FACTORS AFFECTING MARKET SHARE OF SUPERMARKETS IN KENYA – A CASE STUDY OF UCHUMI SUPERMARKETS LIMITED

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Research Project submitted to the School of Human Resource Development in partial fulfillment of the requirement for the award of the degree of Executive Masters of Business Administration of Jomo Kenyatta University of Agriculture and Technology.

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DECLARATION

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

Signature .... Date ...1st October 2012.

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REG. No: HD334-033-0252/2011

This project has been presented for examination with our approval as the appointed university supervisors.

Signed: ____________________ Date: 06.10.2012

PAUL SANG

Signed: ____________________ Date: 06/10/2012

DR. CHARLES OMBUKI

DEDICATION

I dedicate this project to my wife Lilian and sons Gonza, Mbaga, Noe and Kidza for their moral support from the start up to the end of my writing of this project.

ACKNOWLEDGEMENT

I want to acknowledge my supervisors Mr. Paul Sang and Dr. Charles Ombuki for thei invaluable guidance and support along the journey of preparing this project.

ABSTRACT

Due to competition, major retail outlets in Kenya have expanded to major towns within the country and to other regional markets including Uganda, Tanzania and Rwanda. One such outlet that has expanded both in Kenya and other regional markets is Uchumi Supermarkets Limited. This has resulted to stiff competition amongst retail outlets resulting to low margins and profits. As a result of the rapid growth and stiff competition, some of the less competitive outlets such as Metro Cash and Carry (South African) closed down. According to the Kestrel Capital report for March 2012, the retail industry in Kenya provides great opportunity for new entrants due to the low penetration rates as well as improved infrastructure and political stability. The report further states that it is likely that foreign players may enter the Kenyan market due to its strong growth potential. Smaller players are also expanding in the country spreading to other towns. The objective of this study was to establish factors affecting market share of supermarkets. Four factors namely Price, Location, Quality of Service were conceptualized to affect the market share of a supermarket. A descriptive research design was used to carry out this study. The target population for the study was 29 senior and middle level employees in Uchumi Supermarkets Limited. All the 29 staff formed the population of the study. Data was collected using a survey questionnaire. The questionnaires were administered on one-on-one and drop and pick. Data analysis was done using both qualitative and quantitative research techniques while coding and sorting was done using SPSS computer software. The results were presented using frequency tables and percentages. Based on the research findings, it was concluded that price, location, quality of service and advertisement affect the market share of a supermarket. However, supermarkets in Kenya may not have much control on price since they stock almost similar products with the same price offering. Furthermore, prices of most basic products that are fast moving like groceries are controlled by either suppliers or manufactures. Some suppliers and manufactures usually communicate the recommended maximum prices when carrying out their own advertisements or promotions. These leaves supermarkets to rely on other strategies to ensure they control a significant market share. The other strategies identified in this study are location, quality of service and advertisement. The success of a supermarket will depend on how best they apply the strategies in comparison to competition. The study recommends that USL trains its staff on customer service, increases its budgetary allocation for advertising and PR activities and improves on its gender balance to ensure that at least 30% of senior and middle level managers are of the opposite gender.

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ABBREVIATIONS/ACRONYMS

CAGR:	Compound Annual Growth Rate
CBK:	Central Bank of Kenya
GAIN:	Global Agriculture Information Network
ICDC:	Industrial Commercial & Development Corporation
ICT:	Information and Communication Technology
KNTC:	Kenya National Trading Corporation
KWAL:	Kenya Wine Agencies Limited
NSE:	Nairobi Securities Exchange (Formerly Nairobi Stock Exchange)
USDA:	United States Development Agency
USL:	Uchumi Supermarkets Limited

DEFINITION OF TERMS

Price:	The quantity of payment or compensation given by one party to another in return for goods or services
Location:	Refers to a specific position or point in physical space
Quality Service:	Involves a comparison of expectations with performance
Advertising:	Form of communication used to encourage or persuade an audience (viewers, readers or listeners) to continue or take some new action

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today's organizations engaging in businesses have to contend with the dynamics of a changing market share. Major players in the retail sector in Kenya are expanding to other major towns within the country and to regional markets in neighboring countries including Uganda, Tanzania and Rwanda. This has resulted to stiff competition amongst major players in the sector resulting to low margins and profits due to low price offerings. In Kenya, the retail sector is characterized by a large number of small and medium scale retailers and a few large supermarket chains located mainly in urban areas. There are six major players in the local supermarket chain sector and they are Uchumi, Nakumatt, Tuskys, Naivas, Chandarana and Ukwala. Due to stiff competition for market share, the prices charged on goods do not vary by much and the product offering is almost similar.

In the last five years, the retail industry experienced rapid growth both in sales volume and number of retail outlets opened countrywide. According to the GAIN Report (2006), there was an estimated 40,000 retail outlets in Kenya and up to 70 per cent were based in Nairobi.

As a result of the rapid growth and stiff competition for market share, some of the less competitive outlets such as Metro Cash and Carry (South African) closed down. Meanwhile, buyers are more informed about seller's products, prices and costs and expect large quantities of quality products at lower prices. In Kenya, consumers groups including the Consumers Federation of Kenya (Cofek), have come together to push for reduction in prices of essential products (The Standard, 19th June 2011). Customers are also concerned about the location of retail outlets which has resulted to major supermarkets opening branches in residential areas. There is evidence from both the print and electronic media that retail outlets are incurring a fortune to advertise their businesses to the public. Almost all retail outlets have a customer service desk to ensure timely response to customer concerns.

1.2 Problem Statement

Kenya's retail sector has in the recent past been dominated by two major supermarket chains namely, Uchumi Supermarkets Ltd. and Nakumatt supermarket. In 2006, both chains had a combined market share of 70 per cent (USDA GAIN Report, 2006). The other 30 per cent was shared between second tier and independent stores such as Tusker Mattresses (now Tuskys), Ukwala Supermarkets, Skymart, and Woolmart among others.

There is evidence that Uchumi's market share has been eroded over time by entry of other chain stores. Uchumi started operations in 1976 with only two branches in Nairobi. According to financial statements for the period ending 30th June 2005, the chain had a total of 18 branches with 17 branches in Kenya and one in Uganda. The company was forced to close down up to 10 branches in 2005 when it started facing financial problems and remained with only 8 branches compared to its closest competitor, Nakumatt Supermarkets which was operating 21 branches spread across East Africa over the same period despite having been founded in 1987 as Nakuru Mattresses, 11 years after Uchumi started operations. According to the Kestrel Capital report for March 2012, Uchumi accounts for only 18.2% of Kenya's retail industry. The report further states that as at March 2012, Uchumi had a total of 23 branches spread across Kenya, Uganda and Tanzania compared to Nakumatt with 30 branches, Tuskys with 32 branches and Naivas with 19 branches though Uchumi was the first to enter the retail sector.

Since the establishment of Uchumi as the only supermarket in Kenya in 1975 with operations starting in 1976, the chain has encountered a number of challenges which negatively affected its market share. The main objective of Uchumi is to have an enterprise for equitable distribution of essential commodities at affordable prices whilst creating an outlet for the local manufacturers. Goods sourced from local manufactures are usually expensive since they are labour intensive compared to imports by competitors in the retail industry. On the other hand, the quality of imported products offered by competition is far much better than locally produced goods offered by Uchumi. The high prices of some of low quality local products stocked by Uchumi has driven away customers hence affected its market share. Other than two branches of Uchumi supermarkets located in residential areas (Buruburu and Langata estates), most of the other branches are located either in the city centre or along major highways and towns. This has also affected its market share since most customers are likely to shop at supermarkets located near their residential areas as provided by competition. There is evidence that competition has invested a lot in customer care and advertisement which has continuously affected the market share of Uchumi.

According to the USDA GAIN report for 2006, apart from Uchumi, which was placed under receivership in June 2006, but lifted in March 2010, other retailers have been forced to make a silent exit from Kenya. Sky mart operated a supermarket chain in Nairobi and Mombasa but later made a retreat after trading for less than a year. Sky mart's failure was attributed to high levels of competition and the poor location of its stores hence inaccessible to customers. Meanwhile Metcash, the wholesale group operating under the Metro Cash & Carry and Lucky 7 supermarket franchise banner, was also forced to make an exit in 2005. Local retailers have not been spared either. The family-run Nova supermarket chain was acquired by Naivasha Self Service (now Naivas). As competition for market share stiffens, it is likely that more retailers may be forced out of business. This study therefore aimed at investigating factors affecting market share of supermarkets.

1.3 Market Share in the Retail Sector

The retail industry globally is characterized by stiff competition. In order to secure or improve their market share, retail outlets are forced to continuously improve their service offering in order to attract and retain customers. Home delivery, 24 hour shopping and specialty shops such as bakeries, clothing shops, pharmacies, banks and dry cleaners are just a few of the additional services being offered. In Kenya, the retail sector is characterized by a large number of small and medium scale retailers and a few large supermarket chains located mainly in urban areas. The supermarket chains aim to provide a shopping experience and high quality goods and services. As pointed out in the background of the study, there are six major players in the local supermarket chain industry and due to stiff competition, the prices charged on goods do not vary by much and the product offering is almost similar for fast moving products as provided by Uchumi ICT department as shown in the table below.

Table1.1 Comparison of prices of a basket of essential commodities as at 15th December, 2011

	Uchumi	Nakumatt	Tuskys	Naivas	Chandarana	Ukwala
Jogoo Maize Flour	113.00	113.00	113.00	113.00	115.00	113.00
Exe Wheat Flour	146.00	146.00	146.00	145.00	146.00	146.00
Superloaf Bread	46.00	46.00	44.00	46.00	46.00	46.00
KCC Milk ½ litre	33.00	33.00	33.00	33.00	33.00	33.00
Mumias Sugar 2kg	375.00	375.00	375.00	375.00	375.00	375.00
White Star 800g	111.00	110.00	110.00	109.00	115.00	109.00
Total	**824.00**	**823.00**	**821.00**	**821.00**	**830.00**	**822.00**

Source: (Author, 2012)

Previously, Uchumi supermarket was the largest and most popular retail outlet in terms of network of branches, customer numbers and turnover. This changed from 2006 when the retail outlet was forced to close some of its branches when it failed to meet its financial obligations which affected its market share. By the year 2011 Tuskys was leading in terms of branch network with 37 branches followed by Nakumatt with 33 branches. Uchumi is the third with 23 branches. Naivas, Ukwala and Chandarana are in fourth, fifth sixth places with 19, 14 and 6 branches respectively.

The table below further illustrates how sales revenue for Uchumi Supermarkets started falling from financial year 2004 hence affecting its market share though the trend was reversed from the year 2007.

Table 1.2 Uchumi sales revenue for the period 2004 to 2009

Financial Year	Group Sales Ksh. '000	Percentage Change
2004	7,963,000	-
2005	5,166,480	(35.1)
2006	3,551,833	(31.2)
2007	4,503,241	26.7
2008	6,757,911	50.0
2009	8,202,221	21.3

Source: (Uchumi supermarkets financial statements, 2004 -2009)

Therefore, supermarkets have to consider other factors to ensure they maintain a reasonable market share.

1.4 History of Uchumi Supermarkets Limited

Uchumi Supermarkets Limited (Uchumi) was incorporated in Kenya under the Kenyan Companies Act by three Kenyan parastatal companies, namely Industrial Commercial & Development Corporation (ICDC), Kenya Wine Agencies Limited (KWAL) and Kenya National Trading Corporation (KNTC) and operates retail supermarkets in East Africa. The main objective at the time of incorporation was to create outlets for the equitable distribution of commodities and to create retail outlets for Kenyan manufactures. In 1976, Uchumi's shareholders signed a management contract with Standa SPA, an Italian supermarket chain to train Kenyan talent to run the new enterprise. In 1976, Uchumi Aga Khan Walk and Westlands branches opened their doors to the public. Uchumi was listed on the Nairobi Stock Exchange (NSE) (now Nairobi Securities Exchange) in 1992 and in 2002, the company extended its footing into the East African region by opening a store in Kampala, Uganda. In 2005, the company raised Kshs 1.2 billion through a rights issue. On 31st May 2006, Uchumi was unable to meet its debt obligations and closed down. This closure lasted from 1st June 2006 to 14th July 2006, when the debenture holders appointed a specialist receiver manager. The receivership status was lifted on 4th March 2010 and Uchumi was relisted to the Securities Exchange on 31st May 2011. Currently, Uchumi has branches in Kenya, Tanzania and Uganda. Since the lifting of receivership status on 4th March 2010, the company has continued to grow both in sales and profitability. According to Uchumi's financial statements for FY2006 to FY2010, sales grew at an annual compound growth rate (CAGR) of 21.9%. This growth was supported by increased customer numbers during the period coupled with effective location of branches.

1.5 Research Objectives

General Research Objective

The general objective of the study was to establish the factors affecting market share of supermarkets.

Specific Objectives

i. To assess the effect of price of goods on market share of a supermarket
ii. To determine the extent to which location of a supermarket affects market share of a supermarket
iii. To determine how quality of service affects market share of a supermarket.
iv. To investigate the effect of advertisement on the market share of a supermarket

1.6 Research Questions

i. To what extent does price of goods affect the market share of a supermarket?
ii. To what extent does location of a supermarket affect the market share?
iii. To what extent does quality of service affect the market share of a supermarket?
iv. What is the effect of advertisement on the market share of supermarkets?

1.7 Significance of the Study

This study is important in assessing factors that affect market share of Uchumi Supermarkets Limited. The findings of the study will also help to improve relations among major players/competitors in the retail sector in bargaining for better prices and quality products from manufactures and suppliers. Major retailers may further agree with suppliers on how to carry out promotions and share costs. This study will further be useful to scholars in making them understand factors affecting market share of supermarkets. Finally, the government can use findings of the study to put in place policies that encourage competition without pushing some supermarkets out of businesses. Such policies will include advertising, pricing and quality of products.

1.8 Scope of the Study

This study covered Uchumi Supermarkets Limited in Kenya. Uchumi Supermarkets Limited has had major historical milestones and to avoid bias, the study was based on the period 2010 to 2012. Senior and middle level management of Uchumi Supermarkets Limited formed the population of the study.

1.9 Limitations of the Study

The study covered respondents from Uchumi Supermarkets Limited in Kenya. The results of the study may therefore not represent the opinions of other players in the sector or other Uchumi outlets in East Africa. Due to the major historical milestones experienced by the supermarket including listing to the NSE, receivership, lifting of receivership and re-listing to the NSE, this study was limited to the period 2010 onwards. The researcher did not expect to obtain large amounts of information and did not probe deeply into the study as participants generally refuse to cooperate with a long or complex questionnaire unless they perceive a personal benefit, which is not possible when investigating a relatively new concept (Cooper & Schindler, 2006). It is also acknowledged that data collected by survey strategy may not be as wide-ranging as those collected by other research strategies (Lewis & Thornbill, 2003)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on the history of retail outlets in Kenya and how their market share is affected by price, location, quality of service and advertisement. The review gives an overview of the findings of various previous studies and identifies general patterns of the findings and conclusions. From the reviewed literature, the researcher formed a conceptual framework that guided the study showing the relationship between the independent and dependent variables as proposed.

2.2 General Review

David J. Reibstein (2010) defines market share as the percentage or proportion of the total available market or market segment that is being serviced by a company. It can be expressed as a company's sales revenue (from that market) divided by the total sales revenue available in that market. It can also be expressed as a company's unit sales volume (in a market) divided by the total volume of units sold in that market. Therefore Increasing market share is one of the most important objectives of a supermarket.

2.2.1 Retailing in the Kenyan Market

As the effects of the global economic crisis of 2008 to 2009 fade, a return to improving sales for most retail outlets in Kenya can be expected. The drought and high inflation experienced in 2010 that led to increases in the cost of production and the erosion of purchasing power was expected to decrease, and analysts expected the market to pick up again from 2011. It is further projected that major retail outlets will continue to cease to own real estate and become tenants instead. As major commercial developments are built, especially in mid to up-market residential areas, supermarkets will come on board as anchor tenants, which will attract the majority of foot traffic to the developments. In addition, the improved political landscape, encapsulated by the promulgation of a new constitution in August 2010, will have a positive effect on the economy as a whole.

Retailing in Kenya grew in 2010, with most channels experiencing an increase in growth. There has been a spate of new store openings to attract the upwardly-mobile middle-classes. Modern grocery outlets are slowly taking over the market. Traditional channels, such as roadside kiosks, which were heavily involved in bulk breaking, i.e. buying multipacks from other retailers and then re-selling each unit as a separate product, have been overtaken by modern outlets which offer a wider product variety and greater convenience. In Kenya, there is evidence that consumers generally prefer store-based retailing where they can go in and actually see the products they are buying.

Kenya has been through a rough past two years (2010/2011) due to a rather volatile political environment, as well as the influence of various socio-economic problems relating to drought and economic production. The effects of the global financial crisis started to make themselves felt from the beginning of 2010 in Kenya as high inflation and increases in production and raw material costs added grist to the mill. Erosion of consumer purchasing power has resulted in consumers trading down and reducing their non-essential spending. Furthermore, rising costs of production and increased inflation have resulted in more expensive products on the shelves. However, stabilisation of the political environment thereafter has already begun to show in the reduction of inflation.

The global economy is not out of the woods yet, but the trend is generally positive. This, coupled with the growth of the Kenyan economy in 2010, which was largely insulated from the global crisis, casts a bright light on the future of the market. The local drought of early 2011, as well as unrest in North Africa, which negatively affected global oil prices, was expected to put a damper on the growth of the economy and the market in the near future, as was demonstrated by rising inflation in the country and a high cost of living in the year 2011.

2.3 Specific Review

2.3.1 Price

Price is the quantity of payment or compensation given by one party to another in return for goods or services. In modern economies, prices are generally expressed in units of some form of currency. They are expressed as currency per unit weight of the commodity; for example, Ksh. Per kilogram.

Different prices reflect what different customers are prepared, and able, to pay. Setting the right price can mean the difference between profit and loss, survival and failure. Customers generally buy at a certain level of price and quality which is compelled by the social and psychological forces around them. Pricing directly affects sales revenue. A company has to relate sales revenue to costs - cost of sales, cost of production, cost of raw materials, and other costs, such as transport and promotion. Most companies try to run a long-term strategy for their pricing. World prices of raw materials can go up and down, but consumers may expect the price to remain stable. Combining the product and the price is often referred to as the Product-Price Mix. Price is unique within the marketing mix in that it is the only ingredient in the mix which makes money. All the other ingredients incur cost. Most customers in any particular target market have similar perceptions of the price-quality relationship, and this should be a main factor in developing prices. Too high prices may result to lower sales. On the other hand, too low prices may result to higher sales but without profit.

According to Kotler, Philip (2000), a company pursues pricing strategies to meet specific objectives including survival where a company faced with intensive competition without sufficient customers sets prices to cover variable costs and some fixed costs to ensure the company stays in business. Another objective may be maximum current profit or maximum current revenue where companies with weak competition set a high price that produces the most cash flow or return on investment or where companies set prices to maximise sales revenues. Other pricing objectives as suggested by Kotler include market where a company sets a high price to capture those customers who are willing to pay more for a product and product quality leadership where a company aims to provide the best quality product in the market, and therefore charges more than its competitors. Such companies are usually market leaders.

Research has however reported that most companies do not consider in detail all pricing objectives despite the fact that the final price strategy directly affects long term profitability and market share. According to the Kestrel Capital report for March 2012, the retail sector in Kenya is faced with a limited number of suppliers mainly manufacturers or importers of major brands who control market prices thereby leaving retailers with little bargaining power.

2.3.2 Location

Location refers to a place of settlement, activity or residence. In this study, the term location is used to refer to a supermarket's principal place of trading.

Factors influencing location decisions were discussed by Badri et al. (1995), Hoffman and Schniederjans (1994) and Camel and Khumawala (1986). Jungthirapanich and Benjamin (1995) provided a chronological summary of research studies undertaken between 1875 to 1990 on general industrial location, revealing that, frequently in the past, a limited number of quantitative factors such as transportation and labour costs were considered when firms made a location decision, but that more recently an increasingly wide range of both qualitative and quantitative factors have been evident. Costs are a major consideration in many location decisions and there may be trade-offs between different types of costs. Qualitative issues such as social and political factors are also influential in many location decisions. A survey conducted by Badri et al. (1995) indicates that global competition and economic-related factors are more notable than conventional location factors such as transportation costs and climate. A number of factors such as financial incentives and tax structure may be influenced or controlled by local authorities and vary from location to another. The importance of the various factors may change significantly over time (Eppine, 1982).

Location factors can be considered and classified in a variety of ways (Lee & Franz, 1979) The factors include availability of ready market, raw materials, infrastructure including transport and communication, availability of land, availability of both skilled and unskilled labour, waste disposal, government support including provision of security and laws to enhance business.

According to Small Business Administration (SBA) studies, poor location is among the chief causes of all business failures. In determining a site for a retail operation, one must be willing to pay for a good location. The cost of the location often reflects the volume and/or quality of the business that is generated. For many businesses, getting the right location can make the difference between success and failure hence affecting the overall market share. Some of the reasons why location of a business matters include availability of customers, availability of labour, proximity to suppliers and infrastructure. For example, an efficient transport network enables staff and customers to get to the business easily. It also allows supplies to be brought in from far afield and permits finished or sold products to be moved cheaply and quickly. Accessibility to the customers is a major concern when selecting the right business location. However, one should consider other concerns when selecting a location which include proximity to other establishment so that it would be easy for a business to acquire more customers. The amenities of the place should also be of high quality to meet the expectations of potential customers.

2.3.3 Quality of Service

Service refers to an act of helpful activity given to another person. In this study, the term will be used to refer to help given to both internal and external supermarket customers.

One of a company's more valuable resources is its holistic presence in the marketplace. To a great extent, this resource is embedded in consumers' impressions of and beliefs about a company's brands. According to Lewis and Booms (1983) service quality is a measure of how well a delivered service matches the customers' expectations. Quantitative modellers have sought to link customer satisfaction and service quality to other managerially meaningful measures. For example, Bolton and Drew (1991b) and Boulding, et al. (1993) showed how overall service quality and behavioral intentions could be predicted by customer satisfaction and service attributes. Bolton and Drew (1991a) showed that service changes could affect customer attitudes, and provided a methodology for measuring the effect.

Despite the quality revolution that has preoccupied the thinking of American industry, the first decade of service quality improvements was not explicitly linked to profit implications (Aaker & Jacobson 1994) because the evidence was not readily attainable. Because cost and cost savings due to quality were more accessible, they were the main financial variables considered (Bohan & Horney 1991; Carr 1992; Crosby 1979; Deming 1986). In the past decade, however, researchers and companies have sought and found evidence about the profit consequences of service quality. In fact, the service concern of highest priority to today's companies is the impact of service quality on profit and other financial outcomes of the organization (Greising 1994; Rust, Zahorik, and Keiningham 1995). The relationship between service and profits took time to verify, part of the delay due to the unfounded expectation that the connection was simple and direct. Investments in service quality, however, do not track directly to profits for a variety of reasons. First, in much the same way as advertising, service quality benefits are rarely experienced in the short term and instead accumulate over time, making them less amenable to detection using traditional research approaches. Second, many variables other than service improvements (such as pricing, distribution, competition, and advertising); influence company profits, leading the individual contribution of service to be difficult to isolate. Third, mere expenditures on service are not what lead to profits; instead, spending on the right variables and proper execution are responsible. The link between service quality and profits is neither straightforward nor simple (Greising 1994; Zahorik & Rust 1992), and no single researcher or company has defined the relationship fully.

At the aggregate level, a growing body of evidence is emerging about the relationship between service quality and profitability. Academically, this research stream began with the Profit Impact of Marketing Strategies (PIMS) cross-sectional company database that enabled researchers to investigate relationships among strategy variables (Buzzell & Gale, 1987). One of the major benefits of the PIMS database is that it allowed researchers to examine the impact of service quality on financial outcomes after controlling for the effects of other variables such as price and advertising. Managerially, the research stream began when firms sought documentation that their investments in service quality and in Total Quality Management (TQM) in general, were paying off. Because individual firms found it difficult to substantiate the impact of their investments, they turned for insight to a group of early studies conducted by management consulting firms that explored effects across a broad sample of firms. The news was not encouraging. McKinsey and Company found that nearly two thirds of quality programs examined had either stalled or fallen short of delivering real improvements (Matthews & Katel, 1992). In two other studies, Kearney, A.T. found that 80 percent of British firms reported no significant impact as a result of TQM, and Little, A. D. claimed that almost two thirds of 500 U.S. companies saw "zero competitive gain" from TQM (The Cracks in Quality, 1992).

The relationship of satisfaction to profits was also examined by Fomell and Wemerfelt (1987, 1988) in studies of the effect of compliant handling programs on customer retention, and therefore profitability. Other researchers have investigated the profitability of service quality using aggregate, cross-sectional data, most notably Buzzell and Gale's (1987) analysis of the Property Management Solution (PIMS) data. Reichheld and Sasser (1990) have also described the profit impact of reducing a company's "defection rate." The value of customer satisfaction rests on its relationship to choice and market share. The consideration of this relationship belongs to the domain of defensive marketing, which augments the offensive marketing paradigm that has traditionally been predominant. Conclusions of research conducted for the U.S. Office of Consumer Affairs that it may be five times as costly to attract a new customer as to keep an old one (Peters, 1988) supports the importance of quality service.

2.3.4 Advertisement

Advertisement is a form of communication used to encourage or persuade an audience (viewers, readers or listeners; sometimes a specific group of people) to continue or take some new action. Most commonly, the desired result is to drive consumer behavior with respect to a commercial offering. The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspapers, magazines, television among others.

It is generally accepted or believed that advertising increases sales hence market share. Advertising is any paid form of non-personal communication about an organization, product, service, or idea by an identified sponsor, (Alexander, 1965:9). The role of advertising within an economy cannot be over-emphasized. Advertising and promotions are an integral part of our social and economic system, evolving into a vital communications system that gives businesses and consumers the ability to deliver carefully prepared messages to target audiences. "Advertising provides nearly all of the financing for commercial domestic broadcast television and approximately half of the financing for domestic cable television", (Blumenthal & Goodenough, 1998: 416). Expenditures in advertising and promotions have experienced tremendous growth in recent years. Between 1980 and 2002, their combined expenditure increased from $102 billion to $490 billion in the United States, (Belch & Belch, 2004:5). This represents a compound annual growth rate of 7.4%, and a substantial amount of resources expenditure. The question arises as to the extent and level of benefit provided to the sponsors of these communications. Batra, Lehmann, Donald, Burke & Pae, (1995) find a strong and *significant increase* in the effect of advertising when the product category is new and growing.

The primary purpose of advertising is to sell something; a product, a service, or an idea. In other words, advertising is supposed to increase sales or market share of the sponsor. In view of the fact that the objective of a firm is to maximize shareholders' wealth as evidenced by the firm's stock price, the goal of sales increases and market share are only relevant to the extent that they enhance the profitability of the firm through increase in operating income.

Agrawal and Kamakura (1995) studied the impact of 110 celebrity endorsement contract announcements on the expected profitability of a firm using event study methodology. Their results indicate that, on average, the impact of these announcements resulted in a 54 basis points cumulative abnormal return over the event window of 0 and 1. This suggests that celebrity endorsement contracts are generally viewed as a worthwhile investment in advertising. The authors point out that measuring the overall effect of advertising expenditures on sales is problematic, and a direct assessment of the effectiveness of celebrity endorsement on a firm's profitability may be impossible. In addition, because advertising effects accrue over time, current profits may not accurately reflect the true profitability of a given campaign

Erickson and Jacobson (1992) explored the extent to which Research and Development (R&D) and advertising expenditures generate a comparative advantage that allows firms to earn above normal profits. After controlling for unobserved firm specific factors and the feedback between discretionary expenditures and profitability, their analysis suggests a substantially lower accounting and stock market returns to R&D and advertising expenditures.

The traditional view of market share considers sales and market share to arise primarily from offensive marketing actions, such as the econometric literature (Aaker 1982; Bass 1969; Bass and Clarke 1972; Bass and Leone 1983; Blattberg & Jeuland 1981), which views sales and market share to be a result of levels of advertising and other offensive marketing variables, and in the sales promotion literature (Guadagni &Little 1983; Lattin & Bucklin 1989; Neslin 1990; Fader & McAlister 1990), which views sales to be a result of promotional activity and other variables. However the effects of customer satisfaction and customer retention on market share and profitability are generally not emphasized in these models, except for adjustment terms for "loyalty" or "inertia" (Guadagni & Little 1983). On the other hand, defensive marketing (Fornell & Wernerfelt 1987, 1988) recognizes these effects by emphasizing that marketing resources may be better spent keeping existing customers than by attracting new ones.

2.4 Research Gaps

The market share of a supermarket is affected by price, location, quality of service and advertisement. The reviewed literature has confirmed quite an amount of work in this area. However, no research had been conducted on a quoted retail company such as Uchumi Supermarkets Limited, being the only public company trading at the securities exchange in Eastern and Southern Africa. This research paper demonstrates how market share of retail outlets that are trading at the securities exchange is affected by price, location, quality of service and advertisement.

2.5 Summary

Based on the above literatures, it is evident that businesses face stiff competition in order to maintain or increase their market share. Customers demand for high quality products and lower prices. Customers are likely to make a repeat purchase from businesses where quality of service is high. Customers should further be reminded of the existence of products through regular advertisements. The location of a business including existence of other businesses in the location has a direct impact on customer number hence the overall market share of the business.

2.6 Conceptual Framework

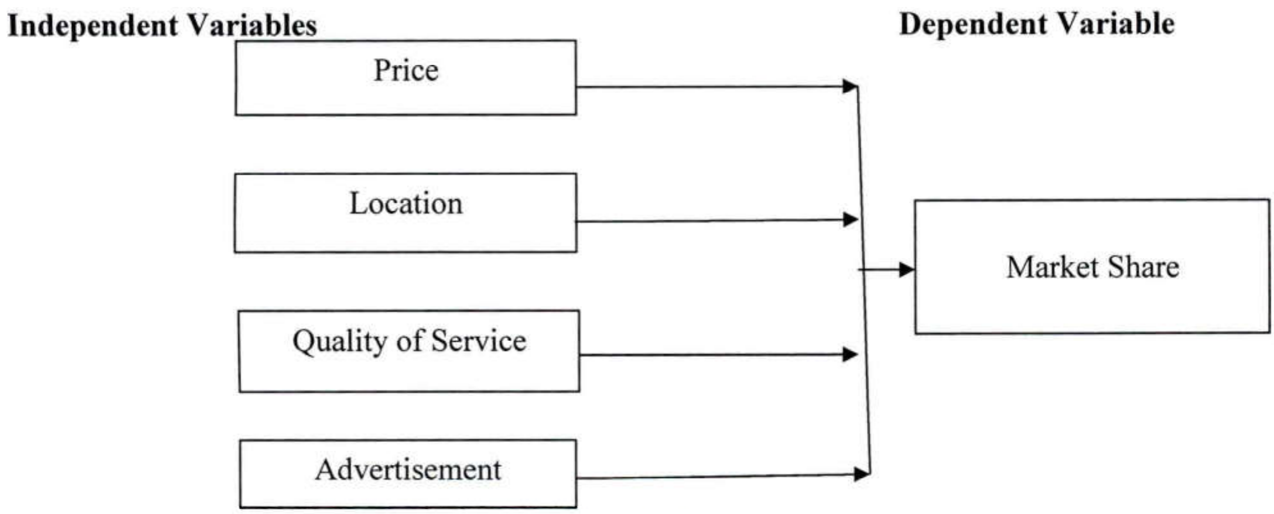

Figure 2.1: Conceptual Framework
Source: (Author, 2012)

The study adopted the conceptual framework in Figure 2.1 above. The independent variables are price, location, quality of service and advertisement. The independent variables were conceptualized to influence the dependent variable, which is market share.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the various methods and procedures the project adopted in order to meet the objectives and the aim of the study as stipulated in chapter one. The chapter starts by elaborating the research design, then the population, methods that were used to collect data and survey. Research procedures that were used to collect data together with the different methods of data analysis were also covered under this chapter.

3.2 Research Design

The study adopted a Case Study research design. According to Yin (2004), a case study excels at bringing an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. The data measurement was on scale for categorical measurements. The rational of the study utilized likert Scales. This design was selected because it provides insights into and comprehension of an issue or situation

3.3 Population

Population refers to the total collection of elements from which reference will be made (Sharp and Howard, 2006). According to Human Resources records at Uchumi Supermarkets Limited as at July 2012, there were twenty nine managers working for the company with ten senior managers based at the head office and nineteen middle level managers working at branches in different parts of the country. This study targeted both levels of managers because they are usually involved in strategic decision making process. Middle level managers are further spread around nineteen Uchumi branches in Kenya. Therefore the population of the study comprised of ten senior managers based at the head office and nineteen middle level managers based at Uchumi branches in Kenya.

Table 3.1: Population

	Station of managers	Number of managers
1	Heads of Department	10
2	Branch Managers	19
Total		**29**

Source: (Uchumi Supermarkets Human Resources Records, July 2012)

3.4 Description of Census Survey Procedure

A census survey was applied since the whole population of senior and middle level management was interviewed. According to Rick Helling (2006) as sighted by John Smyth, (1984) a Professor of Èducational Research, provided his research students with the "rule of thumb" on sample size. He proposed that if the size of the population falls between 0 – 100, then the sampling size should be 100%. Based on the rule of the thumb as described above, all the twenty nine senior and middle level managers were surveyed.

3.5 Data Collection

The main tools of data collection for this study were questionnaires and interview schedules. The questionnaire was used for data collection because it offers considerable advantages in the administration: it presents an even stimulus potentially to large numbers of people simultaneously and provides the investigation with an easy accumulation of data. Gay (1992) maintains that questionnaires give respondents freedom to express their views or opinion and also to make suggestions. It is also anonymous. Anonymity helps to produce more candid answers than is possible in an interview.

Data was collected using survey questionnaires. According to Dörnyei and Taguchi (2010), a questionnaire minimizes the cost attached to collecting data in a research study as well as collecting large amounts of data within a short period. The study therefore adopted questionnaires as the convenient data collection tools. The questionnaire was based on the research objectives apart from the first section that captured the respondents' personal details. The questionnaire contained structured and non structured questions. The questionnaire was administered on one-on-one and on drop and pick. Face to face interviews were conducted with respondents that were willing to give audience while drop and pick was applied for those who are not willing to give the researcher audience. This approach enhanced response rate. The data collected was used for data analysis.

3.6 Data Analysis

The data collected was analysed using arithmetic mean while sorting and coding was done using statistical package for social scientists (SPSS) computer application. The outcome of the quantitative data from the coded and closed ended questions was tabulated using frequency tables and percentages.

3.7 Validity and Reliability

Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda and Mugenda, 1999). In other words, validity is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Validity, according to Borg and Gall (1989) is the degree to which a test measures what it purports to measure. All assessments of validity are subjective opinions based on the judgment of the researcher (Wiersma, 1995). A pilot study helped to improve face validity and content of the instruments. According to Borg and Gall (1989), content validity of an instrument is improved through expert judgment. As such, the researcher sought assistance of his supervisors, who, as experts in research, helped improve content validity of the instrument.

Validity is concerned with the extent to which the measurement and therefore the data obtained are relatively free from error (are accurate). Wainer and Braun (1998) describe the validity in quantitative research as "construct validity". Validity, in qualitative research, refers to whether the findings of a study are true and certain—"true" in the sense that research findings accurately reflect the situation, and "certain" in the sense that research findings are supported by the evidence. Triangulation is a method used by qualitative researchers to check and establish validity in their studies by analyzing a research question from multiple perspectives. In carrying out this study, the researcher used triangulation to provide assurances of validity. This technique (triangulation) entails the employment of more than one approach to the investigation of a research question so as to raise confidence in the researcher's findings. A pilot survey was conducted on two staff working for Ukwala Supermarkets Limited.

3.8 Ethical Considerations

The following ethical considerations were taken into account during the study;

The need for approval of the research project by the School of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology, was essential and mandatory to give validity to the document and to show that the study had been done according to approved research standards and practices.

Informed consent from the participants in the study was necessary so as to gain their trust and confidence in the objectives of the study which was purely academic in nature.

Observation and maintenance of confidentiality was vital, especially for participants who wanted to remain anonymous for either official or personal reasons, for fear of reprisals or otherwise.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents and discusses the analysis of data collected from the two stratums of respondents from Uchumi Supermarkets Limited who completed the questionnaires. The structured questions generated quantitative data, while the unstructured questions generated qualitative data. The quantitative data was analyzed using descriptive statistics and presented in the form of frequency tables and percentages. The qualitative data was analyzed through the use of content analysis. Results of the data analysis provided information that formed the basis for discussion, conclusion and interpretation of the findings and recommendations of the study.

4.2 Survey Characteristics

The researcher targeted senior managers based at the head office and middle level managers based at Uchumi branches across the country. A total of 29 questionnaires were administered to the targeted groups. The analysis was based on responses and information provided from the closed ended questions. The analysis is presented in the form of frequency distribution tables expressed in terms of percentages and interpreted to that effect.

4.2.1 Response Rate

Out of the 29 questionnaires, 25 were returned. This represented a response rate of 86.2%. According to Babbie (1995) a response rate of 70% is satisfactory for research analysis. In this case, a response rate of 86.2% was considered adequate for this study. Table 4.1 below shows the actual response under each category.

Table 4.1: Response Rate

Category	Target	Responses	Non-responses
Senior Managers	10	8	2
Middle level managers at branches	19	17	2
Total	29	25	4
Percentage	100	86.2	13.8

The response rate was 86.2%. 80% responded in the category of senior managers while 89% responded under the category of middle level managers based at branches. It is notable that 13.8% of the target population did not respond. This may have been due to tight work schedules.

4.2.2 Analysis of Respondents by Age

The legal employment age in Kenya is from 18 years. According to Uchumi Supermarkets Ltd Human Resources policies, staff retire at the age of 60. The researcher analysed the ages of respondents and summarized in the table below.

Table 4.2: Age Group

Number of years	Frequency	Percentage
18-25	1	4
26-35	7	28
36-40	8	32
41-above	4	16
Not applicable responses	5	20
Total	25	100

The responses show that the majority are in the age of 36 to 40 years at 32% followed by 26 to 35 years at 28%. It notable that 5 respondents, all of them ladies representing 20% did not want to indicate their age. The analysis above shows that most respondents are in their active age brackets and were therefore easily found in the study area.

4.2.3 Analysis of Respondents by Gender

Uchumi Supermarkets Ltd does not discriminate against gender during recruitment. The researcher inquired into gender of respondents and findings are summarized in the table below.

Table 4.3: Gender

Gender	Frequency	Percentage
Male	20	80
Female	5	20
Total	25	100

The responses show that 80% were male while 20% were female. This shows that the number of male is higher than female amongst senior and middle level managers at Uchumi Supermarkets Limited.

4.3 Results and Discussion

The findings of the study are summarized in tables 4.4, 4.5, 4.6, 4.7 and 4.8 below.

Table 4.4: Extent of Agreement

	Opinion										
	Very Large Extent		Large Extent		Some Extent		Small Extent		No Extent		
Statement	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	N
USL uses a lower pricing strategy to penetrate the market	1	4	1	4	2	8	8	32	13	52	25
Rivalry among retail outlets has resulted to reduced margins and profits	13	52	8	32	2	8	1	4	1	4	25
Supermarkets usually respond to price changes initiated by any supermarket	12	48	7	28	2	8	2	8	2	8	25
Location of a branch has a direct effect on its sales and profitability	18	72	4	16	3	12	0	0	0	0	25
Suppliers who make direct deliveries to branches consider location as a major											

factor	5	20	3	12	0	0	3	12	14	56	25
USL regularly caries out customer service training for its staff	3	12	5	20	12	48	5	20	0	0	25
Each branch of USL has a customer service officer	25	100	0	0	0	0	0	0	0	0	25
USL customers give feedback on desired but missing products	15	60	4	16	5	20	1	4	0	0	25
Advertisements carried out by USL are adequate to counter competition	2	8	5	20	13	52	3	12	2	8	25

Table 4.5: Rating of Satisfaction

	Opinion						
	Very Good		Good		Poor		
Statement	Freq.	%	Freq.	%	Freq.	%	N
Rating of USL staff training to competition	4	16	18	72	3	12	25
Rating of USL quality of products to competition	20	80	5	20	0	0	25
Rating of USL shop ambiance to competition	4	23	11	65	2	12	17
Rating of USL marketing and PR activities to competition	2	8	12	48	11	44	25

Table 4.6: Training and Advertisement

Statement	Yes		No		
	Frequency	%	Frequency	%	N
Responses on whether respondents have attended training in customer service and culture change	5	20	20	80	25
Responses on whether customer satisfaction surveys have been conducted at branches	5	29	12	71	25
Responses on whether branches have put in place customer suggestion/feedback boxes to measure customer satisfaction indices	11	65	6	35	17
Responses on whether branches have participated in corporate social responsibility activities to give back to its customers	4	24	13	76	17

Table 4.7: Location of Supermarket

Statement	Opinion								
	Very Prime		Prime		Poor		Very Poor		
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	N
Opinion on whether USL branches are in prime areas	2	12	9	53	5	29	1	6	17

Table 4.8: Advertising Budget

Statement	Opinion								
	High		Average		Low		Very low		
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	N
Comparison of USL advertising budget to competition	2	8	6	24	12	48	5	20	25

4.3.1 Objective 1: Effects of Price on Market Share of a Supermarket

Up to 52% of the respondents did not believe that USL uses a lower pricing strategy to penetrate the market. Only 4% of the respondents believed that USL uses a lower pricing strategy to penetrate the market. This implies that price is not among the major factors that affect the market share of a supermarket. This is because retail prices of commodities are usually set by suppliers and manufacturers. In the event that one of the supermarkets considered a market leader changes prices of its goods, other supermarkets will follow suit. Up to 48% of the respondents believe that to a very large extent, supermarkets respond to price changes initiated by other supermarkets while only 8% believed that supermarkets do not respond to price changes initiated by other supermarkets.

4.3.2 Objective 2: Extent to which Location of a Supermarket affects Market Share

Up to 72% of the respondents believe that to a very large extent, location of a branch has an effect on sales and profitability compared to 12% who believe that to some extent, location of a branch has an effect on sales and profitability. Up to 53% of respondents believe their branches are in prime areas compared to 6% who feel their branches are in very poor locations. This implies that USL considers location before coming up with a new supermarket. Suppliers who make direct deliveries to supermarkets also consider location since it has a direct effect on delivery costs. Up to 56% of the respondents whose branches are based in Nairobi did not think that suppliers consider location before making direct deliveries. This may due to the fact that the branches are already in prime locations. On the other hand, up to 20% of the respondents whose branches are upcountry think that to a very large extent, suppliers consider location before making direct deliveries.

4.3.3. Objective 3: Effects of Quality of Service on Market Share of Supermarkets

Supermarkets seem to have identified quality of service as a major factor that affects market share. Up to 48% of respondents agreed that to some extent, USL regularly caries out customer service training while up to 12% believe that to a very large extent, USL carries out customer service training. All respondents at 100% agreed that every branch of USL has a customer service officer. Up to 60% of the respondents believe that to a very large extent, customers usually give feedback on desired but missing products compared to 4% who believe that to a small extent, customers give feedback on desired products. Quality of service goes hand in hand with training. Up to 72% of respondents believed that USL staff training is good compared to competition. Majority of respondents at 80% reported that qualities of products stocked by USL are very good compared to only 20% who felt the products are good. One cannot talk of quality of service without mentioning shop ambiance which includes cleanliness, arrangement of shelves and general tidiness of a supermarket. Up to 65% of respondents were of the opinion that shop ambiance was good compared to competition. Only 12% felt that shop ambiance was poor.

4.3.4. Objective 4: Effects of Advertisement on Market Share of Supermarkets

The research supports the fact that advertisement has an effect on market share of a supermarket. Advertising activities include public relations, customer feedback initiatives, and corporate social responsibility activities among others. Up to 48% of respondents belief that ULS marketing and PR activities are good compared to competition while 8% believe that the activities were very good. Up to 65% of branch managers confirmed that they have put in place customer feedback initiatives. 52% of the respondents believe that to some extent, advertisements carried out by USL are adequate to counter competition with 48% responding that USL advertising budget is low compared to competition. Only 8% felt that USL advertising budget is high compared to competition. Meanwhile, 76% of the respondents confirmed that their specific branches have participated in corporate social responsibility activities compared to 24% who reported that they had not participated in such activities.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings, recommendations and conclusions. This chapter further suggests areas for further studies.

5.2 Summary

The study examined factors affecting market share of supermarkets in Kenya and focused on Uchumi Supermarkets in Kenya. Four factors namely price, location, quality of service and advertisement were conceptualized to affect the market share of supermarkets.

The justification of the study arose from the fact that today's organizations engaging in businesses have to contend with the dynamics of a changing market share. Major players in the retail sector in Kenya are expanding to other major towns within the country and to regional markets in neighboring countries including Uganda, Tanzania and Rwanda. This has resulted to stiff competition amongst major players in the sector resulting to low margins and profits due to low and similar price offerings. In Kenya, the retail sector is characterized by a large number of small and medium scale retailers and a few large supermarket chains located mainly in urban areas.

As a result of the rapid growth and stiff competition for market share, some of the less competitive outlets such as Metro Cash and Carry (South African) closed down. Meanwhile, customers consider price, location of a supermarket, quality of service and advertisement to remain loyal to either a branch or a specific chain.

Survey design was used to collect data for the study. The target population was senior and middle level managers of Uchumi Supermarkets Limited. All ten senior managers and nineteen middle level managers were selected to form the population for the study. Questionnaires were used as data collection instruments. Data was analysed using the SPSS application. Reliability and validity of data was ensured through pilot study which captured all the variables in the questionnaire. The response rate was 86.2%. 80% of all senior managers responded while 89.47% of middle level managers responded to the questionnaire. Up to 80% of the respondents were male while 20% were female.

5.2.1 Price

The findings from the study indicate that price is not a major factor that affects market share of a supermarket. Up to 52% of the respondents felt that to No Extent, USL uses a lower pricing strategy to penetrate the market while 48% agreed that to a Very High Extent, supermarkets usually respond to price changes initiated by other supermarkets.

5.2.2 Location

The findings of the study show that location of a supermarket can affect its market share. Up to 72% of the respondents agreed that to a Very Large Extent, location of a branch has a direct effect on sales and profitability. Though 56% felt that to No Extent, suppliers who make direct deliveries to branches consider location as a major factor, the respondents were considered to be from branches that were already in prime locations. Meanwhile, up to 53% of the respondents believed that their specific branches were in prime locations. This implies that USL considers location as a major factor before coming up with a new branch.

5.2.3 Quality of Service

The study shows that a supermarket cannot control a significant market share is the quality of service is poor. USL has invested resources to improve on its quality of service. All respondents at 100% confirmed that each branch of USL has a customer service officer while 60% of the respondents reported that customers give feedback on desired but missing products. Up to 72% of the respondents reported that USL staff training is Good compared to competition while 80% confirmed that quality of products stocked by USL are Very Good. Meanwhile, 65% rated USL shop ambiance as Good compared to competition. Lastly, up to 65% of respondents confirmed that USL has put in place customer suggestion/feedback boxes to measure customer satisfaction indices. The results show that ULS takes quality of service to its customers seriously since it affects its market share.

5.2.4 Advertisement

Uchumi Supermarkets uses advertising channels to reach out to existing and potential customers. 48% of the respondents felt that USL marketing and PR activities are Good compared to competition while 24% felt USL advertising budget was low compared to competition. USL has to improve on its advertising and PR activities. This is informed from the findings of the study where 52% of respondents felt that to Some Extent; advertisements carries out by USL are adequate to counter competition while up to 76% of branch managers confirmed that they had not participated in corporate social responsibility activities to give back to its customers.

5.3 Conclusion

There is stiff competition amongst supermarkets in Kenya. The numbers of supermarkets in both urban and rural areas have continued to increase over time. The product and price offering by the supermarkets are almost similar. To remain competitive, supermarkets have to come up with other strategies to ensure they maintain or increase their market share. There are many factors that affect market share of supermarkets in Kenya. This project looked at factors identified in the conceptual framework which include price, location, quality of service and advertisement. Majority of respondents reported that location, advertisement and quality of service are major factors that affect the market share of Uchumi supermarkets. The same respondents did not think that price is a major factor since retail prices are usually set by manufacturers/distributors. Change in prices by one major outlets results to changes in prices of the same product by other outlets.

Location of a branch must be considered when putting up a supermarket. In the case of Uchumi Supermarkets Ltd, it was noted that suppliers are not always willing to deliver products to upcountry branches since this has a direct impact on transport costs. This has forced the supermarket to invest in warehouses and own fleet to transport goods to such branches. Other areas to consider as far as location is concerned include the side of the road since customers usually shop in the evening when going back home. Locating a branch on the side of the road where traffic flows back to residential areas will increase sales. Other facilities including parking, security and proximity to residential areas should be considered.

Quality of service and advertisements are other factors that should be considered. Small gestures such as support to customers during shopping, staff grooming, quick response to customer concerns and the overall ambiance of a branch can ensure repeat purchases from customers hence increasing market share.

Respondents to this study did not think price is a major factor that affects market share of a supermarket. This is because prices of major fast moving items including food stuff are set by suppliers and manufactures. During advertisements carried out by some of the suppliers for example Coca-Cola, East African Breweries and some dairy companies, the recommended retail price is at times communicated to the target audience. In some other cases, manufacturers have gone an extra mile to include the selling prices on the products. Examples include newspapers and magazines, cigarettes, some food items for example bread and milk among others. On the other hand, many shoppers are likely to compare prices in different supermarkets (window shopping) before a purchase is made. Some media houses in Kenya also carry out a comparison survey of key food items in selected supermarkets and broadcast the finding to the public. Supermarkets charging higher prices can easily lose customers. In the event that any supermarket that is considered a market leader changes prices of some items either upwards or downwards, other supermarkets are likely to follow suit. If prices are reduced, other supermarkets are likely to negotiate with suppliers whose prices were reduced for discounts. This move ensures prices at all supermarkets stabilize at almost the same level within a short time. On the other hand if the prices are increased by one supermarket, others are likely to increase to ensure high margins and profits. Other supermarkets may allow their prices to remain lower so as to attract customers. Supermarkets losing customers due to high prices are likely to reduce their prices and within a short period, prices across all supermarkets stabilize at almost the same level.

All supermarkets seem to be applying all the strategies that were identified in this study. The success of any supermarket will depend on how best they apply the strategies in comparison to their competitors.

5.4 Recommendations of the Study

It is recommended that Uchumi Supermarkets Limited trains its staff in customer service and culture change and carries out customer satisfaction surveys at its branches to respond to customer requirements and to benchmark with competition.

Uchumi supermarkets Limited should further consider more budgetary allocation to advertisement to counter competition and improve on the ambiance of its branches/outlets to attract more customer numbers. Supermarkets in the retail sectors can also consider partnering with suppliers, distributors and manufacturers to carry out advertisements especially on new products and share the costs of such promotions.

Lastly, it is recommended that Uchumi Supermarkets Limited considers gender equality when recruiting senior and middle level managers. Responses to the questionnaires clearly shows that majority of senior and middle level managers are male at 80% while female are only 20%. The ratio does not meet the minimum gender balance requirements by the Kenya constitution which requires that at least 30% of staff in public institutions should be of the opposite gender.

5.5 Suggestion for Further Studies

There is still room for further research and it is advisable that a study be undertaken to investigate factors that affect market share of all supermarkets in Kenya. The findings of such study will help reduce chances of businesses in the retail sector collapsing and closing down due to lack of information. This will ensure jobs are secured, economic growth is enhanced and realization of vision 2030 is achieved.

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APPENDIXES

Appendix I: Letter of Introduction

Mboya, David Owen
Jomo Kenyatta University of Agriculture and Technology
P.O. Box 62000 – 00200
NAIROBI

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student at the Jomo Kenyatta University of Agriculture and Technology (JKUAT). I am presently carrying out a study on "FACTORS AFFECTING MARKET SHARE OF SUPERMARKETS IN KENYA – A CASE STUDY OF UCHUMI SUPERMARKETS". This research is a partial fulfillment requirement for the award of MBA degree at JKUAT.

As part of this exercise I would be grateful if could spare fifteen minutes of your time to respond to the questions attached herein. Please be assured that the response from this survey will be treated with utmost confidentiality and be used for academic purposes only.

Thanking you in advance for taking the time to participate in this study

Yours faithfully,

Mboya, David Owen
EMBA Student - JKUAT

Appendix II: Questionnaire

You are kindly requested to answer the following questions in the spaces provided.

General Information

Your Name.. (Optional)

Age ....

Gender...

Work Station

Head Office	Branch

If branch, name of branch..

For how long have you worked with Uchumi Supermarkets Limited? ....

Q1. Please indicate the extent to which your agree with the statements listed below on a scale of 1-5 where;

5 is To a very large extent; 4 is to a large extent; 3 is to some extent; 2 is to a small extent and 1 to no extent.

1. **Price**

	Statement	(5) Very large extent	(4) Large extent	(3) Some extent	2) Small extent	1) No extent
a)	Uchumi Supermarkets Limited uses a lower pricing strategy to penetrate the market					

b)	The competition and rivalry among retail outlets has resulted to reduced margins and profits					
C)	Supermarkets in the retail sector usually respond to price changes initiated by any supermarket					

2. Location

	Statement	(5) Very large extent	(4) Large extent	(3) Some extent	2) Small extent	1) No extent
a)	The location of a branch has a direct effect on its sales and profitability					
b)	Suppliers who make direct deliveries to branches consider location as a major factor					

2c. How would you consider the location of your branch (Please do not answer if you are not a branch manager)

Very Prime	Prime	Poor	Very poor

2d. Please list some factors that influenced your response to question 2c above

i)………………………………………………………………………………..

ii)………………………………………………………………………………

iii)……………………………………………………………………………..

iv)……………………………………………………………………………..

3. Quality of Service

	Statement	(5) Very large extent	(4) Large extent	(3) Some extent	2) Small extent	1) No extent
a)	Uchumi supermarkets regularly carries out customer service training for its staff					
b)	Every branch of Uchumi has a customer service officer					
c)	Customers usually give feedback on desired but missing products					

3d. Have you attended training in customer service and culture change program?

Yes No

3e. Has a customer satisfaction survey been conducted at your branch? (Please do not answer if you are not a branch manager)

Yes No

3f. How would you rate the following at Uchumi supermarkets in relation to competition?

a) Staff training	Very good	Good	Poor
b) Quality of products	Very good	Good	Poor
c) Shop ambiance	Very good	Good	Poor
d) Marketing and PR	Very good	Good	Poor

3g. Has your branch put in place customer suggestion/feedback boxes to measure customer satisfaction indices? (Please do not answer if you are not a branch manager)

Yes	No

4. Advertisement

	Statement	(5) Very large extent	(4) Large extent	(3) Some extent	2) Small extent	1) No extent
a)	Advertisements carried out by Uchumi Supermarkets are adequate to counter competition					

4b. How would you compare your budget and level of advertising to competition such as Nakumatt and Tuskys?

High	Average	Low	Very low

4c. Has your branch participated in any corporate social responsibility activities to give back to its customers? (Please do not answer if you are not a branch manager)

Yes	No

Q5. List some of the measures put in place by Uchumi Supermarkets to ensure customers communicate their needs to enable the supermarket sell what they need and have it in store when they want it

i)

ii)

iii)

iv)

Thank you very much for your responses.