

STRUCTURE AND GROWTH OF SUPERMARKETS IN NAIROBI

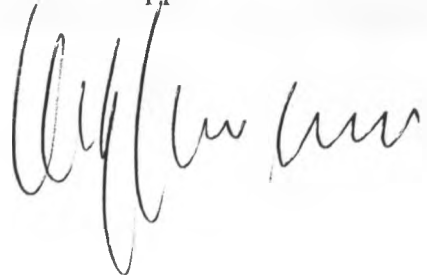
This thesis is my original work for partial fulfillment of the requirements for the Degree of Master of Business Administration Degree, MBA Newport University, California, U.S.A.

This Research Paper has not been presented for a Degree in any other University.

FREDRICK WAFUBWA NDUGULI



This thesis has been submitted for examination with the approval of the University Supervisors



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Frederick M. Aduguli

January 1997

To my parents,

*Ambrose Wafubwa
Wilbroda Nafula*

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Abstract

Retailing is one of the most important sector(s) of this country¹. Retailing is the sale of goods and services to the ultimate consumer for personal, family or household use. It is an important tax collection point today because Value Added Tax is collected at retail level in this country as well as contributing to the welfare of the consumers by offering goods at reasonable prices.

Professor McNair of Harvard championed the wheel of retailing theory which postulates that an efficient innovatory form of retailing is always entering the market and therefore attracts the public by its new appeal.

¹ NAPOLEON BONAPARTE: About a Nation of Shopkeepers

Chapter 1

Scope of Supermarkets

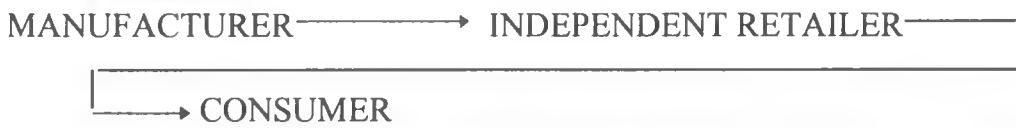
This study investigates the structure and growth of supermarkets in Nairobi. The Structure and growth of supermarkets in Nairobi is an important aspect of the socio-economic development as it is positively correlated with the welfare of the residents, the success of the retail sector and the related field of employment. “Unemployment in urban areas is currently around 25 per cent (25%)”² and Nairobi has the highest number.

There has been relatively little development in this particular kind of literature in Kenya. In part this is because there have been scanty entrenched linkages between academics and the supermarket concerns and the opportunities for consultancy work have been consequently more limited.

In Kenya a supermarket is defined as a large scale retailing institution with several departments under one roof and operating on a self-service basis, e.g., cosmetics, pharmaceutical, crockery, foodstuffs, etc. Most supermarkets in Kenya have a two stage channel distribution of:-



Figure 1



Marketing in a general business sense is concerned with the identification of the demand for various goods and services and with the arrangement of supply of these through an efficient distribution Network. (Davis L. Ron).

In this case, the core focus of attention is the retail service activities where the component parts of strategy, marketing and planning are concentrated in specific places. The overall supermarket pattern is a result of speculative private enterprise.

² Policy framework paper by the Government with IMF and the World Bank: February 16, 1996; Page 5

Figure 1: Guirdham M. Marketing: The Management of Distribuion Chaneels, Pergamon, 1972

My emphasis is on spatial marketing characteristics of retailing activities; the hidden key to this now vigorous economic development, the strategic marketing of places and the limited resource in improving basic services for citizens.

The most common activities of supermarkets are the intermediary operations of poor marketing plans due to inadequate preparation and choice of the wrong markets for entry. They exhibit insufficient attention to modify and meet cultural preferences or prices to meeting competition and the product acceptance price. All supermarkets with an exception of Uchumi supermarkets are owned by individuals; Over 80 percent are owned by Asians and are increasingly developing their own system of retailing by making an insufficient investment in marketing activities and thereby failing to establish a forehold or market position and focussing professional practices and expansion, but instead ordering growth.

The task of supermarkets in Nairobi enshrines **inter alia**:-

1. Merchandising:

Involves the entire group of decisions and tasks involved in determining what merchandise is offered, acquiring it, and having it available in the right assortments at the right places to maximize the stores marketing objectives. In many retail operations, merchandising includes the functions of buying, receiving, marketing and handling all merchandise as well as controlling inventory levels and mixes in the stores.

2. Promotion:

Generally includes advertising, publicity displaying of merchandise, any tactics (other than merchandise selection and pricing) which will induce profitable sales volume. Special attraction techniques like store signs, catalogues, premiums, trading stamps and non-recurring interest breaks are considered promotions. Store layout designs, traffic below planning, rack displays, wall and flow coloring, lighting presentations and so on are important aspects of in-store promotions of all other line activities.

The consumer behaviour is also much more concerned with the demand for various goods and services as it is with their supply. I am primarily concerned with characteristics of domestic shopping trips rather than with the full spectrum of business. This consumer behaviour will be crudely distinguished in terms of convenience shopping comparison shopping and specialty shopping. The concept of strength is carefully interpreted and attributes of importance to each target group and the weights to these attributes considered. The supermarkets plan to get closer to the

consumer is brought into focus, and the trend of consumers who understand the direct and indirect influences affecting them now and in the future.

The growth of supermarkets will help discover the real need and wants of potential customers, how their needs are being met now and in the future. It is common sense to recognize variations between customers. They differ by age, sex, ethnic origin, income levels, educational standards, type of work they do, type of leisure activities, type of homes in which they live and many other variants. At this stage, cognisance of the commercial service which indicates the different purchasing potential of differing residential areas is highlighted.

The future of supermarkets lies in locations where the masses reside as these will provide not the purchasing power of individuals, but rather, the increase in total population enhances the household purchases and thus the sales increase drastically for the stores. Obviously the demand for locally manufactured products in Eastlands is 75%. This demand will be reflected in increased manufacturing activity which will finally foster the local industry to compete internationally and thus succeed in import substitution - in addition to generating productive employment opportunities to absorb the rapidly growing labour force.

The structure and growth of supermarkets must also be viewed in terms of the laissez-faire society with Government intervention being pervasive; hitherto 1994, price controls applied to a very large number of consumer goods and were either set at market clearing levels or were not strictly enforced. "There was no ideological commitment to price control. The Minister of Finance once openly described the policy as window dressing; you have to be seen to be struggling with inflation otherwise politically you are not credible"³.

The entrepreneurs in supermarkets (Asians) acquire their goods and supplies at unofficial prices at all stages from the factory, wholesaler and retailer by avoiding (Sales Tax) V.A.T. (Value Added Tax) therefore cost prices are low and profit margins very high making the owners of supermarkets able to reap abnormal profits. Imported items are also dominated by Asians who avoid duty and V.A.T. or only pay a fraction and direct the goods from the unloading of imports to retail distribution. This large scale racketeering including buying up the production of their firms at unofficial prices explains why Asians have monopolized the retail sector in its structure and growth and equally the existence of very poor growth of supermarkets among the masses in Eastlands and the peripheral areas of the City (suburban) and also the driving force for more outlets in the city and mid-class areas.

The liberalization policy has the business community of importing products thus conferring benefits on favoured urban traders who are politically powerful and are now opening small outlets because of the availability of goods.

³ Economic Management for Renewed Growth; P.1

The population of Kenya still growing at a high rate of around 3% "The urban population will reach 9 to 10 Million by 2000"⁴. Over one fourth of the total population. This growth must have the provision of Basic Human Needs largely by Retail markets.

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Davis L. Ross: Marketing Geography: The Main Channels Of Distribution; P.55-57

⁴ Economic Reforms for 1996-98; Policy framework paper by the Government of Kenya in collaboration with IMF and World Bank; February 16, 1996: P.32.

Chapter 2

The Framework of Supermarkets

A store locational analysis has the focus of supermarkets considered from the standpoint of their consumer catchment areas and the business centres within which they are located.

Self-Service outlets operated in Nairobi as at december, 1995

	Name	Location
1.	AFCO	Embakasi
2.	AFCO	Eastleigh
3.	AFCO	Kahawa
4.	AFCO	Langata
5.	AFCO	D.O.D Ulinzi
6.	African Grocers Ltd.	Hurlingham
7.	Anapurna Grocers & Millers	Westlands
8.	Avenue Park Shopping Mart	Avenue Park Estate
9.	Bargain Place	City Centre
10.	Buckley Stores	Industrial Area
11.	Chandarana Yaya	Yaya Centre
12.	Chandarana Supermarkets	Highridge
13.	Chequered Flag Esso Shop	Westlands
14.	City Mattresses	Industrial Area
15.	Kleenway Supermarket	Kilimani
16.	Continental Supermarket	Westlands
17.	Crosby Supermarket	Westlands
18.	Devkresh Supermarket	Ruiru
19.	Eastleigh Mattresses	Eastleigh
20.	Fair Price Mini Supermarket	Kangemi
21.	Fair Rose Supermarket	City Centre
22.	Fair Lane Supermarket	Buru Buru
23.	Fair Lane Supermarket	Kenyatta Market
24.	Feine Faye Supermarket	City Centre

25.	Fontana Gift Shop	City Centre
26.	Frankaal Ltd. Umoja/Supermarket	Umoja
27.	Mogomart Supermarket	South C
28.	Georges Supermarket	South C
29.	Gigiri Supermarket Ltd	Gigiri
30.	Harry's Supermarket	Hurlingham
31.	Hasolick Supermarket	Eastleigh
32.	Hot And Spicy Limited	Westlands
33.	Hot Point Appliances	Westlands
34.	Hypermart Limited	City Centre
35.	Jay Emporium Limited	Westlands
36.	Jamia Supermarket	City Centre
37.	Joska	Kawangware
38.	Acacia Supermarket	Kawangware
39.	Jack & Jill Supermarket	City Centre
40.	Jowinka Supermarket	Zimmerman
41.	Marsani Supermarket	South B
42.	Kenton Supermarket	Kawangware
43.	Kinkul Supermarket	Umoja
44.	Ladywood Farm Shop	Westlands
45.	Langata Grocers	Langata
46.	Leadways Supermarket	Githurai
47.	Marja Supermarket (Tesco)	Eastleigh
48.	Maru Enterprises	City Centre
49.	Maxwell Traders	City Centre
50.	Magtraco Limited	City Centre
51.	Mesora Supermarkets	Buru Buru
52.	Moraa Supermarket	Pangani
53.	Mumsies Supermarket	City Centre
54.	Muruta Industries	Kilimani
55.	Muthaiga Mini Market	Muthaiga
56.	Makro Supermarket	City Centre
57.	Nakumatt (Holdings Ltd) Mega	Industrial Area
58.	Nakumatt Downtown	City Centre
59.	Nakumatt Checkpoint	City Centre

60.	Nakumatt Ukay Centre	Parklands
61.	Nakumatt Athusi	City Centre
62.	Nafrom Self Service Store	Ongata Rongai
63.	New Westlands Stores Ltd	Westlands
64.	Pamoke General Store	South C
65.	Peponi Grocers Limited	S/Valley
66.	Peter Johnson Supermarket	Pangani
67.	Pick “N” Pay Supermarket	Parklands
68.	Pay Less Supermarket	City Centre
69.	Portway Stores	Industrial Area
70.	Ronny’s Supermarket	City Centre
71.	Rossam Supermarket	South B
72.	Safeways Hypermarket Ltd	Buru Buru
73.	Sainsbury S. Service Store	Lavington
74.	Savemore Supermarket	South C
75.	Seven Eleven Supermarket	South C
76.	Select “N” Pay Supermarket	South B
77.	Shanti Grocers	South B
78.	Sheela Supermarket	Highridge
79.	Shoppers Delight Supermarket	Eastleigh
80.	Spicey Spices Limited	Westlands
81.	Spring Valley Supermarket	S/Valley
82.	Star Supermarket	Greenfields
83.	Steklar Supermarket	Umoja
84.	Supervalu Supermarket	Hurlingham
85.	Supra Self-Service Store	Dagoretti
86.	Sussy Mini Market	Eastleigh
87.	The Shoppers Paradise	Muthaiga
88.	Sterling Supermarket	
89.	Safeways Zimmerman	Zimmerman
90.	Shaflu’s Supermarket	Ongata Rongai
91.	Star Avenue Park	Avenue Park Estate
92.	Star Langata	Langata
93.	Star Westlands	Westlands
94.	South C Grocers	South C
95.	Schilada Supermarket	Ruiru

96.	Swamco Supermarket	Doonholm Estate
97.	Tinara Supermarket	Langata
98.	Tusker Mattresses	City Centre
99.	Typotrade Supermarket	Parklands
100.	Tumus Supermarket	Githurai
101.	Uchumi Supermarket City Centre	City Centre
102.	Uchumi Supermarket City Market	"
103.	Uchumi Koinange Street	"
104.	Uchumi Taveta Road	"
105.	Uchumi Kimathi Street	"
106.	Uchumi Jogoo Road	Eastlands
107.	Uchumi Westlands	Westlands
108.	Uchumi Sarit Centre	Sarit Centre
109.	Uchumi Adams Arcade	Woodley
110.	Uchumi Otiende	Langata
111.	Ukwala Supermarket	City Centre
112.	Ukwala Supermarket	Ongata Rongai
113.	Ushirika Supermarket	Umoja
114.	Umoja Mini	Umoja
115.	Varsani's Mini Supermarket	South B
116.	Villies Shopping Limited	South C
117.	Waiyaki Way Caltlex Stores	Westlands
118.	Westlands Supermarket	Westlands
119.	Westlands General Stores	Westlands
120.	Woodley Grocers	Adams Arcade
121.	Wachuchu	Kenyatta Market
122.	New Westlands	Westlands
123.	Westlands Self Service Store	Westlands
124.	Williams Self Service Store	Ongata Rongai
125.	711 Supermarket	South C
126.	Anjevan	Ruaraka
127.	Barn's Supermarket	City Centre
128.	Greenspot Supermarket	City Centre
129.	Aladin Supermarket	City Centre
130.	Broadway	Industrial Area
131.	Caledonia Supermarket	Caledonia

Data Analysis

Table 1

Location	No. of Supermarkets	Class of Clientele
City Centre	27	A, B, C1, C2, Lower Class
Westlands (Muthaiga, Highridge, Sarit)	17	A & B
Parklands	4	A & B
Hurlingham	2	A & B
South B	4	B & C
South C	5	B & C
Adams Arcade	2	A, B & C1
Langata	2	C1 & C2
Afco	5	B, C1, C2 & Lower Class
Eastlands (Nairobi Environs)	26	C1, C2 & Lower Class
Industrial Area	2	B, C1 & C2

Nairobi's urban region can be segmented into five significant areas. This is particularly true with the residential areas and remains one of the most noticeable legacies of the colonial period. There developed during that period four distinct social classes, based in different areas according to race (although A'ngawa mentions three distinct social Nairobi's and forgets the fourth). A white Nairobi, an Asian Nairobi, a Cushite (Somali) Nairobi and an African Nairobi.

In post independence Kenya, however, social barriers have given way to "Economic Barriers" (Tiwani 1973, Ferrero 1979).

North and West of Nairobi had exclusively European residents, and remains mostly so with a handful of Asians and Africans, virtually all heads of Diplomatic Missions and Officials of Non-governmental organisations (NGOs).

The second distinctive residential area is Parklands - Pangani Area located midway North of the City Centre and has 90% of the Asian population in Kenya.

The third distinctive area of concentration which has a mixture of races settling together and has emerged in the last ten years is referred to as Nairobi South B and C respectively. This area houses 75% Africans; 20% Asians and 5% Cushites (Somali Arab races). (Feraro 1979).

The fourth and fifth have with time merged into one, that is, Eastleigh originally meant for Somali Arabs (Muslims), was quickly swamped by the African population East of the City Centre and the whole area is now naturally referred to as Eastlands.

Urbanisation in Eastlands has had far reaching economic transformations making the city grow in a diaspora essentially the product of capitalist development and expansion - thus changes in city boundaries which result in the incorporation of previously rural places.

This structure results in the socio-economic class of Nairobi as:-

Class Structure of Nairobi

Figure 2

A Spring Valley Lower Kabete Lavington Hurlingham	B Parklands Pangani	C2 Kahawa Ruaraka Mathare North Huruma
C2 Kibera Kawangware Dagoretti Ngong	City Centre	C2 Buru Buru Umoja Doonholm Komarock
C2 Langata Ongata Rongai	C1 South B South C	C3 Embakasi Kayole

- A** - North West; (Europeans, Diplomats, NGO Staff)
- B** - Parklands, Pangani (Asians)
- C1** - South B, South C (Mixture)
- C2** - Eastlands and the Lower Class (Africans/Natives)

An indepth field survey about the physical characteristics of particular regions and the socio-economic characteristics of their customers is required for dealing with the framework of supermarkets in Nairobi. Two theories formulated in the early 1930s stand out in explaining the primary reason of the growth of supermarkets in Nairobi.

1. Central Place Theory

Formulated by the German Economist and Geographer Walter Christaller⁵ in the early 1930s. His model explains the regular locations of tertiary activities being manifest in business centres in an apparent order of the spatial distribution of urban settlements surrounding populations and described as central places.

Central Place Theory is specifically formulated as a theory about marketing behaviour -that is a system of business activities designed to plan, price, promote and distribute want satisfying goods and services to present and potential customers.

2. General Interaction Theory

This was first formulated in the 1930's by William Reilly who demonstrated its applicability with his Law of Retail Gravitation. It states that two cities attract trade from an intermediate town in the vicinity of the breaking point approximately in direct proportion to the populations of the two cities in inverse proportion to the squares of the distances from these cities to the intermediate town.

The case of the two centres competing against each other has been expanded to accommodate a whole system of shopping centres and can be focussed on the relationship between consumer expenditure and retail sales. The commonest formula is:

$$S_{ij} = K_i E_i A_j F(d_{ij})$$

Subject to constraints

$$\begin{array}{ll} n & n \\ \sum_{i=1} s_{ij} = s_j & \sum_{i=1} s_{ij} = E_i \\ i=1 & i=1 \end{array}$$

Where S_{ij} = Expenditure in a centre j by consumers in an area i
 E_i = Expenditure available in area i
 A_j = A measure of shopping attractiveness at centre j
 $T(d_{ij})$ = A measure of travel difference from i to j

⁵ Baskin C.; Central places in Southern Germany Prentice Hall, 1866

The non existence of data and literature makes it difficult to explain this in the chapters but permit only a tenuous relationship to be drawn between these taxonomic distinctions and the differences in underlying accessibility conditions.

Retailing characteristics and growth trends within the regions tend to reflect on the overall economic and cultural differences which are found.

The city centre has 27 supermarkets out of which 20 have sprang up in the last 15 years. This means there has been a minimum level of consumer demand or lower limit of trade to offer support for them to make a profit and become established. Also, the effective size of this demand or trade area support circumscribed as an upper limit, defined as the maximum distance consumers will be prepared to journey to the nearest supermarket before going elsewhere. Other physical circumstances which help explain the growth in a number of city centre supermarkets include:-

1. It is an area with greatest concentration of day time population within the metropolitan complex;
2. Location with highest concentration of foot traffic;
3. Traffic circulation within the city centre makes a single area a convergence of city mass transit system. At least 15 supermarkets are located at Bus stages;

- | | |
|------------------------|------------------------|
| a) Ebrahims | i) Makro |
| b) Payless | j) Sippys |
| c) Jack & Jill | k) Nakumatt Athusi |
| d) Ukwala | l) Nakumatt downtown |
| e) Nakumatt checkpoint | m) Uchumi City Square |
| f) Uchumi Kimathi St | n) Alladin Supermarket |
| g) Uchumi Taveta Rd | o) Tusker Mattresses |
| h) Bargain Place | |

4. The city is a centre of specialized functions; focus of headquarters offices for business, Government and Industrial activities.
5. Convenience and approachability; Some supermarkets require a high degree of accessibility to consumers moving inside a business complex, pedestrian flows in different directions and sides of the streets, corner sites because of greater frontage this gives for window shopping. Proximity to a geographic centre of a business doubles because of the crowd convergence found there.

6. Catchment; Easy access made possible for customers from areas of suitable demographic mix and spending power as well as high streets providing the most viable locations as a factor which impacts on retail strategy.

In essence the City Centre supermarkets have positioned themselves partly owing to the “rule of thumb”, that is there is a viable market place within the radius of 3 kms of their supermarket, e.g., Kenyatta Hospital to Uchumi Supermarket City Centre or Kariokor to Ebrahims Supermarket. Therefore market location has played a major factor in the growth of supermarkets rather than the better understanding of needs, perceptions, preferences and targeted resources of targeted Buyers. “This place opportunity is the arena in which a place has a fairly good chance to achieve a competitive advantage”. (Phillip Kattler).

The North and West Nairobi form “A” Class residential area initially meant for Europeans and currently occupied by a mixture of races, white, Asians, Africans, Diplomatic corps and NGO staff who still form the most affluent class in Kenya. This wealthy class is also engaged in what may be referred to as modern business sector business and form 10% of the households in Nairobi City. This was the first area that saw the birth of supermarkets in Nairobi region operated by Slater and Whittaker (Europeans) now the Westlands Mall, specifically to serve the European race. It has also witnessed the inclusion of diplomats, Asians and Africans form the Westernized lifestyle and culture. The Class has propensity to spend due to high living standards, high level of awareness as well as the historical concentration of Europeans who gave the drive for supermarkets for their household purchases. The area is also characterized by at least two cars for every household and thus have personal transport for their household purchases which makes it more convenient since they buy in bulk. The low growth rate of population in this area permits high quality life standards to be maintained.

Retail business location phenomena in this area is now transforming into suburban shopping malls like Sarit Centre, The Westlands Mall, Yaya Centre and Esso Plaza. Shopping malls have proliferated shifting retail buying to other strategies and to such trends as greater class and age conscious buying patterns.

The area covering Parklands and Pangani falling between City Centre and the North-West of Nairobi houses the Asian Community which is virtually engaged in industrial and commercial activity. In act Asians control almost 60% of industrial and commercial activity.

Asians form the “B” Class in Nairobi and given their nearness to Westlands and the City, it is possible for them to bypass other shopping centres because of higher levels of individual mobility and purchasing power and shop in Westlands. Asians by nature live in communities and therefore tend to act communally in many respects. As a matter of fact, most of them shop in Westlands where they would meet their friends and family ties to exchange pleasantries. This community aspect also explains why 95% of the supermarkets are run by Asians. This trend is evident in Westlands and South B, where Asians will only buy from fellow Asians. Their background has also enabled them to travel widely and have somehow adopted a western like lifestyle.

The tendency to spend is inherently high by nature as their incomes are also high since they virtually control the economy. Their increased pressure on Westlands as the shopping area accounts for the high number of supermarkets in recent times at Westlands Shopping Centre (with 17 supermarkets) and including the Sarit Centre Mall. Moreover, 50% of the Asians are in their prime age of consumption, that is, 20 to 45, better educated and therefore influence the crowd that shops in Westlands.

The third area of South B and C exhibits “Dualism” between the upper class and the lower class forms the burgeoning population which has access to income earning opportunities. Community quality of life is a growing factor in this locality, although this does not serve as a complete solution for improving a place’s viability and attractiveness. This is a transition class that is conscious of quality of life and therefore gains prominence and assumes multiple forms. The Class consists of a skilled labor force consisting mainly of professionals from both sexes in almost all households.

Eastlands is occupied by the highest population in Nairobi City and mainly of Class C2 and the Lower Class. This part of Nairobi has experienced the highest growth in population concentration and the highest rates of urbanisation has stimulated the decentralization of economic growth as phenomenon in terms of the social production of spatial forms.

The composition of this population varies from middle to lower class workers in the industrial service sector and the vast number of informal sector who survive and cope with limited shared resources. There exists thousands of small family firms engaged in trade, personal services and small scale manufacturing such as Kariobangi South Light Industrial sector, to create livelihoods for thousands living in slums and squatter areas which though meagre in package are preferable to unemployment. The population here has tended to live closer to industrial area, their workplace so as to alleviate the cost and inconvenience of lengthy trips. Eastlands has also a high incidence of shops in relation to the population served. There are numerable kiosks and shops which provide household provisions and in fact this class spends 50 - 70% of their income on household provisions that could be found in a single retail outlet. With a population of almost 1.2 million, the whole region has only upto 10 supermarkets of 10 - 15 thousand square feet.

The relative efficiency of supermarkets in Nairobi which has contributed in a great measure to this structure and growth of supermarkets, is influenced by many factors including personal characteristics. The profiles of entrepreneurs reveal a wide range of social and educational backgrounds and age groups. Most of the supermarkets have been set up by the Asian people who are already familiar with the business either through family upbringing or work experience. They therefore avoid great leaps in the dark. They accept risks but these are usually calculated rather than gambling risks because they want to be able to influence the course of events by their own efforts. The drive is personal gain, a need for personal achievement, self expression and seeking to earn the respect of their community and peer groups, and to contribute to the broader goals of development in specific ways. They are individuals who do not recognize the importance of collective endeavour. Although they have high regard for and take care of their workers, they do not devote anytime and effort to train their personnel in seminars, colleges or any courses related to retailing and in fact do not consider these as essential. They have therefore not developed good management teams to allow expansion of their supermarkets but rather a span of control that they can handle personally. They are open to new ideas and are continually searching for self improvement through contacts with suppliers, customers and other entrepreneurs in the same field; they also keep upto date by reading trade journals and attending trade fairs.

They live and breathe their supermarket day and night. Theirs is not a 7.00a.m. to 5.00 p.m. job; it continues even after closure time (7.00p.m.), to community gatherings, houses over dinner and social activities on weekends.

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Chapter 3

Consumer Behaviour

Consumer behaviour is basically customer orientation. The detailed structure of consumer behaviour is extremely complicated, however, and at micro level scale of enquiry, a greater understanding is necessary of the consumer decision making process involved rather than simply the overall influences of locational factors. Consumer behaviour assumes that:

- a) The buyer is rational and informed;
- b) If the buyer is rational and informed, she/he will prefer the offering that most satisfies his/her needs.

The concept of customer orientation can be defined in terms of the firm's matching or exceeding buyer expectations, since expectations related to the alternative open to the buyer. The level of customer expectations is the level the customer believes is realizable, while the level of customer aspirations is the level the customer perceives as perfect. Many supermarket owners particularly in the City Center start their stores with a "Blind Faith", - that there will be enough customers willing to buy from them to make the business worthwhile. This means they miss opportunities to add value for their customers and also missing opportunities for increased profitability for themselves. The City supermarkets are more concerned with the product being on the shelf than with the customer. Some supermarkets in the city centre are situated in dilapidated buildings in crowded sections of town. This nearness to crowded areas carries the psyche of familiarity so that passers by can invade anytime and buy provision. The City Centre also lacks a fixed class system and having an extremely mobile populations makes buying from supermarkets therein highly possible. Customers in the City Centre use everything to evolve complex means of ascertaining each other's status. Shoppers also face such a wide choice of supermarkets and merchandise, convenience, high quality service or a combination of any or all of these. The individual supermarkets therefore do not carry any clout but can gain market share only at each other's expense. These supermarkets offer the tempting prospects of by-passing direct consumers.

This interactive grabbing of a small slice of retail business or spending of consumers will not wipe out existing store formats altogether. Rather it will accentuate an already existing trend of saturation and an even more intensive competition and nudging shopping power away from retailer to consumers. One more feature may also be that, the regional centres consumers catering mainly to low income consumers are overshadowed by the central areas such that they are often by-passed on shopping excursions.

The city centre in serving mainly the middle income consumers is more central to the urban market and hence attract extra trade. The North West, Parklands and Pangani population share the facilities of the higher order centres, for example Westlands Shopping Centre, Sarit Centre, Yaya Centre, Muthaiga Ezzo Plaza and Spring Valley. These high income areas show the greatest stability in shopping throughout the week or month: maybe because there are fewer centres.

Most establishments have off-street parking geared to accommodate motor vehicles and to handling goods. Such diverse factors as the growth of female employment and car ownership, the increasing use of deep freezers and domestic appliances, have combined to produce some major changes in the lifestyles of consumers, particularly in the upper class. These factors have altered the traditional patterns and profiles of shopping behaviour. Most noticeably is the reduction in frequent daily trips to centres and much greater emphasis on single weekly bulk-buying trips on Saturdays and Sundays to the largest Centres available - Sarit, Westlands Mall and Yaya Centre. At the same time, there has been a growing demand for more convenience and comfort in shopping which newer centres can obviously provide rather than old centres and supermarkets. These new mall provide a big range of products with the liberalization having released a flood of items from outside the country of food and general merchandise for their supermarkets within. There are too many competitors fighting for market share and have had to adopt to customer driven approach rather than the sales driven approach of the City Centre supermarkets. The market in terms of stores is overcrowded and provided access becomes cheaper, competition in the virtual mall is proven fierce.

The growth of shopping malls has promoted cut-throat competition right at the door steps, there is no customer loyalty - but rather efficiency being paramount which to me means commitment to customer satisfaction. Each supermarket has to carefully analyze the strengths and weaknesses of each competitor together with the opportunities and the threats they face before deciding on strategies to influence customers. All clientele in this region own cars and are very unlikely to become your customers unless their needs are being met now and in the future by, focussing on the tangible and intangible benefits that customers derive from their contact with the business by creating a thoroughly enjoyable "occasion" compatible with their values and lifestyle.

The South B and C, between the Eastlands, clientele can be classified using the old fashioned common sense which recognizes variations between customers because of diverse backgrounds and needs. They differ by age, sex, ethnic origin, income levels, educational standards, type of work they do, type of leisure activities, type of home in which they live and many other variants. The skill with which the supermarkets select particular groups of people will be the target in this region.

- a) The professionals who enjoy shopping and are reluctant to spend their time and leisure.
- b) The wives and possibly children of these professionals who are keen to ensure that their families have adequate provisions.
- c) Younger men and women who are keen on budgets and thus make errands for shopping in supermarkets.
- d) The general informal sector population which believes supermarkets are cheaper than shops and kiosks and could thus save substantially on their meagre resources.

Marketing to these customers is not as much a technical marketing problem of methods, messages and targets as it is in defining place development in the values of the public framework. (Kottler).

More people in this category will have more money with which to go shopping so more and more shops are being built to meet this demand. The result is therefore poorer sections of the society remain dependent on the traditional types of shopping centres which are likely to become impoverished and severely run down.

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Chapter 4

Advertisement - A Critique

Advertising is to inform, persuade and remind the public of a particular product or service and doing so at a low cost per head to the company personal selling or exhibition.

Advertising may seek to create either a brand image for the product concerned or corporate image for the company in general. Most supermarkets in Kenya advertise at the beginning, mid and month ends. Obviously the supermarkets know too well that the population has earned and therefore ready to spend on necessities. Indeed it does attract cues in the supermarkets and the customers keenly await for these advertisements of price reductions before deciding when to do shopping otherwise they will never get a good deal at any other time.

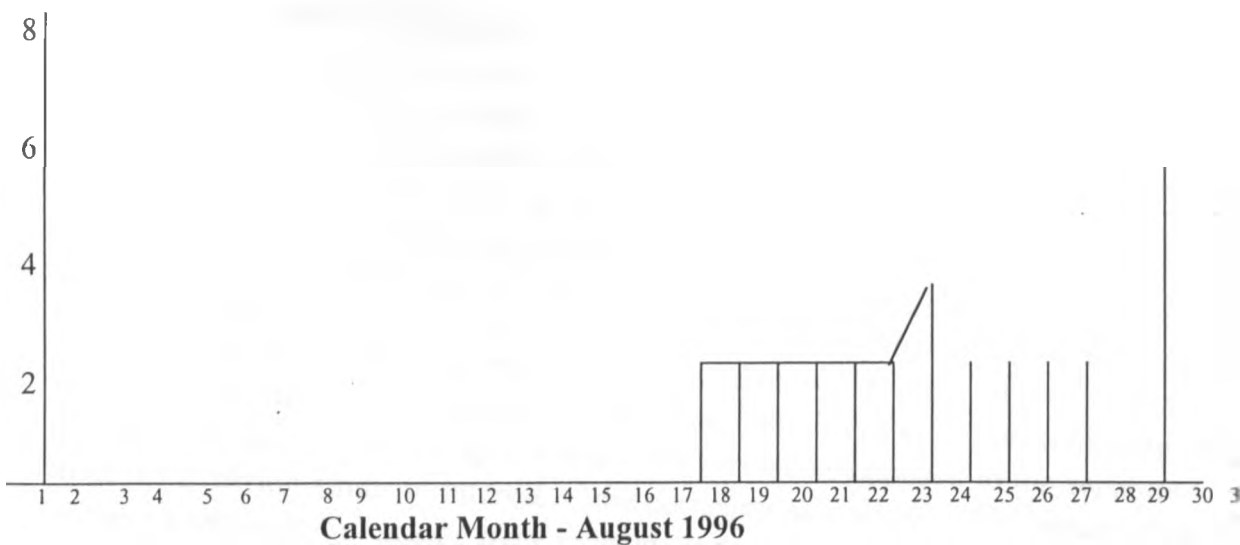
The table below clearly shows the trend of advertisement.

Supermarket Advertisements during the Months of August 1996 in the Daily Nation Newspaper

Table 2

Dates	No. Of Adverts	Supermarkets
5 - 12 Aug. 1996	0	-
18-23 Aug. 1996	2	-
24 Aug. 1996	3	Nakumatt (2); Uchumi (1)
25 Aug. 1996	2	Nakumatt (1); Uchumi (1)
26 Aug. 1996	2	Nakumatt (1); Uchumi (1)
27 Aug. 1996	2	Nakumatt (1); Select "N" Pay (1)
28 Aug. 1996	3	Nakumatt (1); Uchumi (1); Vishal (1)
30 Aug. 1996	6	Nakumatt (2); Vishal (1); Uchumi (1); Ukwalla (1); Jamia (1)

Most advertisements are on offers, and in fact, 90% appear during the last few days of the month.



The figure graph above clearly shows the trend of advertisement. Traditionally the decisions about merchandising, pricing and promotions are highly centralized and made at corporate level. (C.K. Karemu). All advertisements peg themselves on reduction of prices giving strong brands an advantage but with a wishful thinking of attracting human traffic. When these advertisements appear in the papers they treat all customers as the same. They cannot break that anonymous mass into segments. Supermarkets spend millions on advertising beamed at people who are indifferent or even hostile to it. Retailers have thus become traditional thinkers of themselves as merchants, as buyers and sellers of goods. Supermarkets dip into their national pool of promotion money to offer discounts on popularly branded products like *Kimbo, Omo, Stayfree, Colgate or Aquafresh* every end and beginning of the month.

The strategy of everyday low prices that offers the customers a better deal and saves on merchandising and advertising costs has not yet taken root. Low prices in turn mean that retailers can save even more by eliminating the expense of frequent promotions. Stable prices also makes sales more predictable thus reducing stockouts and excess inventory. Finally, everyday low prices bring in the customers, which translates into higher sales per retail square foot. These advantages in basic economics provide customers with access to quality goods, making these goods available when and where customers want them, and developing a cost structure that enables competitive pricing and to build and maintain a reputation for absolute trustworthiness.

The proliferation of supermarkets necessitate a shift away from in-store sales and promotions that are an industry (a manufacturer) convention to a quiet revolution that confers overall benefits that are greater than the presumed financial gains from running up volume with price cuts and rebates of branded merchandise. Advertisement should look beyond internal processes and see for example, the total value chain in the case of supermarket chains as consumers will not pay for their sloppiness. Swings in price create variability and massive inefficiency in the

distribution system. In attempting to meet heavy short-term demands, supermarkets must build inventory which entails excessive warehousing costs, transport rates and handling costs. Virtually all supermarkets whether in the city, Westlands, Eastlands or even those serving niche markets should serve, "just what customers want just when they want it," and operate under uniform standards and policies developed to meet the Company's most demanding customers. Given these standards, logistic managers are aimed to make excellent use of physical assets the company puts at their disposal. Managers have assumed that the more goods flowed through consolidated logistics channels, the more efficient they had been. But being efficient is being viewed because of the functional imperatives, gaining economies of scale and satisfying many different customers with a single standard for service as opposed to the separate view from the evolving strategic interest of the company as a whole. This assumption has become a rationale for making huge logistics pipeline carry an overly complex burden. Cost is incurred and value is destroyed in the management of this complexity-serving customers for more commodity liked products and customers who need specialized products quickly and unpredictably tend to be undeserved as certain products are never covered in advertisement or promotional offers.

Advertisement should have a strategic intent of more about out-facing competitors in building advantages than seeking competitive advantages that are inherently stable. "For advertising messages to be successful in achieving its objective, the individual must be exposed and pay attention to it. Yet even then, there is no guarantee that the individual will interpret it as it is intended. This is because buyers tend to screen out messages that are inconsistent with their own aptitudes and beliefs and interpret information in the light of these beliefs.

Advertising for the buyer community will take into consideration an examination of packages with an understanding of more subtle as well as purely technical issues in order to achieve and maintain competitive continuous responsiveness.

Supermarkets will have market and create new service forms such as accepting credit cards. These will be stated in their advertisements and thus differentiate themselves from other establishments so as to increase their market share. Such advertising will provide tangible clues, making the service more easily understood and contributing to continuity. Such advertisements will also help prospective customers get a mental fix on its product. Marketing of the overall image of the organisation as a brand will be very successful in cultivating its quality image; initially, may be for the upper class and the middle class only. Others will have to trade down by entering competition for the low class and trying to change to middle class. This will make it easy for clientele not to overlap especially when both brands are located in the same city or market. To do so requires the identification of a salient attribute that will make branding meaningful. Many purchases that will be made by consumers shall therefore be directly influenced by the image an individual has of himself and the image of the seller. Buyers need to know how service problems or disruptions will be handled, the

likelihood of service improvement, how billing takes place and what options exist for payment.

Advertisements as a media of communication acts as a pre-eminent determinant of perceived service quality. Advertising of particular products by supermarkets have no significant meaning in the face of such consumers and therefore likely to be fruitless and wasteful. The marketer should determine the position his service occupies on the perceptual map; the idea is to be close to the ideal position as possible of the service product in the market place.

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Chapter 5

Future Growth And Development

“Success in business is Success in a market.”⁶ Supermarkets in Kenya are in business by creating products (that is goods and services) but will stay in business only by creating and retaining customers at a profit. In the up-market areas, shopping is a main leisure activity and customers understand the way in which they should be treated. They expect bright cheerful, helpful individuals prepared to take the time and trouble to understand and meet their needs.

This culture scenario is evident in the now busy shopping centres that are changing the supermarket strategy, for example, the shopping malls as in Westlands, Sarit Centre, Esso Plaza and Yaya Centre are moving away from the traditional image supermarket over to a theatre-like atmosphere where people can wonder round and have a thoroughly good time. They are creating an “ambience”, within their business which is important to the customers they seek to attract. The car is a dominant factor in this class so much for shopping that convenience in terms of access and as importantly in terms of car parking is vital. It is no wonder that the locations of those malls are out of town shopping areas and move away from high street to where customers will travel for the right retailing location with an adequate car park and depth and breadth of stock in a pleasant retailing ambience. What will matter here is whether there are customers of the right sort to provide the sales you need.

The supermarket in this emerging scenario of shopping malls will grapple with new threats of saturation and consumer pressure forcing down retailers gross margins (their mark-up). Consumers are far more conscious of value for money, more knowledgeable in selecting their goods with service as an ingredient in creating uniqueness. Many supermarkets in the “A” Class rations will also have to cope with the emergence of a middle class of South B and C plus Langata which is newly able to shop for more than bare necessities. Consumers could therefore shop whenever and wherever they want from a potentially limitless range of goods as price comparisons in shopping malls become instant and effortless. Shoppers faced with such a wide choice of shops and merchandise will force skillful retailers to combine greater knowledge of their customers, acquired through database with merchandising flair to create a narrower range of products that their shoppers want rather than trying to cater to all tastes or none.

The most powerful organisations in the retail industry will not be the omnipotent retail chains, but those with close and trusted relationships with consumers.

⁶ Sloughnessy John: Competitive Marketing; A Strategic Approach 2nd Edition P.3.

Population census as a source of market analysis will be necessary. A comprehensive representation of consumer buying habits plus up to date information on income; knowing where people shop and why sales potential due to distribution channels will enable supermarkets to know more about their existing customers than ever before. This can build accurate competitor analysis which is vital when considering site location or locality marketing issues. The demographic centre of gravity is shifting to the youth a trend that will accelerate in the next century because of increasing life expectancy and for many years the shape and focus of the consumer market will be largely geared to the young. The youth would like to be portrayed as attractive and vital and they want products that will not only make them feel good, but also convey that perception to others. This applies to many other areas such as shopping centres, etc. Supermarket business will be led by the demands of the market rather than simple capability of setting up the operations.

The continuing growth of the population in Eastlands as a whole and the suburban has been accompanied by massive shifts in the locational pattern of different socio-economic groups creating new large sources of demand in areas where few if any supermarkets had previously existed. This population is less mobile and has tended to concentrate within its suburban areas and residential estates, and has low purchasing power insufficient to support the surfeit of shopping facilities that are available in the up-market areas like Nairobi North and West regions.

Against the background of a relatively “free” market economy and the absence of a strong body of state and local government planning laws a tremendous number of new and sometimes extremely large, suburban shopping centres have been built and produced too many shops. The growth of supermarkets in Eastlands will therefore exert enormous power and influence over manufacturers and consumers as it will carry clout in many different ways. The traditional “push” is becoming a demand chain driven by consumer “pull” stores.

The growth in the number of supermarkets should provide the battleground for the next few years as retailers will give most of the excitement and the main beneficiaries are of course consumers. What will give continued competitive advantage will be the heart of a firm’s strategic vision - the shared understanding of what the firm should be and how it must change. The goal of supermarkets will be to develop those core capabilities that will be effective for multiple strategic segments in a variety of future worlds. These are the capabilities a firm will want to leverage.

Supermarkets (chains) that compete effectively on time, responding promptly to customer complaints - tend to be good at other things as well; for instance, the consistency of their products, quality, the accuracy of their insight into evolving customer needs, the ability to exploit emerging markets, or generate new ideas and incorporate them in innovations. A culture of service excellence embracing the welcome of customers at the door and the strategy of everyday low prices that offers the customer a better deal and saves on merchandising and advertising costs. The

management of self-service stores will have to create an environment where they can learn from the market - and from each other.

As markets fragment and proliferate, “owning” any particular market segment becomes simultaneously more difficult and less valuable.

“The excellence in execution would in future distinguish the winners from the losers.”⁷ This means retailers will have to add new skills in marketing, organizations, logistics, accounting and the management of information and labour to their traditional merchandising prowess. Supermarkets will therefore be run by polished professionals.

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⁷ Salmon Walter: Journal of Retailing

Chapter 6

Conclusion

“The Government recognizes that the most important resource is its people. More importantly steps must be taken to harness the energies and talents of the youth by directing them into productive activities. About 15.5 Million or 60% of Kenya’s population are young people below twenty five years of age and of these 4 Million youths are outside the school system either as unemployed or undertaking small scale income generating activities. The informal sector is the main source of income for about a quarter of the population in urban areas and energizing this sector is an effective means of reducing poverty.”⁸

Eastlands remains the only potential area for the growth of supermarkets and possibly at a higher rate than ever experienced in Nairobi. The population increase in this region is inevitable. Although the level of genuine economic development within the urban area is inadequate in relation to the scale and pace of demographic growth, the population pressure will produce a kind of subsistence urbanization in which the ordinary person has only the bare essentials for survival. The ordinary person while generally not as productive per head as the modern sector employee will be more productive per shilling invested and is extremely important not only as the chief source of employment but also in the utilization of local products. The expansion of Eastlands has three components; natural increase, net-in-migration and changes in city boundaries which result in the incorporation of previously rural places such as Njiru, Kayole, Kahawa, Kangemi, Kawangware and Ongata Rongai. This expansion has created a mixed land use pattern with residential and non-residential activities operating on the same or, adjacent large precincts of homogenous land use are replaced by areas which contain fine grain mixture of manufacturing, commercial and residential activities for example, The N.S.S.F. residential project in South B, Imara Daima Estate on Mombasa Road, Umoja and Kayole areas; Mathare North in Ruaraka, Kahawa & Zimmerman Estates in Kasarani and Njiru on the outskirts of Nairobi after Kasarani industrial area. Although there may be environmental hazards in these areas, they do have advantages; less commuting to work, secondary work opportunities are greater and there is vitality reflecting their constant use. Alongside the growth, there has to be a parallel growth of supermarkets in these suburban areas which makes my advocacy for higher growth market share for self-service stores. Although major investors in supermarkets, (Asians) view physical conditions with respect to both flowing and infrastructure in squartments and other living environments of the urban poor as substandard, it should be emphasized that these areas represent a major share of residential construction and national investment, a fact that is generally ignored whereas they represent a catchment area. Moreover, an improvement in availability of

⁸ Economic Reforms for 1996-1998: Policy framework paper by the Government, IMF & World Bank; February 16, 1996, P.24

locally produced merchandise to the Class C and Lower Class is a necessary condition for inducing a corresponding increase in marketed output despite the massive increase in imports due to liberalisation policies as the salaried and low wage earners run down their money.

The domestic market liberalization is undergoing change as the Government is easing restrictions on business entry and operations while putting in place appropriate safeguards against anti-competitive behaviour. "This will be achieved by rationalization and a reduction in the number of national and local fees and licenses required for new businesses through minimizing restrictions on retail and wholesale trade and investment under various legislation."⁹

It is only in supermarkets that women will find opportunities for employment that may enable them to compete with men in numbers. About 98% of supermarkets employ only women as cashiers and in their cosmetics departments. "The Government will continue its efforts to ensure that women participate and benefit equally from the development process through their integration into the mainstream activities."¹⁰ It is also arguable that most women work so as to contribute to the maintenance of the family and in fact spend on usual basic goods; "62% of women work to take care of themselves and their children. Only few women work for education thus making shopping their main hobby if not part of their household job."¹¹ Targeting women as potential buyers will greatly improve the phase and growth of supermarkets among the C and lower class that is growing considerably. A large part of the female labour in Kenya is employed in the informal sector which is beyond the reach of legislation. It seems more reasonable to say women accept low wages because they bear final responsibility for the welfare of their families and need to augment family incomes in order to alleviate the poverty of their household. Overall there is vast manpower potential of women standing ready to be drawn into employment in the Retail Industry.

The "C" Class and Lower class are also favoured in the sense that "the Government will encourage the expansion of donors of micro enterprises schemes and will seek to ensure that women groups in both urban and rural areas are specially targeted." (PFP; p.42). As much as 30% or more of total urban employment in Kenya is in the informal sector, a large proportion are engaged in the wholesale/retail trade. The number of enterprises expand with the size of the urban or market centres and the extent of the local purchasing power; and the Eastlands suburban centres are obviously on the expansion. Many people earn very high incomes in the Informal Sector and a

⁹ Economic Reforms for 1996-1998: Policy framework paper by the Government, IMF & World Bank; February 16, 1996

¹⁰ Economic Reforms for 1996-1998: Policy framework paper by the Government, IMF & World Bank; February 16, 1996

¹¹ Fepohunda R. Eleanor: The childcare dilemma of working mothers in African cities; The case of Lagos, Nigeria; P.277

substantial proportion of those engaged in this sector are in Nairobi and 60% earn the equivalent of the minimum wages, i.e. Kshs.845.00.

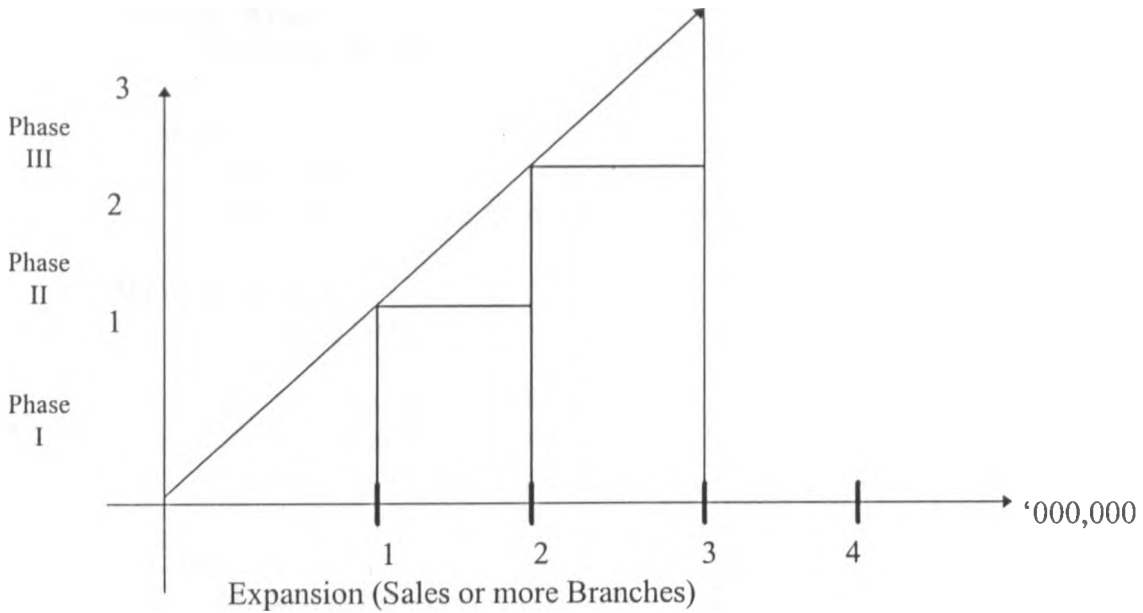
The rural urban migration occurs mainly in the “C” and Lower Classes and constitutes a movement of labour. “The World Bank model projects that employment in the informal sector will rise by 6% annually from 1990 to 2020. The informal sector’s contribution to G.D.P. is expected to rise by 7.5% annually and its labour productivity to go up by 1.5% annually. In contrast employment growth in the modern sector is projected to just keep pace with the increase of employment in the economy as a whole. Labour productivity in the modern sector is expected to remain virtually stagnant with a projected annual increase of 0.2%. That means that by the year 2020 only one out of every twenty workers would be wage or salary earners (Civil Service Reform Scheme) and that the modern sectors contribution to the total G.D.P. would decline from 47% to 32%. A survey in 1983 showed that the number of new locally owned private (limited liability) companies registered with the Registrar General ranged from 880 to 1695 annually during the 1980s while new foreign owned companies registered varied from 10 to 58 annually.”¹² These figures reflect the growth of markets for self service stores to give service to the accumulating population and demand for goods in the “C” and Lower Class. Currently, the owners of supermarkets work hard enough, long enough and have achieved the first stage of growth in supermarkets. They can generate enough business to justify employing a team of employees and supervisors to meet the needs of a limited number of customers. The second stage of growth will be for supermarkets to differentiate themselves from one another. Most will face problems as they strive to achieve the second stage in growth. This means that the business will cease to be totally dependent on the owner but can afford a team of managers/directors and can generate the finance needed to place the entire business on a sound footing with adequate resources. The problem is the transition to gain the significant increase in the number of customers needed to cover the steep jump in overheads. The supermarkets will need to become more effective in the way in which they set out to identify, attract, satisfy and retain customers. Unless they can do that, they will not gain the financial support they need.

¹² Keith Marsden: Discussion paper IFC Vol.9; African Entrepreneurs; Pioneers in Development; P.2-17

Table 3

GROWTH SALES (KSHS)	10,000,000	20,000,000	30,000,000
GROWTH (PHASE)	1	2	3

NB: Table 3 Plotted on a graph gives Figure 3 below



The Figure above (Figure 3) explains clearly that it will require more sales and thus more effort in the second and succeeding stages of growth than in the first stage.

The Graph above shows how supermarkets in Nairobi have been able to create customers and the structure of the industry. That is the first phase, it will only require a turnover of 10 Million a year for any supermarket to achieve the initial stage and stay on.

The approach will however change to enter and sustain the second phase. The longer period and increase in sales over and above the phase one, (at least twice as much strength) to sustain the phase two stage will be required. (Peter F. Drucker). It will require redoubling of efforts to achieve the second phase as the pace of change quickens.

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