

# A Survey Of Competitive Strategies Adopted By Supermarkets In Nairobi

By

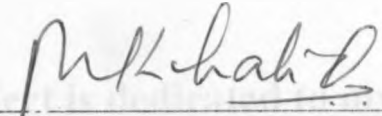
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A Management Research Project Submitted In  
Partial Fulfillment Of The Requirements  
For The Degree Of Master Of Business  
Administration, MBA, Faculty Of Commerce,  
University Of Nairobi

# DECLARATION

**This management project is my original work and has not been presented for a degree in any other university**

Signed: 

Date 21.12.2004

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**This management research project has been submitted for examination with my approval as the University Supervisor**

Signed: 

Date 21/12/04

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## **DEDICATION**

**This project is dedicated to my wife, Halima Sheikh Adan and my children, Abdi, Milyun, Yaqub and Yahya for their wonderful love and encouragement during the peak season of the University program.**

**This project is also dedicated to my late lovely mother, Ambia Elmi and my brother, Daud Ahmed who first took me to school.**

## ACKNOWLEDGEMENT

I wish to thank most sincerely my supervisor, Mr. J. Maalu for his enthusiastic, invaluable comments and help which provided much needed assistance in my effort to complete this research project. He was very resourceful and had always motivated me whenever it was necessary.

I also thank the entire faculty staff for their inspirational academic excellence. I should particularly appreciate Prof. Evans Aosa, Dr. Martin Ogutu, Ms. Mary Ombok, Mr. C.N. Kariuki and George Omondi for their wonderful scholarly input into my studies. Thank you all!

My special thanks goes to Major General S.K. Muttai for his encouragement and granting me financial sponsorship from the military when I needed it most. Thank you Sir! I also thank Mrs. Rosemary Kinyanjui for her wonderful secretarial services.

Thanks to Almighty God for helping me complete this important course successfully.

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## **LIST OF ABBREVIATION**

<b>AFCO</b>	<b>Armed Forces Canteen Organization</b>
<b>KRA</b>	<b>Kenya Revenue Authority</b>
<b>KSF</b>	<b>Key Success Factors</b>
<b>NCBD</b>	<b>Nairobi Central Business District</b>
<b>NCC</b>	<b>Nairobi City Council</b>
<b>SM</b>	<b>Supermarket</b>
<b>SWOT</b>	<b>Strength, Weakness, Opportunity and Threat</b>
<b>VAT</b>	<b>Value Added Tax</b>

## ABSTRACT

This management project was done with two objectives: to determine the competitive strategies adopted by supermarkets in Nairobi and whether these strategies vary according to the dynamics of the firms in the supermarkets industry.

Firms formulate competitive strategies that reflect their internal strengths and external threats and opportunities. The supermarkets in Kenya are faced with a lot of challenges. These include demands of customers and expectations, external factors such as political, economic and legal development and intra-industry competition. All these call for sound competitive strategies, both general and firm specific.

The study was survey design. There are about 226 best-known supermarkets in Nairobi of which 65 were sampled. 43 supermarkets responded to the questionnaires (66% response rate). Stratified sampling was done where location, size and ownership were the basis of stratification.

The data was collected using questionnaire. The results of the study show that supermarkets in Nairobi practice competitive strategies but mostly do it informally. Growth strategies, cost leadership, differentiation, location strategy, customer service and communication strategies were the most common competitive strategies supermarkets firms applied.

63% of the firms reported that lack of capital, high taxation in form of Valued Added Tax (VAT), employee pilferage and intra-firm competition were the greatest challenge faced by supermarkets. Most firms – 52% stated that the future of the supermarkets in Nairobi was bright. Success they said, depended on internal resources, leadership and specific strategies the supermarkets pursued at a given moment.

## CHAPTER 1: INTRODUCTION

### 1.1 Background

In any industry, there are many firms doing almost the same things, providing similar products and services and serving the same customers with limited budgets. Within any market, there will be competition to satisfy the needs and wants of the participating customers at a profit. Wherever there is an opportunity, someone will spot it and attempt to capitalize on it (Cox and Brittain, 2000). The natural outcome of all these is competition. Too many firms chasing too few customers and pursuing a share of a finite market.

In a liberalized economy such as that of Kenya, firms are environment serving organizations and changes in that external environment have major impact on their success and survival.

That is why competitive strategy is the core of any firm's success (Ansoff, 1990).

Competitive strategy is defined, 'as the search for a favorable competitive position in an industry', (Porter, 1980). Competitive strategy deals exclusively with the management's action plan for competing successfully and providing superior value to customers (Rothschild, 1984).

Firms everywhere try different approaches to attracting and retaining customers. Firms are interested in earning the loyalty of their important customers on repeat sales, "out compete their rivals and win an edge in the market place" (Porter, 1985). In this regard, there are as many competitive strategies as there are competitors, depending on a firm's specific situation, the nature of the industry and the market environment.

Retailing is one of the most important industries in any country. According to Kotler (2001), retail is an industry where competition is stiff as there are few entry and exit barriers. Anyone with a little capital can start retailing business. In 1816 Napoleon Bonaparte, the Emperor of France, called the British "a nation of shopkeepers" (Cronin, 1971). Today, after observing our business environment, supermarket chains and mushrooming exhibition stalls in Nairobi, we should be forgiven, if we described Kenya too, as a nation of retailers.

Retail has been defined "as the sale of goods and services to the ultimate consumer for personal, family or household use (Cox and Brittain, 2000). Retailing includes all the activities in selling goods or services to final consumers for their personal and non-personal use (Kotler and Armstrong, 2001, P. 473). In the retail industry, large and small firms exist side by side, serving specialized and different needs of consumers. Some of the larger supermarkets offer their customer's "one-stop" shopping with parking facilities such as at Sarit Centre, Westlands, Nairobi, Uchumi Hyper in Langata, and Nakumatt Mega, Nairobi. The small firms target opportunities in niche markets and are successful "because of convenience of location, specialization and personal touch" (Okwany, 2003).

In Kenya, retailing has an old tradition. However, the development of supermarkets in Nairobi has been as a result of economic liberalization since 1986 (GoK 1986) and the phenomenal population increase of the city (Mbugua, 2000). Nairobi city which is 680 sq. kms has experienced major population explosion since 1948. The population grew from 100,000 in 1948, 250,000 in 1962, 609,000 in 1969, 837,000 in 1973, 1.3 million in 1989, 2.5 million in 1999, is now about 3 million and increasing at the rate of 8 percent per year (Mbugua, 2000). It is mainly for this reason – population increase, that in 1970's there were five supermarkets in Nairobi, while by 2003 there were about 200 best known supermarkets

servicing different consumer needs of the population of Nairobi (Okwany, 2003). Supermarket is defined as “a large store selling under one roof but physically in separate departments, different classes of consumer goods (Cox & Brittain, 2000). Supermarket is a large, low cost, low margin, high volume, self service shop that carries a wide variety of food and household products” (Kotler and Armstrong, 2001)

The retail Industry performs important functions in the economy of any country. (Cox & Brittain, 2000). Some of these important functions are - First, the provision of final link in the distribution of goods and services between producers and the final consumer. Secondly, provision of employment to large pool of workers. Thirdly, as an important tax collection point such as value added tax (VAT). Fourthly, the retail firms provide convenience of location and permit choice of goods and services to consumers. Fifthly, the supermarket retail outlet provide opportunity for social intercourse among shoppers. Additionally, supermarkets stock goods for instant availability at relatively stable prices. This means that the retail industry and the supermarkets chain in particular, contribute to the stability of prices and even distribution of goods in the country.

In spite of the critical roles played by the supermarket chains in the economic life of Kenya in general and the residents of Nairobi in particular, yet supermarkets face a lot of problems arising from both macro and micro environments. Some of the macro environmental are demographic economic factors such as taxation and income levels, legal and political developments (Okwany, 2003). The structure of the retail industry is such that entry and exist barriers are low and therefore competition between firms “can be cut throat”(Mc Cartby and Perreault Jr (1990)

Some of the key elements of a retail firm's micro-environment are other firms in the industry (competitors), and distribution channel members and customers. It is important that managers of firms in the retail industry scan and monitor shifts in the immediate environment and anticipate changes that would have major strategic implications for their firm's sales, market share, profitability and growth. That way firms would be better prepared to develop timely and relevant competitive strategies that are suitable to their unique situation and internal resource capabilities.

Porter (1985) has rightly noted that business strategy is all about competition. He defined competitive strategy as "the ability of a firm to meet and beat the performance of its competitors". If a firm does not improve its performance over time, sooner or later, it will lose its competitive advantage and eventually drop out of the market (Ansoff (1990). Thus, in the retail industry, the concept of Charles Darwin's natural selection has been applied, "that only those firms, which best adapt to their environment" are most likely to survive, competition in the market place.

According to Ngotho (1975) and Karemu (1993), supermarkets as a mode of retailing in Kenya are a recent development. The first supermarket were opened in the 1970's; few in 1960's. "Among the first supermarkets to be established in Kenya were K & A (1962), Ebrahims self-service store (1970) and Uchumi supermarket Ltd. (1975), all in Nairobi. It was much later that the wave of supermarket retailing reached other major towns such as Mombasa, Kisumu and Kakamega (Okwany, 2003)

One of the key challenges facing supermarket firms these days are stiff competition (Okwany, 2003). The wave of exhibition stalls in Nairobi has increased the tempo and complexities of the competition. These competitions have also global dimensions where



domestic firms source products from abroad or face "invasion" from companies based outside Kenya. It is therefore important for managers of supermarkets firms to understand the concept, both in theory and practice, of competitive strategy. It is important not only for their prosperity, but in fact for their very survival.

## 1.2 Statement of the Problem

Competitive strategy is a major concern for every Chief Executive (CEO) and every company. This is because, we know, competition in the market place is like war. In the process of competing for limited customers and share of the market, there are victors and casualties, winners and losers. In the retail industry, this is true, as it is true in all other industries. Therefore, large and small firms in the retail trade must generate suitable, cutting edge, competitive strategies in order not only to remain afloat but achieve sustainable growth and profitability.

The retail trade is a dynamic industry. There are shops operated by the sole proprietors which target niche markets. There are also limited liability companies, both private and public companies which operate either independent retail outlets or multiple supermarket chain such as Uchumi Supermarket, Nairobi, where each supermarket is pursuing its own competitive strategy.

From the look of things, the major firms in the industry such as Uchumi, Nakumatt and Ukwala appear to be pursuing similar competitive strategies such as growth and merchandise development strategies. Yet a major supermarket like Uchumi with annual sales of Ksh. 10 billion has not been profitable in the last three consecutive years (2001, 2002 and 2003).

(Uchumi published Accounts, 2001, 2002) Uchumi in 2003, reported a pretax loss of Ksh. 246m and missed a dividend payout" (Financial, Standard, 15 June 2004 Fs 1 – 6) It is therefore apparent that whereas some supermarkets are making sustainable profits, others are not doing as well as they should.

There are other studies done in the area of retail trade. Karemu, (1993) studied the state of strategic management practices in the retailing sector (the case of supermarkets in Nairobi). Her study was analytical and thus was examining whether the firms in the industry in fact practiced strategic management as we know it today. Murage, (2001) studied competitive strategies applied by members of the Independent Petroleum Dealers Association, while in Ndubai (2003) studied competitive strategies applied by retail sector of the pharmaceutical industry in Nairobi.

These other studies cannot be generalized for the retail industry. This is so because strategy is sensitive to time and contextual factors (Pearce & Robinson, 2001). The other studies were done in different industries from that of the supermarkets. Murage (2001) studied the petroleum industry while Ndubai (2003) studied pharmaceutical industries. Therefore, this study will help answer the question, 'to what extent do the competitive strategies of supermarkets in Nairobi are similar or vary according to firm's location and dynamics?' This being a survey research, it will provide a much needed insight and knowledge that is currently not available with respect to the supermarket industry.

### 1.3 Objectives of the Study

There are two objectives for this study. These objectives are:

1. To determine the competitive strategies adopted by supermarkets in Nairobi.
2. Whether these strategies vary according to the dynamics of the firms in the supermarkets in the industry.

### 1.4 Benefits of the Study

The retail industry is a very important and competitive industry in Kenya. It provides jobs, helps with distribution of goods and services in the country, permit choices of goods and services to final consumers and generates tax revenue for the government.

Although the importance of the retail trade industry in Kenya is well acknowledged, no study has been done on the competitive strategies of the industry players. This study will therefore provide an exposition of the competitive strategies of the major firms in the sector and will have the following benefits:

First, the study will document the competitive strategies of both the large and small retail supermarkets in Nairobi. The survey will, hopefully, tell us why some supermarkets are ahead of their peers in profitability. Second, the study will be useful to the top management of the supermarket chain, as it will provide formal information for comparison, planning and implementation.

Third, the study will further benefit the students of strategic management with practical information from their immediate environment. This will help them operationalize and

understand better abstract management concepts that are usually found in textbooks. Fourth, this survey research is also expected to provoke and stimulate further study in the field of strategic management in the retail industry in Kenya

## CHAPTER 2 : LITERATURE REVIEW

### 2.1 Introduction

The scope of the literature review for this study covers the concept of strategy, strategy and competitiveness, types of competitive strategies, nature of the retail industry, international dimensions of retailing, the supermarkets in the industry and competitive strategies of supermarkets. The conceptual framework of this study is the Five Generic competitive strategies M.E. Porter.

### 2.2 The Concept of Strategy

"In the 1950s, when response to environmental discontinuities became important the concept of strategy entered business vocabulary" (Ansoff 1990). The military defined strategy as the art of the dialectic of two opposing wills using force to solve their dispute" and to that end strategy should be applied not merely to the problems of military, but to the management, economics and diplomacy (General Beaufie, 1966) There is no one universal definition of the concept of strategy. It is dynamic. It is inclusive. It embraces all the key aspects and activities of organizations.

Bracker (1980:219) argued that the word strategy comes from the Greek word 'Stratego' meaning 'to plan the destruction of one's enemies through the effective use of resources'. However, the Greeks developed the concept purely in relation to the successful pursuit of victory in war. The concept remained a military one until the nineteenth century when it began to be applied to the business world. Chandler (1962 as quoted by Burnes (1996) put forward the view that the emergence of strategy in civilian organizational life resulted from

an awareness of the opportunities and needs created by changing population, income and technology – to exploit existing or expanding resources more profitably.

Strategy, therefore defines the vision and mission of a company, of an organization Chandler (1962). Strategy is the set of decision-making rules for guidance of organizational behaviour (Ansoff, 1990). It is a management tool which offers important help for coping with turbulence and challenges faced by commercial organizations as well as public sector institutions such as universities, health authorities and law enforcement agencies.

The emergence and popularity of the concept of strategy in business firms and universities can best be understood within a 'historical perspective'. There has been environment turbulence and acceleration of change since the era of mass production (1830's) the mass marketing era, what Peter Drucker called the era of "age of discontinuity" (Drucker, 1987) and the post- industrial era (Ansoff, 1990).

Strategy is concerned with matching a firms resources and capabilities to the opportunities that arise in the external environment (Pearce II and Robinson 2001).

Grant (1998) notes that the primary purpose of strategy is to guide management decisions towards superior performances through establishing competitive advantage

Thompson and Strickland (2003) argued that strategy is about winning. They perceived strategy as a combination of competitive moves and business approaches that managers employ to satisfy customers, compete successfully and achieve organizational vision and objectives.

According to Johnson and Scholes(2001), strategy can be seen as the matching of the activities of an organization to the environment in which it operates. This is the search for strategic fit. The strategic fit is achieving the correct positioning of the organization, for example, in terms of the extent to which it meets clearly identified market needs.

Mintzberg (1987) viewed strategy as a plan, ploy, a pattern, a position and a perspective. "As a plan, strategy consciously determines intended course of action. As a ploy, strategy is seen as a maneuver intended to outwit competitor. As a pattern, strategy is seen as a pattern emerging in a stream of actions. As a position, strategy is seen as a means of positioning a firm and its environment. As a perspective, strategy consists of a position and an ingrained way of perceiving the world's" (Burns 1998 P 102).

Strategy exists in an organization at three levels. At corporate level,, at unit level and at the operational level (Johnson and Scholes, 2002). Corporate strategy is concerned with overall purpose and scope about a firm's mission. Business unit strategy is about competing successfully in a particular markets, while operational strategy is concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.

Thus, strategy is an elusive and somewhat abstract concept (Ansoff, 1990). There is no one single definition of a strategy. In fact there are as many definitions as there are strategic scholars (Johnson and Scholes 2001). Nevertheless, strategy could be implicit or explicit in the management of a firm. Terms such as mission, vision or strategic intent, and goals could mean strategy and thus define the scope and boundaries of the organization.

The concept of strategy defines the long-term direction of the organization. Strategy is likely to be expressed in fairly broad statements of the direction that the firm and its business should be taking. It also states the types of actions and resources required to achieve objectives and the strategic controls necessary in order to avoid drift from the desired objectives and goals.

### **2.3 Strategic Management**

Strategic management is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide implications. Thus strategic management is defined as the understanding the strategic position of an organization, strategic choices for the future and turning strategy into action (Johnson and Scholes, 2002)

Strategic position "is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders. This includes enabling factors such as financing, organizing and staffing and managing change.

There are no identifiable key stages of strategic formulation and management, David (1998), Pearce II and Robinson (2001)

Ansoff (1965), in his early work, regarded strategic management as primarily concerned with external, rather than internal, concerns of the firm, especially the choice of product-mix and markets. Chandler (1962) defined strategic management as the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Hofer and Schendel (1978) defined it as the characteristic of the match an organization achieves with its environment



The crucial difference between Ansoff, Hofer and Schendel on the one hand, and Chandler on the other, is that the former three regard strategy as almost exclusively concerned with relationships between the firm and its environment, while Chandler takes a broader view. His definition includes internal as well as external factors. In particular, he sees issues such as organizational structures, production processes and technology as being essentially strategic. The point he makes is that the external and internal cannot be separated, as the Open systems theorists would be the first to point out (Scott, 1987). The external affects the internal, and vice versa. Therefore, strategic management must encompass the totality of the organizational domain and must not be restricted to one aspect, such as determining the product-market mix (Andrews, 1980).

#### **2.4 Strategy and Competitiveness**

Thompson and Strickland (2003) perceived strategy as a combination of competitive moves and business approaches that managers employ to satisfy organizational vision and objectives. Whereas goals represent the ends which the firm is seeking to attain, strategy is the means to these ends (Ansoff, 1990). A unique strategy contributes effectively to the competitiveness of business firms. Strategy has emerged since 1950s as a tool for reorienting the organizational thrust. Good strategy can contribute to growth, profitability, market penetration, cost reduction, cutting edge differentiation of products and sustainable competitive advantage of business firms (Prahalad C. and Hamel, 1990).

Porter (1980) noted that competitive advantage is the ability of the firm to outperform rivals on the primary performance goal of profitability. The essence of the strategy is relating a company to its environment (Porter, 1985). He argued further that strategy only make sense if the markets to which it relates are known. He further argued that the essence of business is to

create competitive advantage that comes in a number of ways such as low-cost production or product differentiation.

Scholars such as Collies et al (1998) identified three elements that collectively lead to competitive advantage that creates value. They called these, the Corporate Strategic Triangle: Resources – assets, skills and capabilities which is basically an aspect of Resources Based Strategy; strategic business units and other key segment of the company - structure, systems and processes. Collies and his team argued that these three sides of the triangle must be aligned to the company's vision, goals and objectives to produce competitive advantage that would lead to value creation.

Porter (1985) has argued that business strategy is all about competition. He wrote “competition is specifically trying to gain competitive advantage over rivals in the market arena”. Competitive strategy is the ability of a firm to meet and beat the performance of its competitor. If a company does not improve its performance overtime, sooner or later, it will lose its competitive advantage and eventually drop out of the market (Porter, 1985). Thus, the Charles Darwin Law of natural selection can be applied to business firms that only those organizations, which best adapt to their environment, are most likely to survive competition.

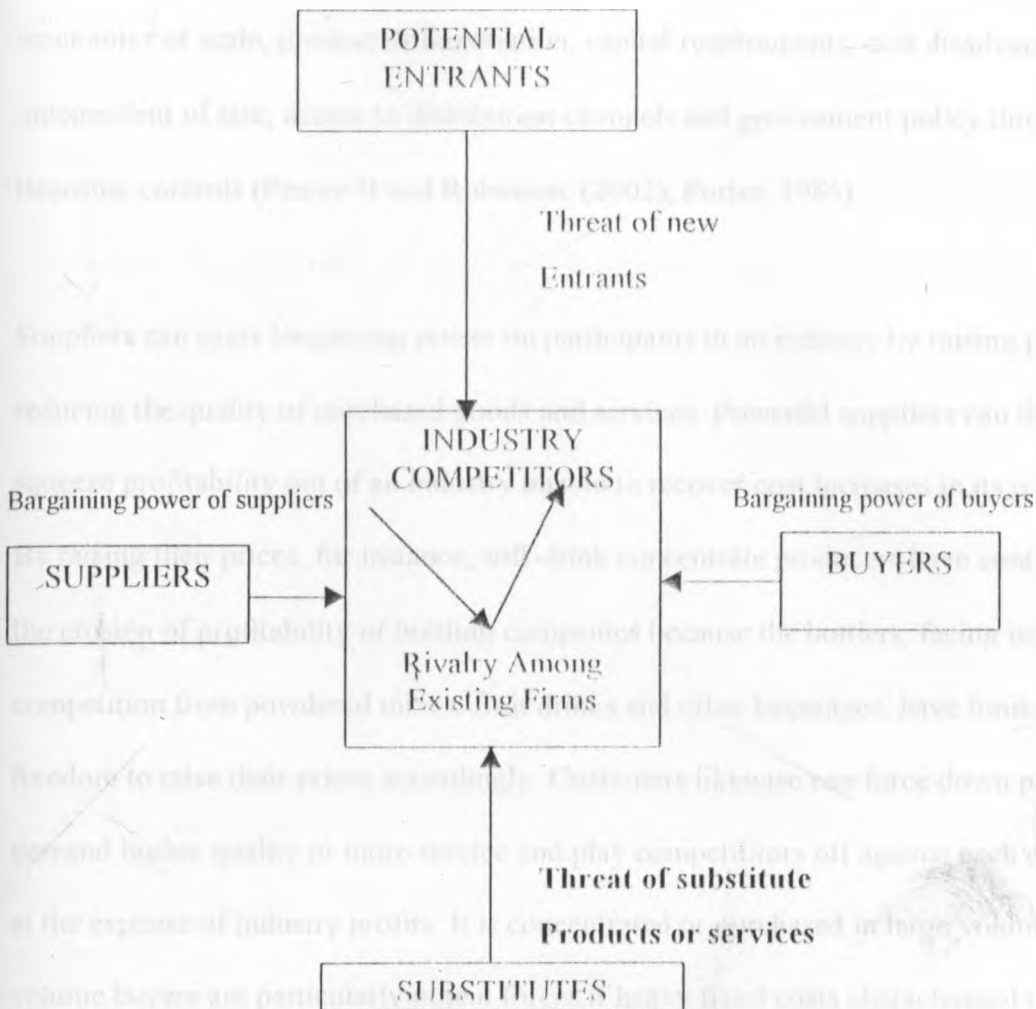
In his definitive work of competitive strategy (1985), Michael Porter propelled the concept of strategy and competitiveness into the foreground of strategic thought and business planning. The nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services and the jockeying among current contestants. The essence of

strategy is coping with competition and appreciate how Porter's Five Forces competitive model- shape a firm's business strategy. The purpose of competitive strategy is to establish a profitable and sustainable position against the forces that determine industry competition. The corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favour. Knowledge of these underlying Five competitive Forces provides the groundwork for a strategic agenda of action. They highlight the critical strengths and weaknesses of the company, animate the positioning of the company in its industry, clarify the areas where strategic change may yield the greatest payoff and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats (Porter 1980)

The contending forces during industry competition is illustrated here below:

Fig. 1

Forces driving industry competition

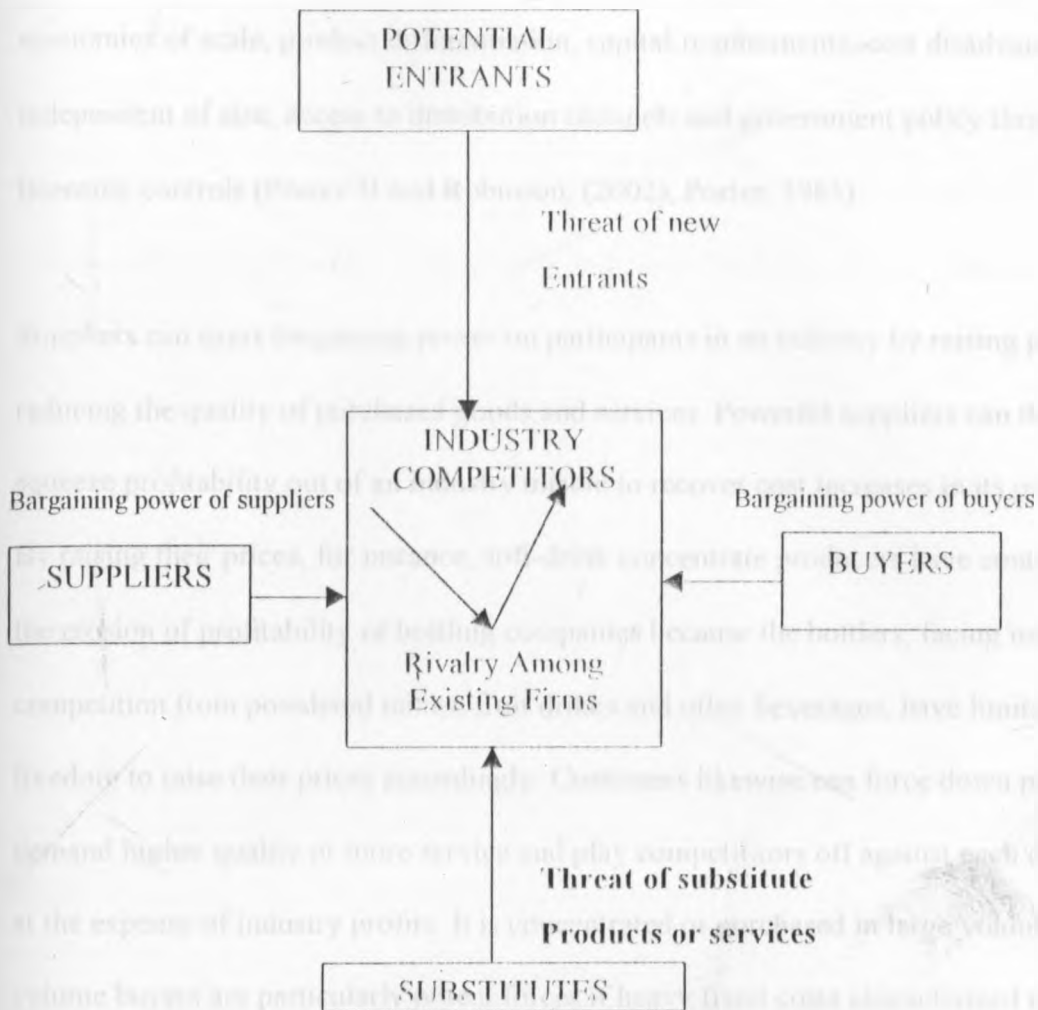


Sources: Porter, M.E, competitive strategy P.4 ( NY : Free Press, 1980)

These five forces driving industry competition are, threat of potential entrants, bargaining power of suppliers, bargaining power of buyers and threat of substitute products or services. The seriousness of the threat of entry depends on the barriers present and on the reaction from existing competitors that the entrant can expect. If barriers to entry are high and a newcomer can expect sharp retaliation from the entrenched competitors, obviously he will not pose a serious threat of entering. New entrants to an industry bring in new capacity, the desire to gain the market share and substantial resources. Companies

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Forces driving industry competition



Sources: Porter, M.E, competitive strategy P.4 ( NY : Free Press, 1980)

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diversifying through acquisition into the industry from other markets often leverage their resources to cause a shake up. There are six sources of barriers to entry. These are economies of scale, product differentiation, capital requirements, cost disadvantage, independent of size, access to distribution channels and government policy through licensing controls (Pearce II and Robinson, (2002), Porter, 1985).

Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers can thereby squeeze profitability out of an industry unable to recover cost increases in its own prices. By raising their prices, for instance, soft-drink concentrate producers have contributed to the erosion of profitability of bottling companies because the bottlers, facing intense competition from powdered mixes, fruit drinks and other beverages, have limited freedom to raise their prices accordingly. Customers likewise can force down prices, demand higher quality or more service and play competitors off against each other – all at the expense of industry profits. It is concentrated or purchased in large volumes. Large volume buyers are particularly potent forces if heavy fixed costs characterized the industry as they do in metal containers, corn refining and bulk chemicals for example – which raise the stakes to keep capacity filled.

A company's choice of suppliers to buy from or buyer groups to sell should be viewed as a crucial strategic decision. A company can improve its strategic posture by finding suppliers or buyers who possess the least power to influence it adversely.

By placing a ceiling on prices it can charge, substitute i.e. products or services limit the potential of an industry. Unless it can upgrade the quality of the product or differentiate it

somehow (as via marketing), the industry will suffer in earnings and possibly in growth (Porter, 1980). E-commerce is becoming a major threat of substitutes to supermarkets (Kotler, 2001). Rivalry among existing competitors takes the familiar form of jockeying for position – using tactics like price competition, product introduction and advertising slug tests. Intense rivalry is related to the presence of a number of factors: Competitors are numerous or are roughly equal in size and power. Industry growth is slow, precipitating fights for market share that involve expansion-minded members. Fixed costs are high or the product is perishable, creating strong temptation to cut prices. (Porter, 1985)

## **2.5 Types of competitive strategies**

There are a variety of competitive strategies that organizations can adopt. Some of these are; cost leadership strategy, product differentiation strategy and special focus strategy (Porter, 1980).

The aim of cost leadership strategy is to achieve overall lower cost than one's competitors without reducing comparable product quality. To do this requires a high volume of sales in order to allow organizations to structure themselves in such a way that they can achieve economies of scale. This strategy, to quote Porter, requires the: "aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like R & D, services, sales force and so on. (Porter, 1980:15).

Product differentiation strategy is based on achieving industry-wide recognition of different and superior products and services compared to those of other suppliers. This recognition can be accomplished through the design of special brand images, technology features, customer service or higher quality, all of which have implications for the structure and operation of companies

Achieving differentiation is likely to result in insulation against competitive rivalry due to securing customer loyalty. The result competitive advantage also leads to increased returns, sometimes through making customers less sensitive to high product price

Specialization by focus strategy is concerned with selecting (focusing upon) only certain markets, products or geographic areas in which to compete. Porter argues that by focusing in this way, it becomes feasible for a firm to dominate its chosen area(s). The method of achieving domination could either be through cost advantage or product differentiation.

According to Porter (1980: 15), however, such niche markets must have certain characteristics which separate them out from the market in general:

"... the target segment must either have buyers with unusual needs or else the production and delivery system that best serves the target must differ from that of the other industry segments....." If the niche market grows, or it incorporated into a larger market, then market dominance is unlikely to be retained. In such circumstances, the previously dominant organization will find itself having to compete for market share with others. In effect, the rule of the game have changed and a different strategy is required – either market, or adopting neutralizes other competitors' cost advantage (Porter, 1985)



As we observed in the introduction, there are as many competitive strategies as there are competitors. However, beneath the subtleties and superficial differences, there are impressive similarities between different competitive strategies when one considers a company's market target and type of competitive advantage the company is trying to achieve (Thompson and Strickland, 1998). Five categories of competitive strategy approaches stand out as follows (Porter, 1980). Porter named these strategies generic because they are not firm or industry specific. They can be applied to a firm in any industry. Thus, this is the conceptual framework of this study.

### **Low-cost leadership strategy**

This is striving to be the overall low-cost provider of a product or service that appeals to a broad range of customers. Low-cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offers its products and services to a broad market at the lowest prices. A low-cost leader's basis for competitive advantage is lower overall costs than competitors. Successful low-cost leaders are exceptionally good at finding ways to drive costs out of their business.

The aim of low-cost leadership strategy is to open up a sustainable cost advantage over competitors and then use the firm's lower-cost edge as a basis for either under-pricing competitors and gaining market share at their expense or earning a higher profit margin selling at the going market price.

Firms acquire cost advantages by improving processes efficiencies, accessing lower cost materials, making optimal outsourcing, vertical integration decision or avoiding some costs altogether.

According to Thompson and Strickland (1998) cost leadership strategy has advantages. Firms that practice this particular strategy have sufficient capital skills and experienced staff and efficient distribution channel. The cost advantage protects a firm from new entrants hence reducing competition. However, the risk of cost leadership is that competitors may leapfrog the technology and production capabilities, hence eliminating the competitive advantage acquired from cost reduction.

#### **A broad differentiation strategy**

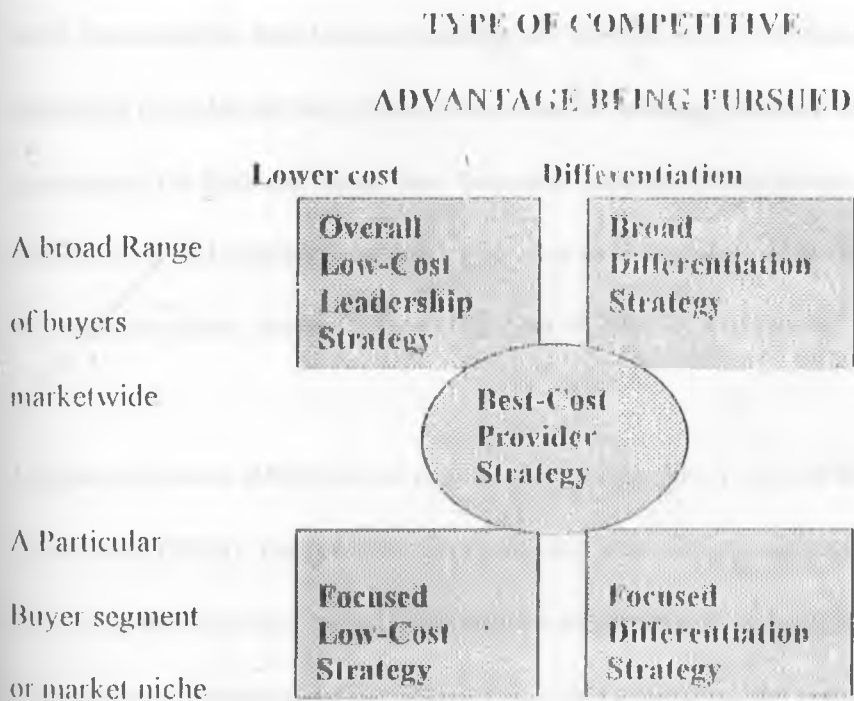
This strategy seeks to differentiate the company's product offering from rival's in ways that will appeal to a broad range of buyers. The value of differentiation commands a premium price. In differentiation there is perceived quality and signals of value, whether real or not. The advantage of differentiation strategy is that the perceived quality insulates a company from threats from any of the five forces that determine the state of competition in an industry.

#### **A best-cost provider strategy**

This strategy is giving customers more value for the money by combining an emphasis on low cost with an emphasis on upscale differentiation. The target is to have the best (lowest) costs and prices relative to producers of products with comparable quality and features. A focused or market niche strategy based on lower cost. Porter (1985) argued

that focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than competitors. Therefore, focus strategy can be of cost leadership or differentiation aimed at a narrow segment of the market. This strategy concentrates on a narrow buyer segment and out competing rivals on the basis of lower cost. A focused or market niche strategy based on differentiation. This strategy is based on offering niche members a product or service customized to their tastes and requirements. The five competitive approaches are shown below

**FIG.2 Competitive Strategies**



Source: Porter, *Competitive strategy* (NY: Free Press, 1980: p- 35 - 40)

## 2.6 Nature of the Retail Industry

Porter (1980) has defined an industry as a "group of firms producing or trading in products that are close substitutes for each other". David (1998) defined industry as "set of customers". For the purpose of this study, industry is defined as the grouping of organizations that are involved in selling and marketing goods and services to final consumers for their personal and household use. Retail has been defined as the "sale of goods and services to the ultimate consumer for personal or household use (Cox and Brittain (2000). According to Kotler and Armstrong retailer includes all the activities in selling goods or services to final consumers. In the retail industry, large corporate firms exist side by side with independent, stand alone retailers; all competing for the final consumer. Retailing includes all the activities involved in selling goods or services directly to final consumers for their personal, non-business use. Many institutions, manufacturers, wholesalers and retailers – do retailing. But most retailing is done by retailers: businesses whose sales come primarily from retailing (Kotler & Armstrong, 2001).

Despite the wider definition of retailing by people like Cox and Brittain (2000), Kotler, Armstrong (2001), the retail stores sector is particularly important because of the following. First, it is the final end of the distributions of goods and services to the consumer. Second, it is a source of employment for a large pool of employees and accounts for a large percentage of consumer expenditure (Cox and Brittain (2000). Third, it is an important tax collection point for state, particularly valued tax (VAT). It provides convenient location for consumers, provides assortment of merchandise appropriate to the markets, allows choice and finally provides assortment of merchandise appropriate to the markets and finally provides competitive price for goods and services. Competitive pricing benefits consumers.

### 2.6.1 Types of Retailers -Classification

Retail departmental shops come in all shapes and sizes, and new retail types keep emerging. They can be classified in terms of several characteristics including the amount of service they offer, the breadth and depth of their product lines, the relative prices they charge and how they are organized (Kotler and Armstrong, 2001). When it comes to amount of service, different products require different amounts of service and customer service preferences vary. Retailers may offer one of three levels of service, self- service, limited service and full service. Self- service retailers serve customers who are willing to perform their own “locate-compare-select” process to save money. Self-service is the basis of all supermarkets and is typically used by sellers of convenience goods – such as supermarkets and nationally branded, fast moving shopping goods (Cox and Brittain, 2000).

Retailers can also be classified according to the types of their product lines or assortments. There are speciality stores that carry narrow product lines with a deep assortment within that line. The increasing use of market segmentation, market targeting and product specialization has resulted in a greater need for stores that focus on specific products and segments. Also there are department stores. These are retail firms that carry a wide variety of product lines; typically clothing, home furnishings and household goods. Each line is operated as a separate department managed by specialist buyers or merchandisers.

Supermarkets are the most frequently shopped type store. According to (Kotler and Armstrong, 2001), supermarket is a large, low cost, low margin, high volume, self-service shop that carries a wide variety of food and household products. There are also small shops, located near residential estates, that is open long hours, seven days a week and carries a

limited line of high turn over convenience goods. We also have the category killers in the USA and UK (Cox Brittain, 2000). These are giant speciality stores that carry deep assortment of particular goods and are staffed by knowledgeable employees.

## 2.6.2 Theories of Retail Change

There are four theories of retail institutional change that have originated in North America (Cox & Brittain, 2000). These four Theories are Natural Selection in retailing, the Wheel of Retailing, Accordion Theory and the Retail Lifecycle Theory. The changes and growth of supermarkets in Kenya can easily be explained by these theories just like competitive strategies can be explained by the generic theories of M E Porter.

First, Natural Selection Theory: there are environmental factors which affect environmental serving organizations (ESO). Some of the environmental factors that impact on retail firms are demographics such as population growth and age groups, social e.g product and services preference and economic issues such as real income and inflation levels. Changes in technology e.g use of cars, mobile phones and computers impact on retail firms. Changes in competition i.e changes in the levels of competitive strength with the areas of influence. These areas react upon the environment in both a friendly and unfriendly way depending on the type of retail organization. To borrow Charles Darwin's biological theory of natural selection, only the retail firms that best adjust to their respective environment are most likely to survive the business competition.

Second, the Wheel of Retailing Theory: This theory was first championed by Professor McNair of Havard. This theory postulates that an efficient innovatory form of retailing such

as discounting, enters the market and attracts the public by its new appeal. Growth and maturation occur during which market shares are increased, but trading-up occurs and finally the firms become high cost, high price retail once again vulnerable to the next innovator. Firms eventually become a "high cost, high price" because of organizational deterioration and economic factors such as non-price competition e.g. after sales service to customers.

Third, general Cycle Accordion Theory. This describes the tendency for retail business to become dominated alternatively by generalists, then specialists and the generalists again. The switch to the specialist store from the old time general store occurred because of (a) the greater variety of customer goods available could not be accommodated in the old general store, (b) growth of cities meant that consumer markets allowed profitable segmentation (c) joining complimentary lines e.g. meat, groceries and produce (d) scrambling i.e. unit audio, expensive toys (Davidson & Sweeney (1984). Fourth, the Retail Life Cycle Theory. The retail life cycle theory is based on the product life-cycle theory. The retail life-cycle theory suggests that retail institutions also have a life cycle which can be divided into four phases: innovation, growth, maturity and decline (Kotler & Armstrong, 2001).

In the innovation stage, the new retailer will have few competitors, rapid growth in sales but low profitability due to start-up costs, and "liability of newness". In the growth phase, sales growth is still rapid and profitability is high due to the economies of scale now possible. However, competitors will spot this and begin to encroach on this market.

At the maturity stage, there are many competitors. Sales growth has declined and profitability moderates. In the final decline phase, sales and profits fall and new, more innovative retailers are developing and growing. It has also been observed that the life cycle of retail institutions is getting shorter (Davidson & Sweeney, 1984).

## 2.7 International Dimension of retailing

The International dimension of retailing is important for this study because of international expansion of domestic firms, international alliances and sourcing and “foreign invasion of home markets” (MC Goldrick and Davies 1995). Retailing firms seek to locate their firms in other countries because of push-pull factors. Some firms seek alliances in order to position themselves better and enhance their capital base. Since our industrial base is limited, most of supermarket retailers such as ‘Nakumatt MEGA’ of Nairobi source most of their products (65%) from abroad according to Mr. R. Shah, the branch manager there.

According to Business in Africa magazine of November 2003 (Pg. 58), South African firms had exported to the rest of Africa goods worth South African Rand 35bn and this is mainly in the field of the retail industry.

### Foreign Invasion of the Supermarket Industry





Because of retailing convergences in Africa, firms have opted for a variety of different strategies. Some have adopted a mono-format strategy, seeking to dominate a segment of the market by concentrating all their financial and human resources, marketing and business know-how on a single concept. Others have chosen to develop a multi-format strategy, penetrating the market via several concepts, each being positioned in a specific segment. Thus internationalization of retail operations is a major strategic options for supermarket firms (Mc Goldrick and Davies, 1995)

## **2.8 The supermarket in the retail industry**

The majority of shops in a country are owned by a single person or sole trader (Cox and Brittain, 2000). The usual number of branches controlled by the sole trader is one or two at the most. Supermarkets are the most frequently shopped type of retail stores. Kotler and Armstrong, (2001) define supermarket as a 'large, low cost, low margin, high volume, self-service shop that carries a wide variety of food, laundry and household products'

The large multiple retail firm is invariably of the limited liability company, either private or public and therefore in common ownership with a degree of centralized control. A large multiple supermarket is defined "as a firm with ten or more branches" (Cox and Brittain, 2000). The supermarket retail chain is mostly made up of speciality shops i.e. those selling a related range of products e.g. furniture, clothing, books, electronics or drug stores. The supermarket by opening many branches, is able to attract a large market

Supermarkets have characteristics which are related to economies of scales (Davidson, et al, 1984). These characteristics also include location in major shopping centers alongside other

multiples – giving them the advantage of associated sales, strong corporate identity most noticeable in shop fronts, fittings and displays and centralization of many other functions such as advertising, personnel recruitment and training and operating policies.

According to McCarthy and Perreault (1990), a supermarket is a chain store with several shops that is owned and managed by the same corporate firm. Most supermarkets have at least some central buying for different shops that allows them to take advantage of quantity discount or opportunities for vertical integration. They also take advantage of vertical integration. They also have advantage over independent shops in promotion and management because they can spread the costs to many shops. Most of the times, supermarket retail chains have their own brands. (Cox & Brittain, 2000)

The history of supermarkets is about 85 years old and is “attributed to the introduction of the self-service shopping (Appel, 1972) Kotler and Armstrong (2001) further state that the evolution of supermarket retailing culture was precipitated by two factors. First, the Great Economic Depression of the 1930’s in the USA and Western Europe, which made consumers to be more sensitive to prices of household goods. Supermarket retail was based on convenience of location, availability of assortment of much needed products and low price appeal. Second, supermarkets were situated in populated, low cost areas, nationally promoted and therefore needed small budgets to initiate, operate and manage

Here in Kenya, supermarkets evolved from 1962. Some of first supermarkets to become operational were K and A (1962), Ebrahim’s self-service store (1970) and Uchumi Supermarkets Ltd. (1975), all in Nairobi, Karemu, C K (1993); Mbugua, J, (2000).

## 2.9 Competitive strategies of supermarket firms

Within any market there will be competition to satisfy the needs and wants of the participating customers at a profit. Wherever there is an opportunity, someone will spot it and attempt to capitalize on it (Cox and Brittain, 2000). No retailer can afford to rest. Even if he or she has a commanding market share, because his or her very success will signal to the others that there are opportunities within that market place which are too tempting to resist. The retail market place has been likened to a battle-ground with retailers competing with each other to win the favours of the customer (Davidson, et al, 1984).

The first form in formulating a competitive strategy is to define the competition (Porter, 1985). This can be accomplished by looking at the variables of the supermarket and the product. Competition can be between two retail supermarkets of the same type or between different types of retail stores but selling some products. Retailers often define their competition as similar retail stores but this is not necessarily the most appropriate approach (Cox and Brittain, 2000). For the consumer, the starting point in the purchase process is an awareness of a need or want (Mc Carthy and Perreault, 1990). This leads in a series of steps to the final purchase of a product or service to satisfy the need or want.

The supermarket retail manager has to monitor and evaluate the consumer's perception, the share of the market and the competitors retail mix (Cox and Brittain, 2000). First, the perceptual map. The concept of the perceptual map is important to the retail manager because it implies that the retailer cannot rely on a consumer instinctively knowing that particular goods are available from a particular supermarket, but that the objective of the consumer's awareness and this is achieved by communication.

Within the set of possible supermarkets, the consumer will have an image of each and will be comparing attributes of one against the other within of a perception map (Cox et al, 2000)

That is consumers can be asked to rate attributes of different supermarkets along number of dimensions such as quality and value for money and different supermarkets are then plotted on a graph to determine their position on the perception map of the consumers. By adopting this approach, the retail manager can determine the competition and his closest competitors

Second, market shares. Another way of measuring the nature and strength of the competition is to determine their share in the market. It is a reasonable assumption that the market leaders are doing something right or they would not be in the leading position

Third, competitor's retail mix. Other elements of competitors' retail mixes should also be monitored to detect strengths and weaknesses. Location, price, product depth and communications may prove to be a retail firm's Achilles heel and provide an opportunity for exploitation.

The best place to start the competitive strategies of supermarkets is analysis of their retailing environment, (Cox and Brittain, 2000) Organizations that serve their environments have higher rates of surviving competition (Ansoff, 1996) Cox and Brittain argued that retailers are part of the larger environment and must therefore monitor changes and adapt in such a manner as to thrive in the new environment once the supermarkets are launched. The retailing environment has two levels. The micro-environment and the macro-environment. The retailing micro-environment consists of those elements that immediately impinge upon the retailer on a day-to-day basis and which require immediate response. Customers, competitors and other distribution channel member can be defined as the members of the micro-environment

The macro-environment is made up of those elements within the environment which are not controllable by the retail organization and which consist of the larger societal forces such as demographic, economic, cultural and social, political, legal, technological and natural factors. The retail management, in order to understand its environment, uses management tools such as the SWOT analysis (strengths, weaknesses, opportunities and threats), Porter's Five Forces Model and performance of general environmental audit. Davidson (1984) states that through competitor and SWOT analysis, the retail manager will have an accurate understanding of the nature of competition. This will then allow forecasting of the competitor's behaviour and anticipation of how they will react to the retailer's own strategy. This leads to evolving the most appropriate strategy to counter the competition (Cox and Brittain, 2000).

Porter (1985) defined competitive strategies as all the methods, ways and means a firm employs in order to satisfy customer's needs and wants and thereby achieve sustainable superior performance in the market place against rival firms. A retail firm can only survive in the market place if it is able to formulate and implement strategies that make it competitive in the market place. Strategies are ways and means adopted by an organization so that it is able to meet its goals and objectives effectively and efficiently (Quinn and Mintzberg, 1995).

Retailers are searching for new competitive strategies in order to attract and hold customers. According to Kotler and Armstrong (2001), in the past, retailers attracted customers with unique products, more or better services than their competitors offered, or credit cards. These days, national-brand manufacturers, in their drive for volume, have placed their branded goods everywhere. Therefore supermarkets offer more similar products assortment. National brands are found in all supermarkets. Customers have become smarter and more price

sensitive. Because of these developments, retailers face major strategic decisions about their target markets and positioning, products assortment and services, price, promotion and place (Kotler and Armstrong, 2001)

Firms in the retail industry can achieve superior performance by pursuing one of three ways These are (i) competing on strategy (ii) competing on operational effectiveness (iii) competing on symmetrical strategy (Porter, 1985)

First, competing on strategy. According to Porter (1985), when a firm takes a unique position in the retail industry involving a distinctive product offering in the market chain, the firm is pursuing competitive superior performance through strategy. The essence of strategy is to perform the activities involved in competing in the business differently from rivals. The choice of what not to do is thus, central to strategy. Deciding which target group of customers, varieties and needs a company should serve is essential to developing a strategy Therefore strategy requires constant discipline and clear communication. Indeed one of the most important functions of an explicit, communicated strategy is to guide employees in making the right choices when trade-offs arise in the course of their individual day-to-day activities. Strategy is what sets high performance apart from low performers (Pearce II and Robinson, 2002).

Distinctive strategies are also very hard to imitate (Porter, 1985) Two basic types of competitive strategies are low cost and differentiation strategies. In differentiation strategy, a firm seeks to be unique in its industry; in products range, delivering methods, customer service, location and pricing. Being "all things to all people is to be stuck in the middle" and have no strategy (Porter, 1985)

Second, competing on operational effectiveness. Competing on operational effectiveness is the process of a firm improving continuously its products and services and lowering costs (Porter, 1985). Management approaches, such total quality management, just-in-time inventory management, cycle time reduction and better customer service improve effectiveness and efficiency of firms any industry leaders at times define the frontier of the productivity. Productivity frontier is the maximum buyer value that a firm can deliver at a given cost, using the best available technologies (Davidson et al, 1984)

The limitation with operational effectiveness as a competitive strategy is that it is not sustainable because sooner or later competitors can imitate best practice such as quality circle and TQM technique. This leads to what porter called 'competitive converges', which means that all the competitors in the retail industry compete on the same dimensions.

Third, competing on symmetrical strategy. Competing without strategy is a business situation where firms in the same industry seek superior performance by "copy cat methods", doing what everybody else is doing, and we call this "symmetric strategy". The problem with symmetric strategies is that, when every company is offering the same things, customers are led to choose on the basis of price, which inevitably undermines profits. In essence trying to be all things to all customers is the anti-thesis of strategy. The symmetric and imitative strategies of firms in any industry will undermine profitability and any sustainable competitiveness. This is getting stuck in the "mud strategy" (Porter, 1980). Therefore, strategy and operational effectiveness are what are necessary for sustained, superior performance. Strategy is what sets high performers apart from low performers. Distinctive strategies are also harder to imitate and customers gain real choice and value for their money

## 2.9.1 General Supermarket strategies

Strategy answers the questions, "where do we want to go and how do we get there?" (Johnson and Scholes, 2002). The variety of objectives the retailer seeks to achieve varies widely but generally falls within four broad areas: corporate, financial, marketing and organizational (Cox and Brittain, 2000). Corporate objectives are an extension of the personal beliefs of the most senior executives. Having identified a direction through the objectives, it is now time to consider strategies of achieving those objectives. These strategies are developed at two levels; at the general level and the specific level (Cox and Brittain, 2000). At the general level, the focus of the strategies are upon growth, selectivity and productivity.

First, growth strategies. No business can stand still as it needs to adapt to change. Growth can be achieved by pursuing a number of different routes (Cox and Brittain, 2000). These may be described in terms of merchandise offered and customers chosen as target market.

Second, selectivity strategies. According to Davidson (1984), in the late 1980s a new strategy was devised which laid down a strategy for reducing the range of products in supermarkets in order to appeal to a more well defined target group of customers. This strategy resulted not only in a reduction of merchandise lines, but in some cases, in order to be consistent with this strategy a reduced geographical scope i.e. pulling out of certain geographical areas. This strategy addresses a situation where a retail firm has lost its direction by trying to meet the needs of too many markets.

Third, productivity strategies. Concentrate on producing better results with the same mixture of resources or the same (or better) results with fewer resources. Thus, as in many areas of business, 80 percent of sales is generated from 20 percent of merchandise offered, and if



those high turnover lines are identified, increasing inventory turnover can be achieved. Productivity strategies also involve closely monitoring costs and identifying ways of reducing costs, for example in staff, energy usage (Cox and Brittain, 2000). Whilst much of the emphasis in productivity strategies is directed towards improving operating efficiency, managerial efficiency is also an important element. Training of managers is an expensive business and thus it is essential that an organization reduces its managerial turnover and drop-out rate to maximize its managerial training resources in the retail industry (Davidson, et al, 1984).

### **2.9.2 Specific supermarket retail strategies**

The retailing concept proposes that the most critical factor in determining the success of a supermarket is the identification and satisfaction of customer needs, thus, specific supermarket retail strategies should address this objective requiring the retailer, first, to identify the target customers and then to satisfy their needs through an appropriate retail mix strategy – considering location, merchandise, price, communication, supermarket atmosphere and layout and customer service (Cox and Brittain, 2000).

First, location strategy. Where the retail organization chooses to locate can make the difference between the success and failure. Additionally a location that is right for one type of retailer (e.g. a discount furniture warehouse) could be totally wrong for another (e.g. an exclusive high fashion retailer). Secondly, merchandise strategy. Arguably the most important strategic choice is what product to offer. However, a product is much more than a tangible good. The consumer's perception of a product is anything that satisfies a particular need or want and as such, the retailer must consider much more than a physical offering or

technical specification. Thirdly, price strategy. Price is often considered a surrogate indicator of quality and the consumer often makes judgement on products or indeed on the store as a result of his or her response to the price of merchandise. Thus, for example, a retailer could adopt a strategy of offering goods at relatively high prices in order to be consistent with a general strategy of appealing to consumers who are wanting exclusivity. Fourthly, communication strategy. The retailer has to communicate with consumers, initially to make them aware of his or her offerings and then to stimulate interest and desire. The techniques available to the retailer include advertising, personal selling, sales promotions and public relations. Through the use of these communication tools the retailer establishes a position in the consumer's mind which hopefully will move the consumer to choose that store in preference to competitors.

Fifthly, store image and customer service strategy. In addition to the four communication tools said, it can be seen that everything the retailer does communicates something to the consumer. Thus the exterior of the store, window displays, the interior design and layout, all combine to communicate a store's personality and to add to the image that the consumer has of that store. The image of a supermarket is defined by the number and quality of services that are available to the consumer. It is important that the strategies adopted are consistent with the defined objectives, and as such each strategy is integrated within the framework of others. Thus, for example, a discount pricing strategy would not be consistent with an objective of establishing an up-market image for the store. Similarly, the location of the store should be selected to reflect the needs of the defined customer group and although there are always exceptions to every rule the consumer has come to expect lower prices out of the town (Kotler and Armstrong, 2001).

## CHAPTER 3 : THE RESEARCH METHODOLOGY

### 3.1 Introduction

The scope of this chapter covers the research design of the study, the population, the sampling method, the data collection and data presentation and analysis. The data obtained was analyzed using content analysis and descriptive statistics.

### 3.2 The Research Design

This study required collection of both primary and secondary data. The data required was both in the form of qualitative and quantitative in nature. In order to pick up unexpected data that would help in clarification and interpretation of the data collected, the procedure of the study had to be flexible. Further, the study was a cross-sectional in its approach and design. All these demands suggested 'survey research' as the best and most appropriate data collection method for the study.

The research of this study was survey design. The survey research method has more advantages than other methods of data collection (Mugenda and Mugenda, 1999: P165) who wrote, "survey research method is probably the best method available to social scientists and other educators who are interested in collecting original data for purposes of describing a population which is too large to observe directly. Surveys research are also excellent vehicles for the measurement and comparing the characteristics of a large population"

### **3.3 The Population**

The population of this study consisted of all the 226 major supermarkets in the City of Nairobi. According to a study done by Okwany (2003) on consumer preferences in store selections, he estimated the best-known supermarkets in Nairobi as 172. The researcher updated Okwany's population of supermarkets with the latest list of supermarkets which was obtained from the City Council (NCC) Trading Licensing Department and the Kenya Revenue Authority (VAT) Division covering the period between 30<sup>th</sup> June 2003 to 30<sup>th</sup> June 2004. This multi-sources of the population was done for reason of triangulation. Thus, all the sources confirmed that the most popular supermarkets in Nairobi were about 226 in number as shown in appendix II

According Kenya Revenue Authority Commissioner for VAT, large and medium sized supermarkets account for about 25% of all supermarkets in Nairobi. The small sized, one-shop independent supermarket account for other 75% and they are spread across the residential estates. However, about 88% of all supermarkets sales is generated by the medium sized and large supermarkets where Uchumi alone made sales of Ksh 10bn in 2003. It is for this reason that in the sample, the large and medium sized supermarkets account for 77% and the small sized supermarkets account for only 23% in order to reflect their sales differentials

### **3.4 Sampling Methods**

According to Roscoe(1975), a sample size between 30 and 500 are appropriate for most research. In this study, the sample units were all the supermarkets in the city of Nairobi. The sampling frame was the complete listing of all supermarkets, as was be obtained from KRA (VAT) department and Nairobi City Council licensing department.

From the sample frame of all supermarkets in Nairobi, a sample of 65 supermarkets had been selected. The selected supermarkets are located in NCBD( Nairobi Central Business District), Westlands and in residential areas. The size of the sample was determined by adequacy and resource considerations such as time and money. 65 is 28.8% of the 226 best-known supermarkets in Nairobi. Out of the 65 questionnaires distributed, 43 supermarkets responded well. That was 66% response rate. The response rate was very good because the researcher hired the services of six young college students as his research assistants. Brief profile of the 43 respondents supermarkets is shown in appendix III.

In this case, the most appropriate sampling method was stratified sampling. The primary objective of any sample is that it should be as representative as possible of the population from which it is drawn. The primary use of stratified sampling is to ensure that different groups of population are adequately represented in the sample so as to increase their level of accuracy when estimating parameters (Nachimias & Nachimias, 1996). Stratified sampling reduced the cost of carrying out this study. It also ensured that both the large and small firms were represented in the random sample. The basis of stratification were location, size and ownership in accordance with response rate to the questionnaires as follows -

**Table 1: State of response**

Category of supermarkets	Response	%	Location	Ownership
Large supermarkets	18	42	NCBD/Industrial area	Ltd company
Medium size supermarkets	14	33	NCBD/Estates	Ltd/sole owners
Small size supermarkets	11	25	Estates	Sole/family
Total of the sample	43	100		

Sources: Research Data.

### **3.5 Data Collection methods**

Since the research design of this study was survey design, the collection of primary and secondary data were essential in order to achieve the objectives of the study. The main instrument for collection of data was therefore the questionnaire and face-to-face, probe interviews of the senior management of the supermarkets. The researcher personally administered the questionnaires through drop and pick later method. This was followed by in-depth face-to-face interviews with key senior managers of the concerned firms where appropriate. The in-depth personal interviews allowed the respondents to reveal the competitive strategies they adopted, some of which might be specific to them.

The questionnaires were divided into three parts and designed in such a way that once filled, they captured all the necessary data for the objectives of the study.

### **3.6 Data Presentation and Analysis**

The data collected was presented and analyzed using content analysis and descriptive statistics for ease of understanding and grasping. Descriptive statistical methods helped the researcher to organize the collected data to display information in a meaningful and understandable form and to describe and interpret the observations in terms that assisted the researcher to evaluate the study and reach acceptable conclusions – based on credible findings.

Most of the data for this study were either nominal, ordinal or categorical. Thus, descriptive statistics and Likert scale analysis were found to be adequate. Descriptive statistics that was applied in this study includes frequency distribution, the histogram, pie chart, bar chart,

measures of central tendency such as mode, median and mean, measures of dispersion such as range, variance and standard deviation. These descriptive measures helped the researcher in analyzing frequency of strategies, price range, number of employees and shop sizes among others. Comparisons between firm's strategies were made in order to establish if there were any linkages between the competitive strategies chosen and the supermarkets' location, size, age and ownership.

## CHAPTER 4: RESEARCH FINDINGS, ANALYSIS AND RESULTS

### 4.1 Introduction

The scope of this chapter covers the analysis and results of the study. It defines the criteria used to classify supermarkets into large medium and small sized. This chapter further describes supermarket profiles in terms of age, location, size, sales, where possible and number of employees. Then the data collected is examined and analyzed in order to reach credible conclusions.

Finally, the competitive strategies adopted by supermarkets in Nairobi are evaluated, compared and described.

### 4.2 Supermarket profiles

#### 4.2.1 –No. of years in operation

Of the 43 supermarkets that responded to the questionnaire, the oldest was Armed Forces Canteen Organization (AFCO) which was established in 1971. It is now 33 years old and has annual sales of Sh. 1.4 bn and profitability ratio of 2.8% of sales. The newest supermarket was Alipa in Kikuyu with annual sales of only Ksh. 500,000 for the last six months of 2004. It was opened in January 2004. (Appendix II).

**Table 2: Years in operation**

No. of years	Number of Respondents	Percentage %
Upto 5 years	13	30.0
6 –10	12	28.0
Above 10	18	42.0
Total	43	100

Source : Research Data



The majority of supermarkets, 42% were more than ten years old and tended to be located in Central Business District and wealthier estates such as Muthaiga, Westlands and Hurlingham (Table 2 and Appendix II)

#### 4.2.2 Classification of Supermarkets

This was a survey study and therefore required comparisons among different competitive strategies of supermarkets. The supermarkets were classified into large, medium and small supermarkets. These three classifications were based on size, measured by trading space, number of branches, number of employees and sales turn-over. The researcher adopted the classification criteria in Appendix IV

Supermarket classifications have a number of problems. There are no clear cut demarcations between one class of supermarkets and another. No definite criteria were available from the literature reviewed. Their sizes in terms of trading space, sales volume, ownership and number of checkouts and number of branches tend to overlap. Ownership may be defined either as sole proprietorship, partnership and limited liability company (private or public). It could also be defined as either wholly local, wholly foreign or joint ownership. All the supermarkets studied are locally owned

The researcher found size as measured in terms of trading space, number of employees, number of checkouts and sales turnover as more suitable and appropriate for the classification of supermarket in order to achieve the objective of the study. Sales turn over was acceptable to the respondents because of the nature of the question asked which was a question of categorization as to whether the sales volume was over Ksh 100m and 1bn or less

than Sh 100m. The supermarket variation in size of trading space, number of employees, sales volume and checkouts were very big, suggesting a difference in the dynamics of the respective supermarkets. The detailed classification of supermarkets are found at appendix IV.

According to the supermarket classification given at appendix IV, 42% of the supermarkets were large, 33% medium and 25% were small supermarkets based in the residential estates. The classification has confirmed what KRA Commission for VAT said that large and medium sized supermarkets account for about 25% of all supermarkets and the small supermarkets account for the remaining 75%. However, 88% of sales revenue of all supermarkets were generated by the large supermarkets where Uchumi alone made sales of Ksh 10bn in 2003 according to the Commissioner of VAT. The response rate was 66%. This high rate of response was achieved because the researcher hired six young college students as his research assistants.

#### **4.3 State of strategic management practice: visions and missions**

The study endeavored to establish the extent to which the supermarkets practiced strategic management in their respective business operations. They were asked of their vision, missions, objectives, time horizons and challenges they faced in implementing their strategies. This section, therefore analyzes the findings on the specific issues the questionnaire raised with the respondent supermarkets. Out of the 43 supermarkets studied, only seven (16%) said that they had a vision, mission and objectives. Only six (14%), Uchumi, Ukwala, Nakumatt, Tusker, Woolworth, Chandaria and AFCO said they had written, formal strategy. The large supermarkets had mission and objectives but mostly

unwritten. They transmitted their vision and objectives to employees through informal meetings. 37 out of the 43 supermarkets studied (88%) did not have any formal mission.

84% of the respondents said that having formal, well thought-out strategy would take a lot of their time and was not worth the effort. They relied mostly on their “gut” feelings, intuition, past experience and “events of the day” to guide them in their business. Most of the small supermarkets were in rented premises (23 out of 37), that is 62%. Of this 18 were owned either by former employees of supermarkets or retirees from public sector employment (48.6%). The lack of strategic management in majority of supermarkets was attributed to their ownership. Out of 43 supermarkets, 11 (26%) were family business or solely owned by one person. All the supermarkets had set objectives for their operations. The most cited objectives were profit and opening more branches (expansion) – growth. 92% of small supermarkets had one-year planning time horizon while 15 out of 25 of the large supermarkets had (3-5 years) planning time horizon.

#### **4.3.2 Key Success factors of Supermarkets**

Key success factors identify performance areas that management of supermarkets must give continuous attention for their survival and profitability. These are the factors that are of greatest importance implementing the competitive strategies of supermarkets. In this regard, the researcher asked the managers of supermarkets what were their respective success factors. All the forty three (43) supermarkets had acknowledged key success factors in their strategies which they cited as follows -

**Table 3: Key success factors**

	<b>Most Cited</b>	<b>Commonly Cited</b>	<b>Cited</b>	<b>Least Cited</b>
Aspects of key success factors	Product quality, availability, location and internal resource capability of a supermarket	Customer service parking facilities, provision of security, market specialization and competition	High employee morale, pricing, brand name strong leadership, strategy and external environmental factors such the economy	Shopping ambience better, control of stock and computerization of system.
No. of respondent (actual)	35	29	25	19
Percentage %	81	67	58	44

N = 43

**Source: Research Data**

81% of the supermarkets (35 out of 43) cited product quality and availability, location and internal resource capability as the most important key success factors of supermarkets (Table 3 above). Commonly cited factors were customers service, parking facilities, provision of security, market specialization and the nature of competition of the market. High employee morale, pricing, brand name, strong leadership and strategy of the firm as well as impact of external factors such as the economy were also cited as determinant of key success factors (Table 3).

The researcher also asked the managers of the supermarkets what were the SWOT of the supermarkets. All the respondents acknowledged strengths, weakness, opportunities, threats and challenges within the environment of their industry.

73% of the supermarkets (31 out of 43) said that their greatest threat came from kiosks and other competitors and that the biggest challenge was pilferage (Uchumi alone lost Sh. 1.8 bn in pilferage in 2003), lack of capital and poor sales because of the lack of employment opportunities in the country. The most cited strengths were availability of affordable, quality products, customer service, parking facilities and powerful brand name.

On the questions of opportunities of the supermarkets industry, 53% said that the future of supermarkets was bright and only 26% said that it "had no future at all due to hyper-competition". Majority of the respondents argued that success of a supermarket depended on many factors including the beliefs and commitment of the management, internal resources and the location. Therefore, even though the economy was not at its best, credit supplies were not available and interest rate was high, yet still many supermarkets such as Jack & Jill, Nakumatt and Ukwala were doing very well. They said the average profit ranged between 2 ½ % to 6% of total annual sales. This meant that supermarkets relied heavily on high volume of sales to break-even and make profit.

#### **4.4 Competitive strategies of supermarkets**

The supermarkets have shown that their greatest headache came from competition, either from other supermarkets, kiosks or other retailers selling similar products. 73% of the respondents said that competition was "very strong".

**Table 4: The state of competition among supermarkets**

<b>State of competition</b>	<b>No. of Respondents</b>	<b>Percentage %</b>
Hyper-competition	5	12
Very strong	31	73
Strong	5	11
Not so strong	0	0
Weak	0	0
<b>Total</b>	<b>43</b>	<b>100%</b>

**Source: Research Data**

All the respondents to the questionnaires acknowledged that business strategy was all about survival and their greatest challenge was to “meet and beat the performance of their competitors”. Different supermarkets had adopted different competitive strategies according to the dynamics of their respective firms. Such as whether they were large, medium or small and their location, vision and resource base.

The respondent supermarkets were asked of their competitive strategies, both general and specific. The general competitive strategies they were questioned included growth strategy, selectivity, productivity, managerial, efficiency and motivation and finally use of technology and inventory control.

On specific competitive strategies, the respondents were asked the importance they attached to location and security strategies, merchandise strategies, pricing strategies, communication and image and customer service strategies. The outcome of their response is tabulated in table 8 below in the form of Porter's generic strategies.

79% of the respondents (34 firms) said that merchandise strategy was their most important competitive strategy. The depth and variety of products constantly available to customers was the most important competitive strategy to any supermarket. This was followed by pricing strategy. When supermarkets have the required products which are similar, then competition is on price and location. Thus, the mean score for these strategies are 5, 4.7 and 4.5 on a Likert Scale; from (1 – 5), least to most important, use of modern technology was least important. This was true to small supermarkets but not for the large ones. The large ones had well development inventory management process using advanced data base management technology.

The respondents were also asked the level of importance they attached to environmental factors, how they improved their sales, why would a customer prefer to buy from them and not another supermarket and how they retained their valued, loyal repeat customers. The outcome of this aspect of the study is shown in Tables 5 and 6 below.

All the supermarkets that responded to the questionnaire (100%) said that they highly considered the political, economic, social, legal, technological (PEST) factors because these factors have serious impact on their businesses environment. The respondents varied in their answers to the question, “how they improved their sales and why would a customers prefer to buy from them instead of another supermarket. Their competitive strategies varied according to their size and location. Three typical responds were given by Nakumatt, Jack & Jill and Fairmart of Kikuyu. They gave the researcher a wonderful cooperation. An extract of their response is given in the appendix.

#### 4.4.1 Focus strategies

Focus strategies is concerned with selling only certain products or dealing in a specified market or geographical area. Thus, the supermarkets studied had indicated of having market segmentation and focus. All the 43 supermarkets (100%) said they had loyal category of customers. When they were asked how they retained their loyal customers, 78% said “by offering their needs – availability of variety of goods (stock) and quality service.” 22% said, “by offering them discount.” The study therefore found that supermarkets did not extensively apply focus strategy. One major focus strategy that supermarkets adopted was seeking corporate customers such as major hotels, institutes and contractual relationship with the major suppliers. Every corporate customer would be supplied by a group of supermarkets. Most of the supermarkets stocked all types of consumer goods for all types of potential buyers.

**Table 5: Focus strategies mentioned**

Aspect of focus	Frequency sample (43)	Proportion (%)
Merchandise strategies (Specialization)	23	53
Communication strategies	38	88
Niche market – focus on specific sector of the customers	37	86

**Source: Interviews**

#### 4.4.2 Pricing and Differentiation Strategies

As Table 6 indicates, 100% of respondents said pricing was a major competitive strategy since “Kenyan consumers were very price sensitive people.” In the Likert scale, this scored 4.5 points as the very popular strategy second only to availability of merchandise. It is due to this strategy that supermarkets made a modest profit margin between 2.5 to 6% of sales and thus relied heavily on high sales to break-even. Most cited differentiation strategies were



location, parking facilities, security, inventory control, cleanness and ambience of the supermarket as the table below indicates

**Table 6: Differentiation strategies mentioned**

Aspect of differentiation strategies	Frequency (Sample 43)	Proportion (%)
Location	21	49
Pricing and availability of most desired goods	43	100
Security to customers & parking facilities	18	42
Efficiency/quick service/motivated work force	16	37
Cleanness /ambience of supermarket	11	26

**Source: Research Data**

On differentiation, all respondents indicated that they worked hard to create a unique image for their supermarkets. Where firms sell similar products of the same quality, differentiation was based on price, location, parking facilities, security, motivation of staff, efficiencies and the neatness and general image of the supermarket as the table below shows.

**Table 7: Supermarket Differentiation factors**

Factors	Large Mean	Std. Deviation	Rank	Medium Mean	Std. Deviation	Rank	Small Mean	Std. Deviation	Rank
Price of goods	2.4	1.2	2.3	2.0	1.3	2	3.5	1.8	2
Location	3.5	2.0	2	2.6	1.4	3	3.5	1.7	1
Parking facilities	4.8	2.0	4	4.5	1.6	4	3.7	1.3	6
Security	4.5	2.1	4.5	4.8	1.6	5	3.10	1.7	3
Staff motivation	3.6	1.9	6	3.9	1.6	8	3.4	1.9	4
Efficiency-quick service	3.8	1.6	1	4.0	1.7	1	3.5	2.0	5
Cleanliness & ambience of supermarket	3.0	1.4	8	3.6	1.5	7	2.0	1.6	7
Brand name	3.7	1.8	7	1.9	1.3	6	1.9	1.3	8

**Source: Interviews**

Large supermarkets create differentiation on the basis of location, price, security, efficiency and brand name. The medium supermarkets use customer service and location as their major differentiation. The small supermarkets use location, convenience to customers, personal touch and security as their main instrument of differentiation strategy (table 7 above).

Customers consider highly the availability of products and then price before other factors. Therefore, where products are generally available in all supermarkets and price is almost identical then, firms use location, customer care, parking facilities and staff motivation as the ultimate differentiation strategy.

#### **4.4.3: Low-cost leadership strategy**

The aim of low cost leadership strategy is to achieve lower cost than one's competitors without reducing product quality. In order to achieve this objective, supermarkets had to analyze their cost inputs. From the survey, most of supermarkets employed less than 30 employees (54%). This is because salaries represent 48% of cost-input. Management, operations and cost of financial borrowing (interest) represent another 33% and VAT 25%. These costs appear to be fixed. However, supermarkets manage their costs in such a way as to make their respective firms low-cost leaders. However, generally the survey found that the traditional methods of reducing costs such as improving process efficiencies, accessing low-cost materials/products, making optimal outsourcing or avoiding some costs altogether are very limited options in the supermarket industry in Nairobi. The most cited low-cost strategies are shown in Table 8 below.

**Table 8: Low-cost strategies mentioned**

Aspect of low-cost strategies	Frequency: (N=43)	Population (%)	Ranking
Employing small workforce	43	100	1
Outsourcing of services	8	19	4
Sourcing for low-cost products	32	74	3
Accessing low-cost capital	7	16	5
Employing better stock management approach	35	81	2

**Source: Research Data**

The major cost-input into the operation of supermarkets were: Salaries 48%, Management and operations 33%, Value added tax (VAT) 25%, other miscellaneous costs: 4%.

#### **4.5 Constraints Faced by Supermarkets**

Supermarkets face some constraints in their determination to achieve their strategic objectives of profitability, growth and wealth maximization for their shareholders. Some of these constraints include, (table 9 below) stiff competition from kiosks and other supermarkets, pilferage, shoplifting, insecurity, high interest rates, lack of capital, high VAT, damaged goods, poor economy and lack of strategic location.

**Table 9: Top ten supermarkets constraints**

Serial No.	Constraint	No. of times mentioned	Percentage%
1	Stiff competition	8	17
2	Lack of capital & credit from suppliers	7	16
3	Pilferage and expires	6	14
4	Insecurity and customer complaint	4	9
5	High VAT and operation costs	3	7
6	Poor economy	3	7
7	High rents	3	7
8	Hawkers & counterfeit goods	2	5
9	Lack of strategic location	2	5
10	Political uncertainties	2	5
11	Hawkers & counterfeit goods	3	7
12	Others	1	100

**Source: Interviews**

#### **4.6 Competitive strategies**

All the 43 supermarkets had composite competitive strategies. Availability and pricing of products were most cited differentiation strategies. Location, security to customers and parking facilities were the second most cited. Merchandising strategies, that is, providing specialized products to specific, targeted customers were the most cited focus strategies. Employing small work force, outsourcing for low-cost products and accessing low-cost capital were the other commonly cited low-cost strategies. However, these low-cost strategies are not very effective because of lack of variety in the financial markets and suppliers of goods. Only few major suppliers of domestic goods serve all the supermarkets. That means that the prices of merchandise are generally about the same. Price variation is therefore limited among supermarkets.

#### **4.7 Comparison : Cross-analysis**

All the 43 supermarket respondents had competitive strategies. However, the large supermarkets had formal, written competitive strategies which were communicated to all

employees. The medium and small supermarkets did not have formal, written competitive strategies. This was attributed to the fact that many of them were family business. Highest informality was observable in the small supermarkets. Variety of stock, low pricing and excellent service to customers were cited by majority of supermarkets. Customer service was seen to consist of efficiency, politeness, listening to customer complaints, after sale service and provision of parking and security to them. The other commonly cited competitive strategies were low prices, availability of variety of stock, location, security, shopping ambience and credit facilities. All the 43 supermarkets said they changed their competition strategies over time because of the increased competition from other firms, hawkers and the volatile economic environment in Kenya. Below is Table 10 demonstrating the presence of various competitive strategies across the large, medium and small supermarkets in Nairobi.

**Table 10: Presence of competitive strategies**

Aspect of Competitive strategy	Large Supermarkets (N=18)		Medium supermarkets (N=14)		Small supermarkets (N=11)	
	frequency	%	frequency	%	frequency	%
Availability of variety of stock	16	89	12	86	10	91
Customer service	15	83	9	64	9	82
Low prices	9	50	5	36	5	45
Discounts	7	49	4	35	2	18
Location	16	89	4	35	10	91
Parking/security	12	67	3	21	4	36
Shop ambience	8	44	2	14	2	18
Advertising	7	43	1	7	1	9
Credit	4	26	1	7	1	9
Gifts	3	23	1	7	1	9

**Source: Interviews**

Note: These competitive strategies are not mutually exclusive. The totals may exceed the total number of respondents in each case.

The data from the respondents were analyzed as to determine whether these competitive strategies of supermarkets varied according to size, ownership and location of the firms. The results showed that was the case. Competitive strategies slightly varied. Some firms put more emphasis on one aspect of their strategies while others emphasized another aspect because of their contextual factors such as size, ownership and location. Majority of supermarkets in Nairobi are family-owned and are located in the main residential estates in the city. Their annual sales is less than Kshs 100m per year and they employ a limited workforce for the purpose of containing their operational costs. Their main competitive strategy therefore is good customer service and proximity to them. They serve a specific need of their niche market. They open long hours and provide credit facilities to their most valuable customers.

#### **4.8 The Future Of Supermarkets Industry**

Stiff competition is the number one constraint faced by supermarkets in Nairobi (Table 9). It is followed by lack of capital and credit facilities from suppliers. 17% of the respondents said that the thrust of competition comes from kiosks and hawkers. Nevertheless, 53% of the respondents said that the future of supermarkets was bright. The researcher asked the managers of the 43 respondent supermarkets the question, "from an entrepreneurship point of view, what could you say are the secrets of success of supermarkets in Nairobi?" Their responses varied somehow but generally their answers were insightful and enlightening (Table 11 below).

**Table 11: Five success secrets of supermarkets**

Serial No.	Success Secrets	Frequency N=43	Percentage of respondents %
1	There were no secrets as such – only business fundamentals – and hard work	11	23
2	Internal resource – never run out of cash	9	22
3	Leadership and personal chemistry of the founding manager – attitudes and behavior – driven by the thrill and hilaration of supermarket entrepreneurship	8	20
4	Location: supermarket are about location. Location could determine the difference between success and failure	8	19
5	Heroic team of employees and first class stock management. Link with the suppliers and banks. These can determine success or failure	7	16

N=43

**Source: Interviews**

Majority of the managers (23%) stated that there were no secrets as such, only business fundamentals and hard work. They said that internal resources were a key to success- “never run out of cash.” Leadership and supermarket locality were other two key factors to supermarket success.” 19% of respondent said that good location was worth every shilling spent on acquiring it.

The fifth key to supermarket success was a heroic team of employees (16% of respondents).

The supermarkets stated that there was high pilferage in their business because of unmotivated and dishonest employees. Additionally, they argued that good connection with the suppliers and the banks were major determinant of supermarket entrepreneurial success in

Nairobi

## CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

This chapter covers the summary, limitation of the study and recommendations.

### 5.2 Summary

Most supermarkets in Nairobi are less than ten years old (58%) and employed less than 30 people. However, about 49% of the supermarkets employed more than 100 employees. These are the large and medium supermarkets. The large supermarkets were located mostly in Nairobi, central business district (NCBD), Westlands, Langata, and Hurlingham areas.

The population of best-known supermarkets were 226 as at 30<sup>th</sup> June 2004 according to the office of the commissioner of Valued Added Tax (VAT) of Kenya Revenue Authority, KRA who monitored supermarkets for the purposes of assessing VAT. Supermarkets were classified into large, medium and small using a definite criteria of size, number of employees and sales (Table 2 & 3). Those with annual sales of less than Sh. 100m were classified as small, in between Sh. 100m and 1bn were classified as medium and those with annual sales exceeding shilling one billion were classified as large. The supermarkets were willing to disclose the volume of their sales provided it was in broad categorization as below or above a given figure such as above shilling one billion. According to this classification, 18 of the respondents were large supermarkets, 14 were medium and 11 were small (Table 1).

The sample of the study was 65 and 43 supermarkets respondent (66%). The 24% who did not respond gave various reasons for their refusal. Their main reasons were lack of time, the



manager was not available and lack of trust. Majority of supermarkets did not have any strategy. Only 16% had written vision and mission statement. Small supermarkets did not have any strategic plans since most of them were family owned. The owner-managers were “managing” their operations on the basis of the “events of the day” and by “intuition, experience and gut feelings”. The planning time horizon ranged from 3-5 for large supermarkets but only for one year for all the small supermarkets. The supermarkets faced a lot of threats and challenges in their environment.

53% of the respondents believed that the future of supermarkets was bright and that the profit margin ranged between 2 ½ % to 6%. Thus, they relied on high volume sales to survive. The supermarkets had indicated that their biggest headache came from kiosks and hawkers. These were their greatest competitors followed by other supermarkets. The study has shown that different supermarkets had adopted varied competitive strategies according to the dynamics, location, resource base of their firms and the nature of their value chain. Their commonest competitive strategies were growth, selectivity and productivity strategies. Other specific competitive strategies included location and security, pricing, communication and branding, images, customer service and parking facilities and cost control strategies. Salaries represented 38% of total costs, management, operation and interest represented 33% and VAT 25%.

The supermarkets had differentiation strategies. Some of their differentiation included pricing, location, security, efficiency, cleanliness and ambience, brand name and staff motivation. The supermarket retail industry had a lot of challenges. The top three challenges were stiff competition, lack of capital and credit from suppliers and pilferage and expiries of

motivation. The supermarket retail industry had a lot of challenges. The top three challenges were stiff competition, lack of capital and credit from suppliers and pilferage and expiries of products. The future of supermarkets industry in Nairobi was bright according to the study. The major success determinants of supermarket firms were given. The main determinants were given as hard work, internal resources, the beliefs and personality of the CEO, location and quality of employees.

### **5.3 Limitation of the study**

The researcher had financial and time limitations to survey the competitive strategies of all the 226 best-known supermarkets in Nairobi.

### **5.4 Conclusions**

Supermarkets in Nairobi have competitive strategies that they adopted in order to grow and prosper in their business. They formulate competitive strategies but mostly in an informal manner. However, the large supermarkets have formal competitive strategies of 3-5 years time horizon. The supermarket firms adopted both general and specific retail strategies in their management and operations.

The competitive strategies adopted varied in emphasize according to the location, size and dynamics of the respective supermarket firms. The supermarket firms faced a lot of challenges. However, majority believed that their future was bright provided heroic founder, management and employees ran them professionally. The supermarkets were at the end of the distribution chain to the final consumer. Thus, there was always demand for their goods and services all the time.

## 5.5 Recommendations for further research

As this study has shown, competitive strategies of supermarkets vary according to their size, resource base, location and their value chain. Recommendation is therefore made for a case study of the comparative competitive strategies of the two largest supermarkets Kenya, that is, Uchumi and Nakumatt. In 2003, Uchumi had sales of sh 10bn but made a loss of Sh 460m according to its published accounts for that year. Yet Nakumatt has taken the supermarket industry by storm since 1992 when it was established and rose from humble one shop to 12 branches now with sales in billions of shillings per year and 1900 employees (Appendix). A comparative case study of these two giant supermarkets will tell us why Nakumatt is ahead of its peers and Uchumi has fallen behind when it has so much resource base and a first class brand name.

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## Appendix – I QUESTIONNAIRES

### Supermarket profile – Data- Location – NAIROBI

#### PART I – GENERAL BACKGROUND INFORMATION

To be completed by senior managers

1. What is the name of your supermarket? \_\_\_\_\_
2. Name of the Chief Executive Officer \_\_\_\_\_
3. Location (NCBD), Westlands, Hurlingham, (other specify) \_\_\_\_\_
4. Title of the respondent \_\_\_\_\_
5. Year of opening \_\_\_\_\_
6. Legal status of the Company  
Independent sole ownership ( )  
Or family business ( )  
Private limited company ( )  
Limited partnership ( )  
Public limited liability company ( )  
(Others please specify) \_\_\_\_\_  
Number of shareholders \_\_\_\_\_

#### PART II - STRATEGIC MANAGEMENT - PRACTICE

7. How long have you worked with this firm? \_\_\_\_\_
8. Are you a shareholder? \_\_\_\_\_
9. Did you work elsewhere (experience) before this supermarket? \_\_\_\_\_  
\_\_\_\_\_
10. What was the size at opening of the supermarket?  
Trade space (in sq meters) \_\_\_\_\_  
Ownership of premises or rented (Owned) or (Rented)  
Total number of employees at start \_\_\_\_\_  
Total number of branches on opening \_\_\_\_\_  
Sales turn-over: First year of operation Ksh \_\_\_\_\_

11. Today's size in terms of:

Trading space (in sq meters) \_\_\_\_\_

Today's number of employees \_\_\_\_\_

Total number of branches in Kenya now \_\_\_\_\_

Sales turn-over (2003) Ksh \_\_\_\_\_

12. Please give approximate figure of your sales for the last year (2003)

(a) Less than sh. 100M

(b) Between sh. 100M - 900M

(c) Over sh. 900M

13. (a) Does your supermarket have a vision for the future? Yes/No

(b) If yes, what is it? \_\_\_\_\_

14. (a) Do you have a mission statement for your supermarket? Yes /No

(b) If yes, what is it? \_\_\_\_\_

(c) Is it written statement? Yes/No

(d) Did you have to change your mission statement since your inception? Yes/No

(e) If so, what were the prime reasons for the change?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

15. Do you have any set of objectives for your supermarket? Yes/No

(a) If yes, what are they (rank them in order of importance attached to each – from most to least importance)

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

3. \_\_\_\_\_

\_\_\_\_\_

4. \_\_\_\_\_

\_\_\_\_\_

(b) At what levels are these objectives set? (Top or middle level)

- (c) Who participates in the setting of these objectives? \_\_\_\_\_
- (d) Are all employees in the supermarket aware of these objectives? Yes/No
- (e) How do you communicate them to all employees? (in meetings, written, informal)
- (f) Are the objective of the supermarket in written form? Yes/No
- (g) What do you consider as the major constraints to the attainment of your objectives from the most important to the least?

i. \_\_\_\_\_

\_\_\_\_\_

ii. \_\_\_\_\_

\_\_\_\_\_

iii. \_\_\_\_\_

\_\_\_\_\_

iv. \_\_\_\_\_

\_\_\_\_\_

v. \_\_\_\_\_

\_\_\_\_\_

16. Do you have any strategic planning for your supermarket? Yes/No

(a) What types of strategic plans do you have? (Formal, written or unwritten)

\_\_\_\_\_

\_\_\_\_\_

(b) When were they first developed?

\_\_\_\_\_

(c) What time frame do you they cover? (Tick as appropriate)

- 0 - 1 year                      (   )
- 1 - 3 years                      (   )
- 3 - 5 years                      (   )
- 5 years and beyond            (   )

(d) Are these strategic plans written? (Yes/No)

(e) Have you changed these strategies overtime? Yes/No

Why? \_\_\_\_\_

\_\_\_\_\_



(f) Do you intend to maintain these present strategies? Yes/ No

Why? \_\_\_\_\_  
\_\_\_\_\_

17. What challenges have you met in developing and implementing your strategies? (rank them starting with the most important)

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_
- iv. \_\_\_\_\_
- v. \_\_\_\_\_

**PART III - COMPETITIVE STRATEGIES**

18. (a) How do you describe competition in the retail industry in Nairobi?

- i. Weak competition
- ii. Strong competition
- iii. Very strong competition
- iv. Hyper competition
- v. \_\_\_\_\_

(b) Who do you consider as your major competitor(s) \_\_\_\_\_  
\_\_\_\_\_

19. Indicate the level of importance your supermarket attaches to the following aspects of the competition.

	Unimportant		Less Important	Important	Very Important
i. The number of supermarkets that presently competes with you	1	2	3	4	5
ii. The supermarkets that may get into the industry in the future	1	2	3	4	5
iii. Other retail shops, which are supermarkets.	1	2	3	4	5
iv. The goals of your competitor	1	2	3	4	5
v. The other retail shops excluding supermarkets	1	2	3	4	5
vi. The strategies of competitors	1	2	3	4	5
vii. Location strategies	1	2	3	4	5
viii. Pricing strategies	1	2	3	4	5
ix. Merchandising range	1	2	3	4	5
x. Store, image and customer service strategy	1	2	3	4	5
xi. Communication strategy	1	2	3	4	5

20. What are the distinctive competences of your firm?

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21. How do improve your sales?

	Least considered	Considered	Most Considered		
	1	2	3	4	5
Long opening hours					
Seeking corporate customers					
Keeping variety of stocks					
Having a large No. of employees					
Customer services e.g parking facilities					
Low prices/ Discounts					

Any other activities \_\_\_\_\_

22. Why should a customer prefer to buy from you and not from another supermarket? Please give five reasons in order of importance

(1) \_\_\_\_\_ (2) \_\_\_\_\_ (3) \_\_\_\_\_  
 \_\_\_\_\_ (4) \_\_\_\_\_ (5) \_\_\_\_\_

23. How do you achieve lower costs than rival supermarkets? \_\_\_\_\_

24. Do you have any brand name? Yes/No (If yes, what is your brand name?)  
 \_\_\_\_\_

25. How do you deliver customer superior service in your supermarket?  
 \_\_\_\_\_

26. What importance do you attach to the following in the value chain of your supermarket?

i. In the bound logistics e.g Suppliers/ receiving of inventor  
 1. Very important 2. Important 3. Not so important 4. Unimportant

ii. Operations e.g packaging, displays of stocks, inventory control, computers  
 1. \_\_\_\_\_

iii. Outbound logistics e.g. storing, distribution and vehicles operations.

1. \_\_\_\_\_  
\_\_\_\_\_

iv. Marketing sales and advertisement

1. \_\_\_\_\_  
\_\_\_\_\_

v. Staffing and training

1. \_\_\_\_\_  
\_\_\_\_\_

2. Where do you train your staff? (Inhouse) or (outside - specify \_\_\_\_\_)

3. How do you rate the motivation of your employees?  
(poor) (satisfactory) (good) (very good) (exemplary)

vi. Service supply and repairs

1. \_\_\_\_\_  
\_\_\_\_\_

vii. Technology development - Products and process

1. \_\_\_\_\_  
\_\_\_\_\_

27. (a) What do you consider as your main strengths?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

(b) How about weakness?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

(c) What do you consider as your competitor advantages?

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

Why? \_\_\_\_\_  
\_\_\_\_\_

(d) Are there category of customers who are loyal to you and shop always at your supermarket? (Yes/No)

(e) How do you retain their loyalty?

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28. Indicate the extent to which information on the following factors is considered in the running of your business?

	Not considered		Somehow	Considered	Highly
	1	2	3	4	5
a) Political/legal factors	1	2	3	4	5
b) Economic development	1	2	3	4	5
c) Competitor's moves	1	2	3	4	5
d) Market trends	1	2	3	4	5
e) Technological changes	1	2	3	4	5
f) Social/cultural trends	1	2	3	4	5
g) Population-demographic shifts	1	2	3	4	5

29. Do you scan competitive intelligence on the various aspects of your business environment? (Yes/No)

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30. Who is in charge of this important assignment?

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31. Can you describe your business environment as? (Tick as appropriate)

- Stable ( )
- Fairly Stable ( )
- Unstable ( )
- Fairly Turbulent ( )
- Competitive ( )

32. In your own words, please comment on the future of supermarkets in Nairobi?

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33. How do you make yourself known to your current and potential customers?

Please tick

- Radio advertisement ( )
- Television Ads ( )
- Sign Board ( )
- Canopy sign board ( )
- Newspaper Ads ( )
- Professional Magazine ( )
- Running in-store sales ( )
- All of the above ( )

34. What are some of the problems you encounter in operating in the supermarket's retail sector in order of priorities please?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

35. How do you see the supermarket industry in Nairobi in the future?

(1) Not bright (2) Not so bright (3) Bright (4) Very Bright

## APPENDIX II

### Profiles of the 43 supermarkets in the sample

Serial No.	Name of SM	Location	Year Opened	No. Of Branches	No. Of Branches (Now)	No. Of Employees (Now)	Sales (2003) Ksh.	Size M <sup>2</sup>	Owner ship	Premises owned/rented
1	Nakumatt		1992	1	12	1900	1n bn	625,000	Ltd	Owned
2	Uchumi	NCBI	1975	1	126	2600	10bn		Ltd	
3	Jack & Jill		1988	1	1	105	1n bn	10,000	Ltd	Rented
4	Tusker mattresses	Town centre	1990	1		250	1n bn		SOLE	Rented
5	Fairmat	Kikuyu	1992	1		42	36M	300	Ltd	Rented
6	Alipa	Kikuyu	2004	1		3	250,000	12	SOLE	
7	Midas touch	South 'B'	1994	1		7	Did not disclose	6	Ltd	Rented
8	Ukwala		2001	8	8	89	1n M		Ltd	Rented
9	Anil's	South 'c'				46		10x15	SOLE	
10	Momo	Kibera	1998	1	1	7			SOLE	Rented
11	Milons	Ngumo	2002	1		8			SOLE	Rented
12	Dakawa	Waitakaa	1999	1		3		7x12sq.	SOLE	Owned
13	Jeska	Eastlands	1994	1	1	12	in million	1060	SOLE Ltd	Rented
14	Jaka	South 'B'	1998	1	5	8		4x5	SOLE Ltd	Rented
15	Taya	Kibera	1989	1		2		225	SOLE	Rented
16	Uhuru	Eastlands	1994	1	1	2	300,000	25	SOLE	Rented
17	Cedia	Ngumo	2001	1	1	3	406,000	10	SOLE	Rented
18	Makema	South C	1977	1	1	2	m	5x10	SOLE	
19	Purjus	makadara	2001	2	2	4		5x3		Rented
20	Satellite	Satellite	1998	1	1	6		7x12	SOLE	Rented
21	Family	Sinai	2002	1		2			SOLE	Rented
22	Heshima	Kawangware	2003	1	1	2			SOLE	Owned
23	Prince & princess	Kawangware	2003	1		3		5x10	Sole	Owned

24	My Economy	Kibera	2001	1		2	5.1M	10x5	Sole	Rented
25	Utukufu	Kawang ware	2000	1	1	3		5x10	Sole	Rented
26	Leogen	Githurai	2003	1		11		48x60	Sole	Rented
27	E Sajo	Githurai	1996	3	3	19	2M	20x10	Sole	Owned
28	P.K.	Kawang ware	1994	1	3	30		25x15	Sole	Owned
28	Uthiru wayside	Uthiru	1998	1	2	16	1.8M	10x20	Sole	Rented
30	Waiyaki	Westland	2000	1	Nil	20			Sole	Rented
31	Eagle	Buruburu	1999	1	Nil	5		10x30	Sole	Owned
32	Ridhika	Uhuru		1						
33	Benjoh	Kikuyu	2004	1	1	2				Rented
34	Uchuzi	Kibera	2004	1	4	6		10x12	Sole	Owned
35	Armed forces canteen	Eastleigh	1971	6	57	2750	1.4bn	400	Sole	Owned
36	Greenfield	Greenfield	1998	1	1	5	1M	500	Armed Forces	Owned
37	Hurlingham grocers	Hurlingham	1983	1	2	16	250M	500	Sole (Ltd)	Owned
38	Muthaiga	Muthaiga	1989	1	2	15	380M	1000	Sole	Owned
39	Westland	Westland	1988	1	2	6	170	500	Sole	Owned
40	Parkland Pricele Ltd	Parkland	1992	1	1	5	600,000	500	Sole	Owned
41	Lucky Star	Langata	2001	1	1	5	600,000	500	Sole	Owned
42	South C	South C	1990	1	1	7	6M	500	Sole	Owned
43	Mega & Mecca	NCBD	1990	1	1	9	18M	500	Sole	Rented



DIX III- POPULATION OF SUPERMARKETS

and D	48. Eremo	97 Kimani
acta	49 Evergreen	98 Ladywood Farm store
O	50 Fair Price	99 Leojen
gan Grocers	51 Fairdeal	100 Lilian Rabisi
ed Karim Supermarket	52 Fairlane	101 Lucky and sons
Bin Lalji and Sons	53 Fairmart	102 Lucky Shop
oy	54 Family	103 Lucky Star
a	55 Feine Fayre	104 Macson
ance	56 Flora	105 Magic
and Divesh	57 Fontana	106 Makema
elas	58 Foodies	107 Makro
s	59 Frankaal	108 Maridadi
bab Mim	60 Fransa	109 Marja
anuki	61 Furaha	110 Market Way
ni	62 General Foods	111 Marta
hir	63 George	112 Mathare
ph	64 Geska	113 Mega and Mecca
er Price	65 Gigiri Spermarket	114 Mega Market
Provision store	66 Goodfar Stores	115 Mesora
no	67 Goodfare Stores	116 Metro Cash and Carry
adway	68 Green Forest	117 Mida Touch
get	69 Green spot	118 Midas
uburu Supermarket	70 Greenfield	119 Milons
edonian	71 Gulabchart	120 Mis Whole Store
ndermiam	72 Gulabhand	121 MITO
hesh	73 Harry's	122 Momo
ta	74 Henenette's	123 Mt Kenya Sandries
alite	75 Heshima	124 Mumbi
andarana	76 His and Hers	125 Mumsies
aji	77 Hollifield	126 Muthaiga
musia	78 Hurlingham Grocers	127 Muthaite
ees	79 Jack and Jill	128 Mwiki
inental	80 Jaka	129 My Economy
ner	81 Janna	130 Nakumatt
ntry Mattresses	82 Jazeer	131 New Ricken Shopper
by	83 Jesca	132 New Westlands Store
awa	84 JOLA Ks	133 Ngara
elvey	85 Jojan	134 Ngara Road
oys Discount	86 Joss	135 Nifroni
p cash and carry	87 Juja Road	136 Njonde
holm Star Shop	88 K and A	137 Nova
House Holdings	89 Kamindi	138 Ongata Rongai
kajo	90 Karanja's	139 P and Shah
e	91 Karen	140 P K. Supermarket
leigh Mattresses	92 Keinam	141 Pangani
thims	93 Ken's	142 Parklands Pricele Ltd
a	94 Kenton	143 Peponi Grocers
	95 Kieni	144 Pop In
	96 Kiliman Grocers	145 Porarim

146.	Pricerite	195	Tesco
147	Prince and Princess	196	The Good Earth
148	Purjus	197	Tihana
149.	Queensway	198	Tip Top
150	Quick Pick	199	Tirana
151.	Rafael	200	Tolleys and Baskets
152.	Rajesh Gloria	201	Toyo
153.	Rickana	202	Trichem
154	Ridgeways	203	Tricor
155	Ridluka	204	Tristar
156.	Robert Ondieki	205	Tusker Mattresses
157	Ronny's	206	Uchumi
158.	Rose collections	207	Uchuza
159	Rose Jam	208	Uhuru
160	Roysambu Grocers	209	Ukwala
161.	Ruhle	210	Umoja Mini Market
162.	Safeways	211	Ushurika
163.	Sai Supermarket	212	Uthiru Wayside
164	Sambury	213	Utukufu
165	Salisbury	214	Vantage
166	Santoshi	215	Versani
167	Satellite	216	Victory
168.	Save More	217	Vijico
169	Schlada	218	Vumira
170	Select N Pay	219	Wab
171	Sella	220	Waivaki Way
172.	Seven Eleven	221	Well Brand
173	Shaflus	222	Westland General store
174	Sheela	223	Westland Supermarket
175	Sheere	224	White Star
176	Shopping Paradise	225	Woodley Grocers
177	Sikendo Grocers	226	Woolworth
178	Sippys		Source: KRA(VAT) DIVISION, NAIROBI.
179	Sippy s		
180.	Snatish		
181	South C		
182.	Spicy Spicers		
183	Spring Valley		
184	Star.		
185	Starehe		
186	Stella		
187	Sunbeam		
188	Sunrise		
189	Super value		
190.	Supra		
191.	Suriba		
192.	Susu		
193.	Susy		
194	Tayo		

A sample of supermarkets to be visited listed in alphabetical order

1. A and D
2. African Grocers
3. Ahmed Karim Supermarket
4. Aladin Lalji and Sons
5. Bashir
6. Buruburu Supermarket
7. Caledonian
8. Camesh
9. Chandarana
10. Continental
11. Corner
12. Crosby
13. Ebrahims
14. Eremo
15. Feine Fayre
16. Furaha
17. General Foods
18. Gigiri Supremarket
19. Goodfare stores
20. Green Spot
21. Greenfield
22. Gulabhand
23. Harry's
24. Henenetta's
25. His & Hers
26. Hurlingham Grocers
27. Jack & Jill
28. Jamia
29. K and A
30. Karanja's
31. Ken's
32. Ladywood Farm store
33. Makro
34. Marja
35. Mumsies
36. Muthaiga
37. New Westlands store
38. Peponi Grocers
39. Pricerite
40. Quick Pick
41. Rikana
42. Ronny's
43. Ruhle
44. Safeways
45. Sai supermarket

46. Sainbury
47. Santoshi
48. Sella
49. Shaffus
50. Sippy's
51. Spicy Spicers
52. Spring Valley
53. Star
54. Sunbeam
55. Super value
56. Sutiha
57. Tip Top
58. Toyo
59. Tristar
60. Tusker Mattresses
61. Uchumi
62. Ukwala
63. Umoja Mini Market
64. Ushirika
65. Vijico
66. Vumira
67. Wab
68. Westlands general store
69. Westlands supermarket
70. Woolworths

**APPENDIX IV: Classification of Supermarkets on the basis of trading space, number of employees of trading space, number of check outs.**

**Large Supermarkets**

Serial No.	Trading space (sq.ft)	No. of employees	Volume of sales over sh. 1bn	No. of checkouts
1	5,000	400	Over 1bn	5
2	9,000	1900	Over 1bn	6
3	10,000	3000	Over 1bn	8
4	5,000	200	Over 1bn	4
5	6,000	620	Over 1bn	4
6	5,500	420	Over 1bn	4
7	5,400	120	Over 1bn	5
8	4,800	150	Over 1bn	4
9	8,300	130	Over 1bn	5
10	7,400	140	Over 1bn	4
11	6,300	160	Over 1bn	5
12	6,700	180	Over 1bn	6
13	7,000	135	Over 1bn	5
14	6,000	125	Over 1bn	4
15	8,200	153	Over 1bn	6
16	6,000	142	Over 1bn	7
17	9,200	128	Over 1bn	6
18	7,000	172	Over 1bn	5

**Medium supermarkets**

Serial no.	Trading space (sq.ft)	No. of employees	Volume of sales over sh. 100m less 1bn	No. of Checkouts
1	3200	28	Between 100m-1bn	3
2	4300	23	Between 100m-1bn	4
3	4500	35	Between 100m-1bn	4
4	4600	45	Between 100m-1bn	4
5	3800	92	Between 100m-1bn	2
6	3700	55	Between 100m-1bn	2
7	4700	63	Between 100m-1bn	4
8	4900	71	Between 100m-1bn	3
9	4200	80	Between 100m-1bn	3
10	4300	42	Between 100m-1bn	3
11	4400	48	Between 100m-1bn	2
12	4900	57	Between 100m-1bn	3
13	3500	62	Between 100m-1bn	2
14	3800	59	Between 100m-1bn	2

**Small supermarkets**

<b>Serial No.</b>	<b>Trading space Sq. ft</b>	<b>No. of employees</b>	<b>Volume of sales</b>	<b>No. of checkouts</b>
1	2000	10	Less sh 100m	2
2	2000	12	Less sh 100m	2
3	900	6	Less sh 100m	1
4	700	8	Less sh 100m	1
5	2400	9	Less sh 100m	2
6	1700	15	Less sh 100m	1
7	2300	7	Less sh 100m	1
8	1200	5	Less sh 100m	1
9	1900	8	Less sh 100m	1
10	2200	6	Less sh 100m	1
11	1200	5	Less sh 100m	1



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DATE... 10/10/17 .....

TO WHOM IT MAY CONCERN

The bearer of this letter ... Ronald Ballou .....

Registration No: 212/117/01/198 .....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**JACKSON M. ALU**  
**CO-ORDINATOR, MBA PROGRAM**

