change their reference point for 'low price'. Those who switched stores said that

price was particularly important to their store choice. Increased price variation also caused price to gain relative importance in determining store choice.

Felgate and Melane (2012) found out that the use of promotions in retailing has increased rapidly in recent times, yet more often than not promotions are being implemented with an inadequate understanding of which mechanisms are most effective, for which products and for which shoppers segments. He reports that the use of promotions in the UK has increased significantly over the past decade, particularly in grocery retailing where competition between retailers has intensified. This has resulted in both UK supermarkets and branded suppliers becoming increasingly dependent on promotional activity to drive sales growth. Hence, price promotions often resulting to large sales effects for a promoted item, but this influence does not necessarily mean that the sales increase is truly beneficial for retailers.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology to be used in the study. It provides details on the research design, the data collection instrument to be used and data analysis methods.

3.2 Research Design

The researcher adopted a case study research design in this study. Chandran (2004) defines a case study as a method for learning about a complex situation, based on a comprehensive understanding of that situation obtained by extensive description and analysis of that situation taken as a whole and in its context. In this case, data was gathered relating to factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi.

3.3 Data Collection

For the purposes of this study, the researcher collected primary data by conducting interviews. Interviews were selected as they allowed the researcher to acquire more data and information from the respondent through probing. The interview sessions were aided by an interview guide containing open ended questions. The interviews were conducted within the respondent's office at the organization's head office in Nairobi or at any other convenient location as was preferred by the respondent. The researcher conducted interviews with the organization's senior management as they were deemed to have developed the organization's marketing strategies, hence, it was required of them to possess the necessary information regarding the planning and implementation of marketing strategies. According to Nakumatt

Holdings Limited organizational structure there are five (5) senior management positions. However, the researcher only interviewed two (2) senior managers holding the following offices: the Managing Director and Director of Operations.

3.4 Data Analysis

Data was analyzed using content analysis whereby the researcher qualitatively analyzed the respondents' comments and responses with regards to the factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. In instances where the respondent had been asked to rate or categorically give a certain response as may be guided during the interview process, the data was edited, coded and analyzed using descriptive statistics such as percentages, frequencies, cumulative frequencies and mean. The data was then analyzed using both content and factor analysis and the results presented using pie-charts, graphs and tables.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter outlines background information relating to the study's respondents and data analysis and findings on the factors influencing marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. The data was analyzed using descriptive statistics and content analysis, and findings presented using appropriate graphs and tables.

4.2 Nakumatt Retail Stores Demographics

Content analysis was undertaken systematically in accordance with the respondents' responses during the interview sessions which were conducted with the Managing Director and Director of Operations of Nakumatt supermarket retail chain in Nairobi.

With regard to the factors considered in selecting Nakumatt retail stores' physical location in Nairobi, it was clear from the respondents that they grow by first focusing on urban areas and large cities, then branch out to medium size urban areas, and finally out to rural areas. They further indicated that in this way, they begin by catering to higher income urban consumers which has the effect of eventually bringing lower income rural consumers into the retail outlets as well, driving up retail growth rates significantly.

The respondents indicated that all of Nakumatt retail stores in Nairobi stock over 50,000 different products which are priced mostly using the marginal-cost pricing method. However, some selected products are priced using the premium pricing approach. With regard to product promotion strategy, they indicated that the overall promotion strategy adopted by the retail chain in Nairobi can be best described as promotion aimed at increasing product demand. The respondents also indicated that the overall marketing strategy adopted by the

retail chain in Nairobi can be best described as providing unique product offerings that are different from industry norms as a market leader.

This finding is in line with Cravens (2000) who indicates that by offering their customers economic benefits beyond the functionality of their traditional products, market leaders have connected their products to bigger issues and bigger opportunities and used demand innovation to uncover sources of new growth.

Table 4.1: Nakumatt Retail Stores Demographics

Nakumatt Retail Stores Demographics
Retail Store physical location first focusing on urban areas and large cities, then branch out to medium size urban areas, and finally out to rural areas.
5,000 different products stocked per Nakumatt retail store
Overall product promotion aims at increasing product demand
Overall Marketing strategy aims to provide unique product offerings that are different from industry norms

Source: Research Data

4.3 Factors affecting marketing strategies adopted by the retail chain in Nairobi

This section highlights the respondents’ responses as regards to the degree of influence of several factors on marketing strategies adopted by the retail chain in Nairobi. The researcher rated the respondents’ response whereby, (1) was “very influential”; (2) was “influential”; (3) was “indifferent”; (4) was “less influential”; and (5) was “not influential”.

The respondents indicated that the following broad environmental factors influence on marketing strategies adopted by the retail chain in Nairobi was very influential: availability of support enterprises like banks, shopping centers and retail outlets; the country’s overall macroeconomic environment; intense competition; and market demographic characteristics.

The country's political/legal environment; consumer purchasing power; consumer buyer behavior; consumer social status; availability and cost of energy; and technology were considered to be influential. The respondents were indifferent with regard to the influence of suitability of existing transport and communication networks and consumer cultural beliefs on marketing strategies adopted by the retail chain in Nairobi.

The respondents indicated that the following task environmental factors influence on marketing strategies adopted by the retail chain in Nairobi was very influential: business customers; business suppliers; business competitors; and business intermediaries. Government agencies and administrators were considered to be influential. Table 4.2 illustrates this finding.

Table 4.2: Factors affecting marketing strategies adopted by the retail chain in Nairobi

Broad Environmental Factor	Mean
Availability and cost of energy	2.00
Suitability of existing transport and communication networks	3.00
Support enterprises like banks, shopping centers and retail outlets	1.00
Macroeconomic environment	1.00
Technology	2.00
Political /Legal environment	2.00
Consumer buyer behavior	2.00
Consumer social status	2.00
Consumer cultural beliefs	3.00
Consumer purchasing power	2.00
Market demographic characteristics	1.00
Competition	1.00
Task Environmental Factor	Mean
Business customers	1.00
Business suppliers	1.00
Business competitors	1.00
Business intermediaries	1.00
Government agencies and administrators	2.00

Source: Research Data

The respondents further indicated that other than the factors discussed, other factors influencing marketing strategies adopted by the retail chain in Nairobi included but were not limited to: increasing population, continued urbanization, higher consumer incomes among the Kenyan middle class, and increased political stability.

With regard to the market performances used to evaluate the marketing strategies adopted by the retail chain in Nairobi, the respondents indicated that market share and profitability were mainly used as the bottom line performance measures. They further pointed out that Nakumatt is focused on further increasing its market share not only in Kenya but also in the East African region, while maintaining high profitability and overall return on investment (RoI).

The respondents indicated that the need to monitor and evaluate the organizations marketing strategies with an aim of reviewing and aligning them with the overall business environment was very high. They further indicated that this was extremely important as the business environment is very dynamic and it requires constant re-evaluation and re-alignment of business strategies to remain relevant in the market and ahead of the competition. It was also evident that the organization adopts different marketing strategies as dictated by the business environment and organizational capacity at different points in time. The respondents also noted that there was not any single strategy that worked perfectly in the long-run and that there was need to adopt a mix of marketing strategies that complement each other.

This finding is in line with Hlavacka (2001) who indicated that an organization may also choose a combination strategy by mixing of the aforementioned generic strategies. For example, a firm may choose to have a focused differentiation strategy. This means the organization has a unique product offered to a targeted market segment. An organization may

also choose to have a focused cost-leadership strategy. In this instance, an organization would use a cost leadership strategy targeted to a specific market segment.

4.3 Challenges faced in the adoption of marketing strategies by the retail chain in Nairobi

Regarding the challenges faced in the adoption of marketing strategies by the retail chain in Nairobi the respondents' indicated that the most common specific challenges included the following: First, there have been vast enforcements of policies and guidelines on damages and expiries which have been challenging to implement and monitor as per government demands. The respondents indicated that as a result of this, there has been confusion among the retail chain management regarding to which specific policies are to be implemented and as to which government agency is responsible for approval, enforcement and supervision.

Second, enforcement of quality standards and expiry evaluation of stocks on receiving has been facing certain hiccups, especially relating to timely identification and product return of expired products to the manufacturer of supplier. This has led to consumers accessing such expired products leading to an increase in customer complaints and higher levels of consumer dissatisfaction. However, they were quick to note that the "Blue Label" brand has proved to be effective in reducing such customer dissatisfaction instances as some products are now packaged and branded under the direct supervision of Nakumatt management.

Third, regular stock taking, product movement and stock card order processing to guide the order process has also been challenging to implement due to the huge store sizes and 24 hour mode of service delivery. This has led to inaccurate stock records leading to lapses in product

replacement as well as accounting for abnormal losses due to missing stock mainly through shop floor theft.

The respondents further indicated that challenges facing the retail sector have also had an impact on the retail chain and summarized them as follows: increased product counterfeiting and production of sub-standard products; inadequate capital and resource allocation to increase or maintaining access to both local and international markets; redefining marketing channels; high economic costs and low efficiency in marketing; insufficient value addition to raw produce; and inadequate financing and effectiveness of promotional activities.

This finding is in line with Felgate and Melane (2012) who found out that the use of promotions in retailing has increased rapidly in recent times, yet more often than not promotions are being implemented with an inadequate understanding of which mechanisms are most effective, for which products and for which shoppers segments.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the study's findings in summary, draws out conclusions from the study's findings and outlines recommendations for policy and practice and suggestions for further study.

5.2 Summary of Findings

Research findings indicated that Nakumatt retail stores' physical location in Nairobi was focused on urban areas and large cities, followed by branch out to medium size urban areas, and finally out to rural areas. Findings indicated that all of Nakumatt retail stores in Nairobi stock over 50,000 different products which are priced mostly using the marginal-cost pricing method. However, some selected products are priced using the premium pricing approach. The overall promotion strategy adopted by the retail chain in Nairobi can be best described as promotion aimed at increasing product demand, while the overall marketing strategy adopted by the retail chain in Nairobi can be best described as providing unique product offerings that are different from industry norms as a market leader.

Findings also indicated that the following broad environmental factors influence on marketing strategies adopted by the retail chain in Nairobi was very influential: availability of support enterprises like banks, shopping centers and retail outlets; the country's overall macroeconomic environment; intense competition; and market demographic characteristics. The following task environmental factors influence on marketing strategies adopted by the

retail chain in Nairobi was very influential: business customers; business suppliers; business competitors; and business intermediaries.

Findings further indicated that the market performances used to evaluate the marketing strategies adopted by the retail chain in Nairobi were market share and profitability. The need to monitor and evaluate the organizations marketing strategies with an aim of reviewing and aligning them with the overall business environment was very high. Findings also indicated that the organization adopts different marketing strategies as dictated by the business environment and organizational capacity at different points in time.

5.3 Conclusion

The researcher drew conclusions based on the study's research objectives. The first specific research objective was to determine the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. Findings indicated that the organization adopts different marketing strategies as dictated by the business environment and organizational capacity at different points in time. It can therefore be concluded that Nakumatt supermarket retail chain in Nairobi does not pursue specific marketing strategies as outlined by Porter (1990) who outlines three approaches to competitive strategy: Low cost leadership strategy where the firm strives to be the overall low cost producer; Differentiation strategy where the firm seeks to differentiate its product offering from that of its rivals; and, Focus strategy where the firm focuses on a narrow portion of the market.

The second specific research objective was to determine factors influencing the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. Findings indicated that

availability of support enterprises like banks, shopping centers and retail outlets; the country's overall macroeconomic environment; intense competition; market demographic characteristics; business customers; business suppliers; business competitors; and business intermediaries influenced the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi. It can therefore be concluded that the marketing strategies adopted by Nakumatt supermarket retail chain in Nairobi are influenced by both broad and task environmental factors.

5.4 Recommendations

Based on the study's conclusions, the researcher made the following recommendations:

1. The government needs to implement policies that will hinder the emergence of the counterfeits and substandard products to sustain the quality of the brands and also protect consumers from health hazards. In regards to the above, the supermarkets should formulate umbrella organizations to act as regulatory bodies to initiate strict policies to guide the retail chain supermarkets from exploitation and operate on a level playing ground.
2. Senior management of Nakumatt supermarket retail chain should maintain its expansion strategy and ensure that overall marketing and promotional strategies are harmonized within the different strategic business units. They should also harmonize and standardize their business practices to enhance their business operations among all their retail stores.

5.5 Limitations of the Study

The major limitations of this study related to time constraints and limited financial resources. The study's limitations were addressed in the following ways: time constraint was overcome by selecting a relatively small sample size that did not compromise the validity and reliability of the research findings, while the limited financial resources available were spent on research activities that could not be undertaken solely by the researcher.

5.6 Suggestions for Further Research

The researcher recommends that further research should be undertaken to investigate the factors affecting effectiveness of marketing strategies and managers' perception of marketing strategies and their impact on organizational performance within the Kenyan retail sector.

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2014

APPENDICES I: INTERVIEW GUIDE

1. Please comment on the factors considered in selecting Nakumatt retail stores' physical location in Nairobi.

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2. How many different products are stocked by the retail chain in Nairobi?

.....

3. Please tick all applicable product pricing strategy(s) applied by the retail chain in Nairobi?

- | | |
|--|--|
| <input type="checkbox"/> Absorption pricing | <input type="checkbox"/> Market-oriented pricing |
| <input type="checkbox"/> Creaming or skimming | <input type="checkbox"/> Odd pricing |
| <input type="checkbox"/> Decoy pricing | <input type="checkbox"/> Penetration pricing |
| <input type="checkbox"/> High-low pricing | <input type="checkbox"/> Premium pricing |
| <input type="checkbox"/> Limit pricing | <input type="checkbox"/> Price leadership |
| <input type="checkbox"/> Marginal-cost pricing | <input type="checkbox"/> Target pricing |
| <input type="checkbox"/> Time-based pricing | <input type="checkbox"/> Value-based pricing |

4. Which statement best describes the overall promotion strategy adopted by the retail chain in Nairobi?

Promotion aims at presenting product information to consumers as well as others

Promotion aims at increasing product demand

Promotion aims at differentiating product offerings

5. Which statement best describes the overall marketing strategy adopted by the retail chain in Nairobi?

To provide product offerings at the lowest cost in the industry

To provide unique product offerings that are different from industry norms

To provide product offerings that target specific market segments

To provide product offerings that deliver total solutions beyond traditional product offerings

6. Please rate the degree of influence of each of the following factors on marketing strategies adopted by the retail chain in Nairobi? (*Rating Scale: 1- Very influential; 2 – Influential; 3 – Indifferent; 4 – Less influential; 5 – Not influential*)

Broad Environmental Factor	1	2	3	4	5
Availability and cost of energy					
Suitability of existing transport and communication networks					
Support enterprises like banks, shopping centers and retail outlets					
Macroeconomic environment					
Technology					
Political /Legal environment					

Consumer buyer behavior					
Consumer social status					
Consumer cultural beliefs					
Consumer purchasing power					
Market demographic characteristics					
Competition					
Task Environmental Factor	1	2	3	4	5
Business customers					
Business suppliers					
Business competitors					
Business intermediaries					
Government agencies and administrators					

7. Other than the factors discussed earlier, what other factors influence marketing strategies adopted by the retail chain in Nairobi?

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8. Which statement best describes the market performances used to evaluate the marketing strategies adopted by the retail chain in Nairobi?

Total Sales Volume

Market Share

Total Revenue

Profitability

9. As part of the senior management of Nakumatt in Kenya, please comment on the need to monitor and evaluate the organizations marketing strategies with an aim of reviewing and aligning them with the overall business environment.

Very low

Low

High

Very high

10. Please comment on the challenges faced in the adoption of marketing strategies by the retail chain in Nairobi?

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Thank You.

APPENDICES II: NAKUMATT BRANCHES

1. Mega
2. Ukay
3. Lifestyle
4. Embakasi
5. NgongRoad
6. Highridge
7. Karen
8. Junction
9. Ronald Ngala
10. CityHall
11. MoiAvenue
12. Haile Selassie
13. Galleria

Source: <http://www.nakumatt.net/Stores/branch.php>