# THE STATE OF INTERNET MARKETING BY APPAREL RETAIL STALLS IN NAIROBI'S CENTRAL BUSINESS DISTRICT

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# DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university.

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This Research project has been submitted for examination with my approval as the University Supervisor.

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# DEDICATION

This research project is dedicated to the Almighty God for giving me life, strength, power and knowledge. Without him, it wouldn't have been possible.

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# ABSTRACT

The growth and spread of internet at an extraordinary pace over the past few decades has resulted in an increase in usage for various purposes including marketing. Internet as a marketing tool provides significant opportunities for business entities to increase market access for their products. The aim of this study was to establish the state of internet marketing by apparel retail stalls in Nairobi's Central Business District. Descriptive research design was used in this study which facilitated a clear understanding of the promotional methods used by these retailers. The sample size used was 81 retail stalls. Primary data was collected using questionnaires from the stall owners or stall managers who run the marketing operations. The collected data was analyzed using frequencies, percentages, means and standard deviation. This study found that a majority of apparel retailers in Nairobi's Central Business District still relied mainly on personal selling to promote their products. There seems to be lack of awareness of the range of opportunities offered by internet marketing for increased market access. The study established that internet marketing was used to a moderate extent by the apparel retailing stalls. The researcher concludes that to improve market access by these retailers there is need to improve on internet marketing as a method of promotion. This study recommends awareness creation for internet use in marketing, improvements in ICT literacy levels and use of popular social sites for marketing.

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# ABBREVIATIONS AND ACRONYMS

CBD - Central Business District
ICT – Information and Communication Technology
SMS – Short Message Service
MMS – Multimedia Messaging Services
GSM – Global System for Mobile Communication

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

The internet is revolutionizing the way business is conducted and its use is becoming increasingly critical to the success of business firms. It is a powerful tool that any business can use to obtain a competitive advantage. It offers many opportunities for businesses to grow in sales and reduce costs. According to the American City Business Journal, small businesses that use the internet have grown 46 percent faster than those that do not (Howard, 2002). Retailing can now be done online. Customers can quickly find product and price information and obtain advice from a wide variety of sellers. Online visitors can check product availability, place an order, check the status of an order and pay electronically. Customers can benefit from the internet because it reduces search costs for products and product related information. E-tailing increases competition by pitting local against national and international competitors (Quelch and Klein, 1996). The internet has become an important component of a firm's promotion strategy as it provides a new way to reach people and deliver the firm's message. Retailers who use the internet as part of an integrated marketing communication mix must assess its role as an advertising medium and its position in the firm's marketing communication mix (Berthon et al, 1996). Business firms will not survive the internet era unless they change the ways in which they conduct their business.

This study is underpinned by the wheel of retailing theory and the environmental theory. The wheel of retailing theory holds that new types of retailers usually enter the market at low-status, low-margin and at low-price. They gradually acquire more elaborate establishments and facilities, with both increased investments and higher operating costs. They eventually mature as higher-cost, high-price merchants, vulnerable to newer types who, in turn go through the same pattern (Hollander, 1960). These tendencies have been observed among clothing stores and Internet marketing is a tool that can be embraced to quicken maturity. The environmental theory revolves around the importance of competitive pressures and the creation of sustainable competitive advantage. The core of

the environmental theory is the ability of a clothing retailer to adapt to environmental changes such as customers, competition and changing technology successfully (Meloche et al, 1998). It is important to adopt strategies and tactics that will help maintain a competitive advantage.

Retailing in Nairobi is undertaken on both small and large scale basis. Traders in retailing business sell their goods to the final consumers. The large scale retailers are supermarkets, shopping malls, etc. The small scale retailers include small trader shops,"Jua-Kali" artisans, open market retailers, flea markets, hawkers, etc. The large scale retailers are commonly located in the middle to upper economic level dominated population regions of Nairobi. Small scale retailers are predominantly located in the lower to middle economic level dominated population regions of Nairobi. For instance, apparel stalls in Nairobi are mainly found in the high traffic Southern region of the city centre in the form of flea markets. This region of the city center is usually dominated by the lower to middle level population.

### 1.1.1 The Concept of Promotion

Promotion is a key part of marketing and is concerned with efficiently and effectively communicating the decisions of marketing strategy to target audiences. It is the marketing function concerned with persuasive communication of the marketing program to target audience with the intent of facilitating exchange between the marketer and the customer, which may satisfy the objectives for the customer and the seller. Promotion is goal oriented and the objective may be to create brand awareness, to educate customers, to create a positive image and to build preference. The ultimate goal is to sell the product to consumers who have a need for it (Kazmi & Batra, 2008). The promotion element of marketing mix is concerned with activities that are undertaken to communicate with customers and distribution channels to enhance sales.

Kotler (2003) defines promotion as the activities a company performs in order to communicate to its existing and potential customers. Different means could be used to do promotion. These are advertising, sales promotion, personal selling and public relation.

Promotion is the communication function of marketing. Promotional strategy is a controlled integrated program of communication methods and materials designed to present an organization and its products to prospective customers to communicate need satisfying attributes of products to facilitate sales and thus contribute to long run profit performance. The Internet can be used as a promotional tool or a distribution channel allowing direct sales to customers. As a promotional tool, the Internet can be seen as a way to keep the product in front of the customer and can help to create more demand for the product as well.

A website can be seen as a mix between direct selling and advertising because it can generate awareness, provide information, and demonstrate the product. A website may also be viewed as complementary to the personal selling effort by business-to-business suppliers and advertisers of consumer products. In addition, the Internet may be viewed as a cross between an electronic trade show and a community flea market (Berthon, Pitt, and Watson, 1996). As an electronic trade show it can be considered a huge exhibition hall where potential customers can enter any time of the day or night and visit prospective sellers. It resembles a community flea market because it has open, informal, and interactive characteristics that are often associated with flea markets. An important aspect of marketing is to establish an ongoing communications program with desirable customers. Some companies carry out this communication task by building websites that focus on keeping customers informed and providing ways for customers to communicate their opinions, thoughts, and questions to customer service and sales. The websites of such companies provide links to other sites for additional information and technical help as part of their service offering. Some of these websites obtain the visitor's name and use it to greet the visitor with new information related to the visitor's interests every time he or she returns to the site.

Many businesses use their websites as a source of product information to potential customers who then call a toll-free number to place an order or visit the store (Karakaya and White, 2000). In addition to its role as a product information source, companies create websites to create a favourable image in the eyes of visitors. They provide quick

access to information about the company. Such websites commonly emphasize a firm's mission, stock market success, or industry leadership. The main objective of such sites is to impress investors, stock market analysts, shareholders, and customers. They serve mostly as public relations and positioning tools.

### 1.1.2 Internet marketing

Internet should be viewed as part of a firm's long term marketing strategy and it should be integrated with all other means of formulating and implementing strategies in a way that it conforms to the principles of a sound business strategy (Capon and Hulbert, 2001). Despite the changes brought about by the internet, e-commerce is based on the same fundamental principles that have governed business for thousands of years (Howard, 2002). Developments in web based technologies make it necessary to rethink how firms should conduct their business and market their products as this new technology affects all aspects of marketing (Hoffman, 2000).

Internet marketing is often referred to as 'online marketing', digital marketing or web marketing. Internet marketing campaigns are becoming more prevalent as digital platforms are increasingly incorporated into marketing plans and as people use digital devices instead of going to physical shops (Kotler, 2000). According to Burgers and Botha (2007), Internet marketing is a business effort to inform, promote and sell products and services over the internet. Maguire and Magrys (2007) noted that it involves finding the right online marketing mix of strategies that appeal to your target market and will actually translate into sales.

In recent years, increasing numbers of businesses have been using the Internet and other electronic media in conducting their marketing efforts, giving the chance for Electronic Marketing to grow in a very dramatic and dynamic way. Implementing E-Marketing by small business enterprise can change both the shape and nature of its business all over the world. Because the increase usage of the Internet and other Electronic Marketing tools (i.e E-mail, Intranets, Extranets and Mobile phones) in electronic transactions might create not only a lot of opportunities for small business enterprises but also can eliminate

a lot of its threats. From this prospective, it is noticed that the Internet, other electronic media tools and Electronic Marketing tools are playing a vital and essential role in conducting marketing activities within business enterprises regardless of its type or size. Electronic Marketing (E-Marketing) can be viewed as a new philosophy and a modern business practice involved with the marketing of goods, services, information and ideas via the Internet and other electronic means. Smith and Chaffey define E-marketing as Achieving marketing objectives through applying digital technologies (Smith and Chaffey, 2005). Strauss and Frost define E-marketing as the use of electronic data and applications for planning and executing the conception, distribution and pricing of ideas, goods and services to create exchanges that satisfy individual and organizational goals" (Strauss and Frost, 2001).

Kalyanam and Mckintyrye (2002) note that the use of internet by organizations has allowed cheaper marketing of its products, a greater customer base and a more personal interaction in the marketing. This has enabled better research of the customer needs and allowed the provision for these needs at a reduced cost. The evolution of internet marketing has led to better supply chain systems allowing the delivery of online goods to the customer allowing convenience to the customer while guaranteeing a sale for the firm. This system has allowed accountability to be more effective as compared to the traditional selling. Firms that have embraced the use of internet marketing reap the benefits of ease of linking and communicating to clients and stakeholders for mutual benefit.

Chaffey and Smith (2005) note that firms have been able to increase their sales turnover and profitability and their market share from the adoption of internet marketing; this is due to the ease of access to information, reduced cost of economic interactions and improved communication with customers. Tiessen and Wright (2001) confirm that internet marketing has allowed firms the access of new market niches and increased opportunities beyond geographical boundaries curbing international entry barriers. Early adopters of internet marketing have gained a competitive advantage and established customer loyalty programs that have enabled them retain and gain new clients (Sparkes &

Thomas, 2001). Businesses who have realized these benefits of an online presence have developed a company website as well as engaged in social media interactions for the growth and development of their firms. Email marketing is also a common source of internet marketing; it is sometimes done by business people sending messages to the target population randomly to their phone numbers or email addresses (Shemi & Magembe, 2002).

### 1.1.3. Electronic Retailing

Electronic channels are any channels that involve the use of the Internet as a means of reaching end users (Coughlan et al, 2001). The Internet is changing distribution like no other environmental force since the industrial revolution because it breaks many of the assumptions on which channels are based, transforming or even obliterating channels themselves in many cases, while giving rise to new forms of channels of distribution (Pitt et al, 1999).The Internet is in many respects both a retail store and a delivery medium. The customer first locates a product and then makes a purchase online. Once credit card information is entered, the customer proceeds to download the software. For non-digital products, the seller must arrange with a shipping company to have them delivered to the customer's address. Online distribution has a number of characteristics which differentiate it from offline distribution.

Convenience of online shopping, by allowing consumers to shop at home, is one of the biggest advantages of electronic shopping (Coughlan et al, 2001). The Internet makes shopping more convenient as consumers can search and compare products and prices and place an order without visiting stores. People who prefer shopping online value the convenience of shopping anytime of the day and that it takes less time to complete the purchase than when shopping off line. In a study of business to business companies, it was found that most purchasing managers buy online because it lowers transaction and search costs and because it automates purchasing information for tracking inventory (Baker, 2000).

One disadvantage of e-commerce is the time it takes for delivery of the merchandise after the order is placed. This is not a problem for downloadable digital goods such as stock trading, music, online banking, movies, videos, and software. But non-digital goods such as clothing accessories must be shipped after the customer places an order and it can take a substantial amount of time for delivery of the merchandise. Consumer demands for faster delivery is putting pressure on e-tailers to increase the speed of product delivery and has enhanced the importance of quick delivery companies such as UPS, Federal Express, and others.

The Internet is a channel of distribution with a different cost structure (Lal et al, 1999). The Internet does not necessarily imply lower distribution costs for customers because of costs associated with returned merchandise, difficulty in returning products, concerns about slow product delivery, and high shipping and handling fees. A report by Retail Forward discovered that 56% of Internet buyers decided to make a purchase because they were offered free shipping. In addition, 70% of Internet shoppers stated that they would shop online more if they didn't have to pay shipping and handling charges (Internet Retailer, 2002).

A major consequence of the Internet is minimization of distance. Location for a traditional retail store matters a great deal. It needs to be in a high traffic location with appropriate surroundings. However, location is not a key marketing decision for Internet based firms since the Internet has made location irrelevant. Minimization of distance implies that geographic location is no longer a crucial factor in business as the Internet has made place irrelevant. The Internet minimizes the impact of distance only for goods that can be digitized such as pictures, words, videos, and software (Pitt et al, 1999).This also has contributed to the process of disintermediation - reduction in the number of intermediaries in a channel of distribution.

Traditional distribution takes place within working days and working hours. The Internet, on the other hand, is independent of time as sites are always open for business. Internet transactions take place on a real time basis as customers can shop and place orders

anytime and sellers can also serve customers anytime. Time compression means that the Internet has made time less relevant for business transactions as online stores can be open 24 hours a day. This has triggered the process of homogenization of time across countries and continents and causing time zones to disappear (Pitt et al, 1999).

### 1.1.4 Retailing in Nairobi's Central Business District

Retailing in Nairobi's Central business district takes the form of flea markets, hawking, shops, stores, etc. In the wider Nairobi city, apparel retailing takes place within shopping malls in big shops and stores such as Woolworths and supermarkets. The northern (upper) region of the Central Business District is dominated by big shops and stores such as Deacons and Woolworths while the southern (lower) region is dominated by small shops, flea markets and hawkers. Much of the apparel business takes the form of flea markets predominantly in the southern region than in the northern. In these flea markets, apparel traders will each have rental space within an open space in a building and a table where they display their items. Business competition is stiff since there are thousands of retailers trading in similar items mainly apparel. These items are normally new and imported from countries such as Turkey, China, Dubai, and the neighboring Uganda.

### 1.2 Research problem

The dramatic increase in internet and the detonation of its usage have facilitated the development of electronic commerce, which is described as the buying and selling, or the trading of products, service and information between and among the organizations and individuals all the way through computer networks including the internet (Laudon et al, 2001). When investing in online/internet marketing, strategic thinking will bring the best rewards (Scanlon, 2009). Internet marketing is becoming a more and more significant strategy for a business to promote its products and interact with more customers online. In order to know and understand the level of adoption of Internet marketing among apparel retailers in Nairobi, it is important to carry out this study and establish the state of its integration in the apparel business.

There are thousands of retailers dealing in clothing in Nairobi and many sell their products under one roof in the form of flea markets. This makes competition stiff because

they all sell similar products at standard prices. The stalls are located in close proximity to one another and the fact that they sell similar kinds of items at similar prices causes stiff competition and rivalry among the retailers hence the need for competitive advantage. Most of these retailers rely on the traditional model of retailing that is based on consumers entering the retailing environment making location the primary source of competitive advantage.

Kithinji (2014) conducted a study to determine the impact of Internet marketing on the performance of Small and medium enterprises in Nairobi county. The findings were that Internet marketing had a positive impact on their performance and also led to an improved performance. Kithinji in his study recommended that SMEs integrate Internet marketing in their operations for positive impact on performance. Wanyonyi (2010) conducted a study to assess the level to which small and medium enterprises have adopted electronic commerce. The findings were that SMEs owned and used mobile phones and computers to conduct business transactions like communication, paying bills and other obligations. His recommendation was that a further study be done that would cover the general e-commerce adoption by all types of business since this would give stakeholders like government a good feel of the situation nationally. Kiveu and Ofafa(2013) in their study on enhancing market access in Kenyan SMEs using ICT found that ICT holds a lot of potential for enhancing market access and yet usage by SMEs is limited compared to larger enterprises. Kiveu's study utilised Secondary data and recommended that a field survey be done to collect primary data to give more insight into the study. This study will seek to establish the extent of adoption of internet marketing by apparel retailers in Nairobi. The study will seek to address the following question: What is the state of internet marketing by apparel retailing stalls in Nairobi's Central Business District?

## 1.3 Research objective

To establish the state of Internet marketing by apparel retail stalls in Nairobi's Central Business District

**1.4 Value of the study**

The Apparel retail sector plays a critical role in the social-economic development of Kenya and as such, the government expects it to deliver on its several development strategies in terms of employment creation and poverty eradication. This sector therefore needs to remain competitive to deliver. It is imperative that the various constraints to the sector's competitiveness especially market access are effectively addressed if the sector is to remain relevant to economic development as envisioned.

ICT is taking centre stage in the growth and competitiveness of all sectors globally and there is need to apply Internet marketing to improve market access and competitiveness for retail in apparel. Traditionally in Kenya, Internet marketing is still underutilized by most retailers who still largely rely on the traditional model of retailing which is based on the consumer entering the retailing environment and this limits their market share and return on investment. The study will provide an understanding of the existing situation in relation to the untapped market potential by these traders.

The findings will be important for policy makers, traders in apparel as well as researchers/ academicians. Policy makers will be able to introduce relevant policies that can be adopted by apparel retailers to help them increase their market share and maximize their return on investment.

This study is relevant to the environmental theory of retailing which revolves around the importance of competitive pressures and the creation of sustainable competitive advantage for the survival of any business. The core of the environmental theory is the ability of a retailer to adapt to environmental changes such as competition and changing technology and adopt strategies that will help to maintain a competitive advantage.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter reviews the theories of retailing which may be applied to the study in relation to Internet marketing. The specific theories are the Wheel of retailing theory and the Environmental theory. Also discussed in this chapter are Retail management and Promotion in relation to retailing.

## 2.2 Theoretical Foundation

This study will be underpinned by the Wheel of retailing theory and the Environmental theory.

### 2.2.1 Wheel of retailing theory

The wheel of retailing theory was originally developed by McNair in 1958. McNair reasoned that when start up retailers enter a consumer market, they operate under the premise of being low price, low margin performers. They do this because it is the most cost effective way to acquire as many customers as possible to make a mark in their competitive field of choice. As a particular retailer acquires customers, he will come to the realization that not all customers are created equal. Thus, the retailer will seek out for those customers who are loyal, buy often and are willing to pay for added value. Over time the retailer will tend to focus his business on these higher margin customers, leaving the lower margin customers to new market entrants (Hollander, 1960).From the low price positioning, retailers change and become more sophisticated in their activities and complex in their organization and ultimately begin to trade-up in terms of their pricing policy, selling methods and service provision. They achieve this shift upmarket through investments in store environments and by selecting bigger and better locations and through diverse scrambling of their product and service provision. As a result of these significant investments, these retailers become high operating cost businesses. The final stage of their evolvement is that these retailers mature to become high-cost, high-price, inefficient businesses. At this stage, these once flexible and efficient businesses become

vulnerable to the innovations and cost efficiencies of newer, more agile low price entrants.

The wheel of retailing predicts that there will be differences between experienced retailers and inexperienced retailers in terms of differentiation, volume and pricing. Experienced retailers will be more oriented towards higher differentiation as a source of competitive advantage whereas less experience retailers will be more oriented towards offering lower prices and less differentiation. By virtue of their experience advantage, higher experienced retailers can be expected to have higher overall sales volume than less experienced retailers. However, the growth rate in margins would be expected to exceed the growth rate in sales. Less experienced retailers would be expected to have lower overall volume, with the growth rate in sales exceeding the growth rate in margins. By virtue of their great dependency in differentiation, experienced retailers would be expected to have higher average sales and higher prices than their less experienced counterparts (Massad, 2010).

McGoldrick (2002) recognized that the Wheel of Retailing was inadequate in two fundamental areas. Firstly, because of its particular focus upon changes in costs and margins as the sole basis for understanding format evolution, it fails to accommodate the existence of those retailers that enter the market, from the outset, as premium/luxury firms with a high margin position. Nor does it allow for these retailers to retain their high profitable, high cost, high price positioning indefinitely. Secondly, he notes that given the sequential nature of the Wheel of Retailing framework, it is unable to accommodate the speed, diversity and variability of modern retailing developments.

### 2.2.2 Environmental theory

Meloche et al. (1988) identified that the failure of retail businesses and the demise of particular formats was invariably linked to some negative environmental change or market alteration. Failure was not always an inevitable stage in the history of an organization nor were retailers passive participants. Instead, traders may deploy strategies

that either circumnavigate difficult market trends or which exploit opportunities that arise from changed market conditions.

Environmental theories provide an alternative explanation for retail change and also provide frameworks which recognize that retailers can proactively respond to market challenges. Environmental change provides some explanation as to why market demand may shift away from premium retailers to those that operate on a value/ discount basis. Survival in periods of change and challenge depends upon a retailer's ability to respond positively to challenging market conditions. Etgar (1984) and McGoldrick(2002) suggested that the environmental perspective on retail change recognizes that an 'economy ecology' exists within retailing where the principle is that only the fittest survive. It is the level of retailer fitness that determines their continuance and explains their decline.

Retailers in the evolutionary life cycle emerge, develop, mature and decline as an effect of environmental circumstances. The retail institutions which have the ability to adapt to the changes in the environment survive, while those not able to adapt to such changes will decline. The environmental view has strong influences from the Darwinian ecological perspective with natural selection and survival for the fittest (Brown, 1987).

## 2.3 Retail management

Retailers want their stores to entice customers into their stores, helping them to find the goods they need and to encourage them to make planned, unplanned and spontaneous purchases and ultimately provide them with enjoyable shopping experience (Levi & Weitz, 2009). If displays do not have the desired effect, the question comes to pass if it has any value to spend time and money on the displays. Visual merchandising displays can be regarded as visual features that create attention or pleasure in a store with an aim of enhancing the shopping experience of the customer (Mathew, 2008). The goal of visual merchandising is to display a store together with its merchandise in such a way that it will draw the attention of possible consumers ( Levi & Weitz, 2009).The retail industry has changed considerably over the years and this has created a number of

challenges to retailers in the form of visual merchandising displays. New formats decode into new ideas and originality. Pegler (2010) pointed out that due to the size of super stores and department stores, they need to be warmed up by using the correct atmospherics and display methods. Retailers realize that the way in which they use visual merchandising displays has the power to create images about the products in the mind of the consumers, images that will affect future support and perceptions of the product and the brand. Visual merchandising displays are now a significant tool for retailers in order to draw and lure customers into the store

Retailing is a set of business actions that add value to the products and services sold by an organization to customers for private or family use ( Levi & Weitz, 2009). An apparel retailer is a business which sells clothing and clothing related products, directly to consumers for their own use. Apparel retailers are the mechanism through which fashion or apparel reaches the consumer ( Easey, 2009). Apparel retailing today makes it possible for consumers to purchase local and international fashion products at affordable prices (Gopalakrishnan et al, 2009). The retail industry is a key contributor to the economic expansion and well being in a country employing hefty numbers of people.

Retail management is the process of bringing the ultimate user to the main producer through a series of stages where retailing is the last one. It is not limited to quantities but to the exact requirement of last user. Retail management is bringing about operational efficiency at this last stage and making an environment so compelling that the consumer looks nowhere else. Retail management is an art. It requires a number of management tools for a complete end user satisfaction. Retail management is getting to know the final user on behalf of the manufacturer.

## 2.4 Promotion in Retailing

Retail market is growing in a high velocity environment all over the world. All types of promotional activities are currently used by retailers in order to be differentiated in the market. At the same time, competition among retailers is booming. As a result of population and economic growth, retailers started to enlarge their marketing activities

towards consumers. Peattie and Peattie (1994) stated that marketing activities are usually specific to a time period, place or consumer group and encourage a direct response from consumers or marketing intermediaries through the offer of additional benefits. One or more of such activities is to use promotional tools and techniques which directly influence individuals to make quick decisions and finalize the purchasing process. Since the competency between retailers is high, the main two issues behind these excessive promotions is that it has a direct influence on individual buying behavior by inducing potential consumers towards their products and to retain loyal customers (Shamout, 2016).

Prasad et al (2010), argue that mobile marketing has the potential to change the paradigm of retailing from one based on customers entering the retail environment to retailer's entering the customer's environment with the anytime, anywhere mobile devices and is growing in importance in the retailing environment. Over 95% of the global population is now covered by mobile-cellular services. In developing countries, the number of mobile-broadband subscriptions continues to grow at double digit rates, reaching a penetration rate of close to 41% (International Telecommunications Union, 2016). The huge number of adopters of these devices and the related services indicates a growing mass audience for mobile electronic communication and promotion, an emerging mobile lifestyle, a popular channel for delivering mobile electronic services, and a mass market for executing mobile transactions. Communication to this audience can be delivered in form of text, audio or video.

According to Prasad et al (2010), mobile marketing is becoming increasingly important in retailing. Due to the time sensitive and location sensitive nature of the mobile medium and devices, mobile marketing has the potential to change the paradigm of retailing. The traditional model of retailing is based on the consumers entering the retailing environment, making location the primary source of competitive advantage. Internet marketing is turning this paradigm on its head. Retailers can now enter the consumer's environment through the mobile device and because the mobile device stays with the consumer, the retailer can be anywhere at anytime. The mobility and personal nature of

the mobile device distinguishes it from other electronic devices such as personal computers with important implications for the retailers. Unlike personal computers, mobile devices are an important companion to the consumer. Retailers can push sales promotions or fulfillment updates to consumers through the mobile channel for the consumer to access instantly. Adoption of mobile devices can also enable consumers and retailers to trade more efficiently, enhance supply efficiency, and reduce price dispersion (Jensen, 2007).

To satisfy consumer needs profitably, given consumer attitudes and behaviors and the differences across segments with regards to the mobile, retailers engage in a number of mobile marketing practices. These practices include mobile website creation and maintenance, mobile emailing and messaging, mobile advertising, mobile couponing, mobile customer service and mobile social network management.

Creating and maintaining a robust mobile website is important to enable consumers to search, compare and use it as a channel for transactions. Nysveen et al (2005) show that for the three different brands they surveyed, there were positive effects of mobile channel (SMS/MMS) usage on brand satisfaction, marketing investment in direct and indirect relationships, and traditional channel usage. Their results suggest that SMS (MMS) additions are perceived as complementary to the retailers traditional channel. For the segment of consumers that view the mobile medium as a reminder medium, retailers can text message reminders for refilling orders. Alternatively, the customer can directly place order for an item through the mobile device and the item could be shipped directly to the customer.

Retailers can use the mobile medium to advertise their image and products. Retailers typically do image advertising through static pictures or video and do product advertising by highlighting new products or products with special offers. Mobile marketing is a new marketing approach that makes use of mobile communication technologies in order to go one step ahead in this competitive environment, provide more output with less resources, minimize operational costs by utilizing latest technologies and gain a modern structure.

Scharl et al (2005) defines mobile marketing as a realm in which the wireless consumers are encouraged towards products, utilized free of time and place. Another definition describes mobile marketing as conveying various marketing activities especially advertisements, messages, sales offers, special offers, sales, raffles, contents, etc to consumers via mobile devices.

Marketing Science Institute has ranked the importance of mobile advertisement with regards to corporation as follows: supporting sales development, reaching customers of satisfaction, data gathering opportunity regarding customer, performing product promotion, assessing involved individuals and creating brand awareness ( Carroll et al, 2007).According to the medium of advertisement itself, it is possible to group mobile advertisement types in three groups. These are Short message services SMS, Multimedia Messaging Services MMS, and Bluetooth. SMS is the operation where the text messages are sent and received via mobile phone over GSM networks. MMS transfers messages containing graphics, animations, photographs, melody, audio recording and text via mobile phones over GSM networks. Bluetooth is a secure wireless communication method that enables high speed data transfer in short distances, developed as an alternative to cable connections.

Mobile coupons are gaining rapid consumer acceptance and are providing retailers with high returns on investment (Dickinger & Kleijnen, 2008). A retailer invites consumers through other media to send a text message to the retailer, asking for mobile coupons. The retailer then sends to those who had responded, mobile coupons can be redeemed at the retailer's stores at the time of purchase. The retailer gets to expand his database of customers who can be targeted for future offers. A retailer can offer online order tracking feature, answer customer queries regarding product information and offer post purchase service, all through the mobile. Effective mobile customer service strategy calls for retailers to meet their customer needs by enhancing the convenience of shopping.

Retailers create, facilitate, or manage their own social networks with their customers. They use their user networks to listen in as well as influence customers. They use their

social network theory to target key customers for persuasive communication. Social media is considered to be the most powerful medium for viral marketing campaigns ( Kaplan &Haenlein, 2011) and also in launching new products ( Kaplan & Haenlein, 2012).

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter describes the Research methodology of the study and explains the research design, the study population, the sampling technique, the data collection method and the data analysis method.

## 3.2 Research Design

Research design brings out the plan of what the researcher intends to do and how to carry out the research. Research design can be summarized as a plan for the collection, measurement and analysis of data ( Cooper & Schindler, 2003).

This research used the descriptive research design, which according to Emory (1985) has the objective of describing the characteristics of an event, situation, community or population. Descriptive designs are concerned with finding out who, what, where, when or how much ( Cooper & Schindler, 2006). This design method fits the topic at hand by describing the promotional methods used by clothing stall retailers in Nairobi. The main purpose of the descriptive design method is to describe the state of affairs as it exists at the time (Chandran, 2004). In the case of this study, descriptive research will facilitate a clear understanding of the promotional methods used by these retailers and establish their state of Internet marketing usage.

## 3.3 Population

Population is defined as the total collection of elements about which we wish to make inferences (Cooper & Schindler, 2003). It is the specific population about which information is desired. The population in this study consisted of small scale apparel retailers operating stalls within Nairobi's Central Business District. Target respondents in the study were the Business owners or the stall managers managing the marketing operation. According to the Nairobi City County records there are 18,801small trader shops registered for retail service as at September 8th 2016.

## 3.4 SamplingTechnique

Sampling is defined as the process of selecting a number of individuals for a study in such a way that they represent the larger group from which they are selected (Mugenda & Mugenda, 2003). For this study, nonprobability purposive sampling method was employed. This method allowed handpicking of the Apparel Retail stalls that were included in the study based on judgement. According to Chandran (2004), the method best serves to meet the set objectives as the units forming a sample have been purposely selected. Purposive sampling  intentionally skipped respondents who fell outside the intended area of interest like the medium and large scale shopping stores such as supermarkets, woolworths, Mr Price and others. The sample size under consideration was 100 stalls from 5 streets namely Tom Mboya street, Moi Avenue, Luthuli avenue, Kenyatta avenue and Koinange street. There would be 20 respondents handpicked from each of the 5 streets in Nairobi's Central Business District giving a total of 100 stalls.

## 3.5 Data collection

The study relied on primary data sources. Primary data was  collected using questionnaires with closed ended questions. The questionnaires were made up of three sections; the first section  captured the demographics of the population while the second and the third sections sought to find the promotional and internet marketing activities as conducted by apparel retailing stalls in Nairobi Central Business District. A pilot test was be done on a sample of 10 respondents to test the suitability and understandability of the questionnaires before the actual study.

## 3.6 Data Analysis

The data was analyzed using IBM SPSS statistics package to describe the characteristics, summarize the findings and identify trends. Descriptive statistics enable meaningful portrayal of distribution of measurements using few indices (Mugenda & Mugenda, 2003). The findings were presented in tables. Further quantitative reports were generated in tabulations and measures of central tendencies.

# CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1 Introduction

This chapter presents the data that was found on the state of internet marketing by apparel retail stalls in Nairobi's central business district. The research was conducted on sample size of 100 respondents out of which 81 respondents completed and returned the questionnaires duly filled in making a response rate of 81%. Mugenda and Mugenda (1999) stated that a response rate of 50% and above is good for statistical reporting. The study made use of frequencies on single response questions. On multiple response questions, the study used Likert scale in collecting and analysing the data whereby a scale of 5 points was used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

## 4.2 Demographic Information

The study initially sought to inquire information on various aspects of the respondents' background that is, the respondent's gender, position held, age and Level of Education. This information aimed at testing the appropriateness of the respondent in answering the questions regarding the state of internet marketing by apparel retail stalls in Nairobi's central business district.

### 4.2.1 Respondents' Gender

The respondents were requested to indicate their gender. The findings are as presented in the table 4.1 below.

**Table 4.1: Respondents' Gender**

|  | Frequency (N) | Percent (%) |
|---|---|---|
| Male | 22 | 27.2 |
| Female | 59 | 72.8 |
| **Total** | **81** | **100.0** |

From the findings, majority (72.8%) of the respondents were female and 27.2% of them were male. This implies that most of the responses emanated from the female.

**4.2.2 Respondents' distribution by Age**

The study sought to establish the age of the respondents and the findings are as shown in table 4.2 below.

**Table 4.2: Respondents' Age**

|  | **Frequency (N)** | **Percent (%)** |
|---|---|---|
| 18-25 years | 17 | 21.0 |
| 26-35 years | 50 | 61.7 |
| >36 years | 14 | 17.3 |
| **Total** | **81** | **100.0** |

According to the findings in table 4.2 above, majority (61.7%) of the respondents were 26-35 years old, 21.0% were 18-25 years old and only 17.3% of the respondents were >36 years. This depicts that majority of the respondents were over 25 years old.

**4.2.3 Respondents Education Level**

The study requested the respondents to indicate their level of education. The findings are shown in table 4.3 below.

**Table 4.3: Respondents' Education Level**

|  | **Frequency (N)** | **Percent (%)** |
|---|---|---|
| Masters graduate | 1 | 1.2 |
| Degree graduate | 22 | 27.2 |
| Diploma graduate | 44 | 54.3 |
| High school | 14 | 17.3 |
| **Total** | **81** | **100.0** |

The findings show that majority (54.3%) of the respondents had a diploma as their highest level of education, 27.2% had degree, 17.3% had High school while 1.2% of the respondents had Masters graduate level of education. This information shows that the respondents were educated and could give valid and reliable information based on their level of understanding of various issues concerning the state of internet marketing by apparel retail stalls in Nairobi's central business district.

## 4.2.4 Respondents Position

The study requested the respondents to indicate the position they held in the stalls. The findings are shown in table 4.4 below.

**Table 4.4 Respondent's position**

|  | Frequency (N) | Percent (%) |
|---|---|---|
| Business owner | 53 | 65.4 |
| Stall manager | 27 | 33.3 |
| Any other | 1 | 1.2 |
| **Total** | **81** | **100.0** |

According to the findings in table 4.4 above, majority (65.4%) of the respondents were business owners, 33.3% were stall managers and 1 respondent held any other position in the stall.

## 4.3 Business Information

## 4.3.1 Business Years of Operation

The study requested the respondents to indicate the number of years they had been in business. The findings are shown in table 4.5 below.

**Table 4.5: Business Years of Operation**

|  | Frequency (N) | Percent (%) |
|---|---|---|
| 0-2 years | 10 | 12.3 |
| 3-5 years | 35 | 43.2 |
| 6-10 years | 32 | 39.5 |
| 11-15 years | 3 | 3.7 |
| over 15 years | 1 | 1.2 |
| **Total** | **81** | **100.0** |

According to the findings in table 4.5 above, most (43.2%) of the respondents were in business for 3-5 years, 39.5% for 6-10 years, 12.3% for 0-2 years, 3.7% for 11-15 years and only 1 respondent was in business for over 15 years.

**4.3.2 Nature of Business**

Further the study requested the respondents to indicate the nature of business. The findings are shown in table 4.6 below.

**Table 4.6: Nature of Business**

|  | Frequency (N) | Percent (%) |
|---|---|---|
| Retail | 46 | 56.8 |
| Wholesale | 1 | 1.2 |
| Both Wholesale and Retail | 34 | 42.0 |
| **Total** | **81** | **100.0** |

According to the findings in table 4.6 above, majority (56.8%) of the respondents were Retailers, 42.0% were both wholesale and retail and 1.2% Wholesalers.

**4.3.3 Annual Turnover**

The study requested the respondents to indicate their annual turnover in Kenya Shillings. The findings are shown in table 4.7 below.

**Table 4.7: Annual Turnover in Ksh**

|  | Frequency (N) | Percent (%) |
|---|---|---|
| <250000 per year | 24 | 29.6 |
| 250000-500000 per year | 28 | 34.6 |
| 501000-750000 per year | 15 | 18.5 |
| 751000-1000000 per year | 12 | 14.8 |
| >1000000 per year | 2 | 2.5 |
| **Total** | **81** | **100.0** |

As per the findings in table 4.7 above, most (34.6%) of the respondents had a turnover of 250000-500000 per year, 29.6% had <250000 per year, 18.5% had 501000-750000 per year, 14.8% had 751000-1000000 per year and 2.5% had >1000000 per year.

## 4.3.4 Methods to Promote Products

The respondents were asked to indicate the extent to which they used different methods to promote their products. The responses were placed on a four likert scale ranging from 1 (Not used at all) to 4 (Most Used). Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). The findings are shown in table 4.8 below;

**Table 4.8: Methods to Promote Products**

|  | Mean | Std Dev |
|---|---|---|
| Personal selling | 3.7901 | .68403 |
| Internet marketing | 2.1852 | 1.06197 |
| Sales Promotion | 1.9630 | 1.08909 |
| Advertising | 1.6667 | .92195 |

From the findings in table 4.5 above majority of the respondents mostly used Personal selling (Mean=3.7901), averagely used Internet marketing (Mean=2.1852), Sales Promotion (Mean=1.9630) and Advertising (Mean=1.6667).

**4.4 Internet Marketing**

The respondents were asked to indicate the preference they had on the different forms of internet marketing used in your business. The responses were placed on a four likert scale ranging from 1 (Not preferred at all) to 4 (Most preferred). Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). The findings are shown in table 4.9 below;

**Table 4.9: Internet Marketing**

|  | **Mean** | **Std Dev** |
|---|---|---|
| Social media | 2.7901 | .93161 |
| Mobile advertisement | 2.5432 | 1.08454 |
| Email and SMS | 2.4321 | .96097 |
| Website creation | 2.3827 | .96912 |
| Online Market | 2.3457 | 1.00200 |
| Mobile customer service | 2.2593 | 1.03414 |

From the findings in table 4.9 above majority of the respondents preferred social media (Mean=2.7901) and Mobile advertisement (Mean=2.5432) while the respondents averagely preferred Email and SMS (Mean=2.4321), Website creation (Mean=2.3827), Online Market (Mean=2.3457) and Mobile customer service (Mean=2.2593).

**4.5 Internet marketing practice**

The respondents were asked to indicate the extent to which their businesses used the various internet marketing practices. The responses were placed on a five likert scale ranging from 1 (Very Great extent) to 5 (Very Little Extent). Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high

standard deviation indicates that the data is spread out over a large range of values. The study findings are tabulated table 4.10 below;

**Table 4.10: Marketing practice**

| Marketing practice | Mean | Std Dev |
|---|---|---|
| Mobile advertisement | 2.3580 | 1.08753 |
| Social media | 2.3704 | .99303 |
| Website creation | 2.4444 | 1.14018 |
| Email and messaging | 2.5062 | .96337 |
| Online market | 2.5432 | 1.06124 |
| Mobile customer service | 2.6049 | 1.08027 |

From the findings in table 4.10 above majority of the respondents to a great extent adopted the use of Mobile advertisement (Mean=2.3580) Social media (Mean=2.3704) and Website creation (Mean=2.444) as their major internet marketing practice and to a moderate extent agreed to the usage of Email and messaging (Mean=2.5062), Online market (Mean=2.5432) and Mobile customer service (Mean=2.6049).

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

This chapter presents a summary of the findings as discussed in chapter four and interpretations of data analysis, conclusions and recommendations based on the findings.

## 5.2 Summary

The main objective of the study was to establish the state of internet marketing by apparel retail stalls in Nairobi's Central Business District. Marketing practices are crucial for every business to survive the current economic turbulence. It is through these practices that the objectives of merchandising are achieved. Such objectives include profit maximization, offsetting costs of operations, business survival and obtaining a competitive advantage in the market.

This study tested the promotional methods used by the apparel retailers. The findings showed that they mainly used personal selling to promote their products with a mean of 3.79, internet marketing had a mean of 2.18, sales promotion a mean of 1.96 and advertising a mean of 1.667. This study results showed that personal selling was the most commonly used promotional method by apparel retailers in Nairobi's Central business district. The study further tested the respondents preferences on the different forms of internet marketing used in their businesses. Findings showed that majority of the respondents preferred social media which scored a mean of 2.79 followed by mobile advertisements with a mean of 2.54. This study further sought to establish the extent of internet marketing adoption among the retailers who used it as a promotional method. Results showed that majority of such retailers had to a great extent adopted the use of social media with a mean of 2.37 and mobile advertisement with a mean of 2.35. The retailers who used personal selling entirely were tested to find out why they did not use any form of internet marketing in their business. Findings revealed that majority lacked information and skill on how they could use the method. On the annual turnover, results

showed that 34.6% of the respondents had an annual turnover of Ksh 250,000 - 500,000 while only 2.5% had an annual turnover of above Ksh 1,000,000. This could be attributed to the method of promotion since most of the retailers rely more on the customers who walk into the premise.

## 5.3 Conclusion

This study found that a majority of apparel retailers in Nairobi's Central business district still relied mainly on personal selling to promote their products. This indicates that most of the traders rely on customers entering their retail environment and less of retailers entering the customer's environment making location a primary source of competitive advantage within the CBD.

Internet marketing holds a lot of potential for enhancing market access and yet use by apparel retail stalls in Nairobi's CBD is still limited. The use of internet for marketing by apparel retailers remains low despite retailers having access to these tools. Majority of apparel retailers use internet for communication, social networking and general information acquisition. There seems to be lack of awareness of the range of opportunities that internet marketing offers for increased market access. Limited use of internet for marketing can also be attributed to perceived high costs of appropriate applications, security issues, limited knowledge and skills on some ICT applications such as e-commerce.

The study concludes that to improve market access by the apparel retail stalls there is need to improve on internet marketing as a method of promotion.

## 5.4 Recommendations

There is need to increase awareness by the government and other stakeholders to promote the use of various available ICT applications already in use to improve market access. This includes the use of social sites such as facebook for marketing by apparel retail stalls. Several retailers are already using these sites to advertise their apparel so as to

communicate with potential customers. Social sites have a very high traffic of potential customers who can be reached. This will reduce the dependence on location as a primary source of competitive advantage.

The researcher further recommends that policy makers improve ICT literacy levels through training in schools and institutions of higher learning. The government should implement policies that aim at enhancing ICT use, development of ICT infrastructure and making ICT hardware and software accessible and affordable to majority.

## 5.5 Limitations of the study

The researcher faced several limitations during the study. First, the study was limited in terms of scope since it only focused on establishing the state of internet marketing by apparel retailers within Nairobi's CBD and not the wider Nairobi city. The researcher also faced time and financial limitations during he study but managed to collect the research data within the scheduled time. Some respondents were reluctant in giving information especially about their sales turnover. The introductory letter from the University was very useful especially with such respondents. Unfamiliar questions were easily misinterpreted by the respondents but the researcher guided them so as to collect unbiased results.

## 5.6 Suggestions for further Research

The researcher recommends a study to investigate the reasons for the low levels of adoption of internet marketing by apparel retail stalls in Nairobi's Central Business District despite most retailers having a mobile device in their possession. A study could also be done to compare the sales turnover of retailers who have incorporated internet marketing in their operations with those who entirely rely on personal selling to market their apparel.

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# APPENDICES

## APPENDIX 1: QUESTIONNAIRE

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**INTERNET MARKETING USAGE BY APPAREL RETAILERS IN NAIROBI**

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**SELF ADMINISTERED QUESTIONNAIRE**
**DATE: September, 2016**
**INTRODUCTORY COMMENTS**

This questionnaire seeks to establish the state of internet marketing by apparel retailing stalls in Nairobi's Central Business District. The questionnaire has been distributed by an MBA student from the University of Nairobi. All answers shall be treated with confidentiality and shall not be used for any other purpose apart from the research that is intended for.

Please provide the answers to all the questions below. Tick *(√)* your appropriate answers inside the brackets provided.

---

### SECTION 1: DEMOGRAPHIC INFORMATION

Respondent information
1.1 Please indicate your position in the stall

    (A) Business Owner (  )

    (B) Stall manager    (  )

    (C) Any Other_____

1.2 Gender of the respondent

    (A) Male (  )

    (B) Female (  )

1.3 Please indicate your age bracket

    (A) 18 – 25 years       ( )

    (B) 26 – 35 years ( )

    (C) 36 – 45 years ( )

    (D) 45 years and above ( )

1.4 Tick against your highest level of education

    (A) Masters graduate ( )

    (B) Degree graduate ( )

    (C) Diploma graduate ( )

    (D) High school    ( )

    (E) Primary school ( )

    (F) Any other _____

## SECTION 2: BUSINESS INFORMATION

2.1 Please indicate your business years of operation

    (A) 0 – 2 years ( )

    (B) 3 – 5 years ( )

    (C) 6 – 10 years ( )

    (D) 11 – 15  ( )

    (E) Over 15 years ( )

2.2 Please indicate the nature of business

    (A) Retail ( )

    (B) Wholesale ( )

    (C) Both ( )

2.3 Please indicate your annual turnover in Kenya Shillings

(A) <250,000 per year(  )

(B) 250,000 – 500,000 per year (  )

(C) 501,000 – 750,000 per year (  )

(D) 751,000 – 1,000,000 per year (  )

(E) >1,000,000 per year (  )

2.4 Please tick ( ) the method you use to promote your products. On a scale of

4=Most Used, 3= Used, 2= Averagely used, 1= Not used at all

|  | 4 | 3 | 2 | 1 |
|---|---|---|---|---|
| (A) Advertising | ____ ____ | ____ | ____ |  |
| (B) Personal selling | ____ | ____ | ____ | ____ |
| (C) Sales Promotion | ____ | ____ | ____ | ____ |
| (D) Internet marketing | ____ | ____ | ____ | ____ |

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**SECTION 3: INTERNET MARKETING**

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3.1 Please indicate the forms of internet marketing used in your business (you may tick
(√) more than one). On a scale of 4= Most preferred, 3= Preferred, 2= Averagely
preferred, 1= Not preferred at all

|  | 4 | 3 | 2 | 1 |
|---|---|---|---|---|
| (A) Social media | ____ | ____ | ____ | ____ |
| (B) Website creation | ____ | ____ | ____ | ____ |
| (C) Mobile advertisement | ____ | ____ | ____ | ____ |
| (D) Email and SMS | ____ | ____ | ____ | ____ |
| (E) Mobile customer service | ____ | ____ | ____ | ____ |
| (F) Online Market | ____ | ____ | ____ | ____ |
| (G) None of the above | ____ | ____ | ____ | ____ |

3.2 If your answer to question 9 above is none of the above, what could be the most likely reason

|  | 4 | 3 | 2 | 1 |
|---|---|---|---|---|

(A) Cost of Internet    _____    _____    _____    _____

(B) Lack of information    _____    _____    _____    _____

(C) Technological knowhow    _____    _____    _____    _____

(D) Lack of interest    _____    _____    _____    _____

3.3 Please indicate the extent to which your business uses the following internet marketing practices. You may tick *(√)* more than one

| Marketing practice | Very Great extent | Great Extent | Moderate | Little Extent | Very Little Extent |
|---|---|---|---|---|---|
| 1Social media | | | | | |
| 2Website creation | | | | | |
| 3Mobile advertisement | | | | | |
| 4Email and messaging | | | | | |
| 5Mobile customer service | | | | | |
| 6Online market | | | | | |

**END OF QUESTIONNAIRE.**
**THANK YOU FOR YOUR RESPONSE**