INVESTIGATION INTO THE EFFECT OF EXPANSION OF THE SUPERMARKETS ON SMALL SCALE RETAIL TRADERS IN BURUBURU SHOPPING CENTRE IN EASTLAND NAIROBI

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Declaration

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than Kenyatta University for academic credit;

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This project proposal has been presented for examination with my approval as the University supervisor;

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Dedication

I dedicate this paper to my family: My dear sons, Messrs. Phil Johnson and Pat Robert Munga and my wife Mrs Peninnah Munga.
ABSTRACT

The supermarkets in Kenya have been rapidly expanding from the city centers where they were originally located to other places such as slums areas and those areas inhabited by low and middle-level income earners. It is therefore of great significance to investigate what effect the expansion of supermarkets has had on small scale retail traders. The study sought to investigate the effect of expansion of supermarkets on growth, on the market share and their influence on financial performance of small scale businesses in Buru Buru Shopping centre in Eastland Nairobi.

This study used survey design as it gives in depth information when investigating into the effect of supermarket expansion on small scale businesses. The target population of the study was the 110 registered small businesses in Buruburu shopping centre. The whole population was used when collecting the data for the study. The researcher used questionnaires as a tool of data collection. The data collected was analyzed using descriptive statistics method which included frequencies and percentages and the results were presented using tables and charts.

The study found that establishment of supermarkets in the area had had hindered the growth of small businesses, reduced their financial performance, and reduced their market share. The study concludes that establishment of large supermarkets in areas that were predominantly the reserve of small businesses hampers their growth, profitability and market share. The study recommends that policy makers need to take cognizance of the impact that the expansion of supermarkets have on small businesses. The small business owners should also invest more on customer relationships and quality goods if they are to grow despite the presence of large supermarkets.
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DEFINITION OF TERMS

Business establishment: this refers to the formation of small businesses within the areas in which the supermarkets have put up their branches.

Growth: this is defined as the expansion of small businesses in the areas in which the supermarkets have put up their premises.

Profitability: this is defined as the value of a business after the costs are deducted from the sales of the business.

Supermarket expansion: This is defined as the growth of supermarkets into several branches across the estates in Nairobi.

Supermarket: is a retail outlet large-scale in operations that emphasize low prices and one-stop shopping for household needs.

Big Supermarket: a supermarket with three or more branches.
CHAPTER ONE

1.0 INTRODUCTION

This chapter presents the background of the study. Under this background, the concept of expansion is explained. This is followed by problem definition where a case for this study is provided. The chapter then provides the objectives of the study (both main and specific objectives), research questions, significance of the study, limitations of the study, and scope of the study.

1.1 Background of the study

Supermarkets are retail outlet large-scale in operations that emphasize low prices and one-stop shopping for household needs (Neven and Reardon, 2005). A supermarket is a store with a sales area of 3000-25,000 sq m, with a minimum of $2 million yearly sales. Retail is defined by Hasty and Reardon (1997), as the activities involved in the sale of goods and services to consumers for their personal family of household use. The traditional suburban supermarket occupies a large amount of floor space, usually on a single level, and is situated near a residential area in order to be convenient to consumers. Its basic appeal is the availability of a broad selection of goods under a single roof at relatively low prices. Other advantages include ease of parking and, frequently, the convenience of shopping hours that extend far into the evening or even 24 hours a day. Supermarkets usually make massive outlays of newspaper and other advertising and often present elaborate in-store displays of products (Henry, shopping by design, volume 93).

Supermarkets usually offer products at low prices by reducing their economic margins. Certain products (typically staple foods such as bread, milk and sugar)
are frequently sold as loss leaders, that is, with negative profit margins. To maintain a profit, supermarkets attempt to make up for the lower margins by a higher overall volume of sales, and with the sale of higher-margin items (Kanter, 1991). Customers usually shop by placing their selected merchandise into shopping carts (trolleys) or baskets (self-service) and pay for the merchandise at the check-out. At present, many supermarket chains are attempting to further reduce labor costs by shifting to self-service check-out machines, where a single employee can oversee a group of four or five machines at once, assisting multiple customers at a time (Hasty and Reardon, 1997).

The many concerns expressed with the expansion of supermarkets and their possible harmful effects on the welfare of traditional farmers have received little analysis beyond description of the basic trends mentioned. The empirical results show how capital deepening in transition growth can encourage the expansion of the supermarket system without the need to appeal to economies of scale or imperfect competition, how this expansion can occur even though the share of total household expenditures on food is declining, and how this process tends to both pull and push labor out of the traditional food system. The article concludes by noting how economic policy and other market imperfections can affect this process.

1.2. Buru buru Area

Buruburu is a large middle-class residential area in the Eastlands part of Nairobi, Kenya, situated in Makadara Division. Buruburu Estate comprises five phases, one being the oldest, with the fifth completed in 1982. Buruburu maintains its original flavor, but more recent developments include expansion of its shopping
centre. Buru Buru has witnessed immense commercial and residential development since its establishment in the 1970s. The hood’s attractiveness is heightened by the presence of several banks (Barclays, KCB, Equity), ATM outlets for most leading banks, major supermarkets (Uchumi, Tuskys, Mesora), hospitals (Aga Khan, AAR), colleges (Unity, Cambridge, Alliance, Dale), churches, petrol stations, hotels, gyms, numerous eateries and entertainment joints visitors.

1.2 Problem statement
Supermarkets are commanding a rapidly growing share of the retail food market in many developing countries. These large self-service stores include Wal-Mart, Carrefour, and Ahold and reflect foreign direct investment in physical and organizational capital. Reardon and Berdegue (2002) report that the earliest to the lasts adopters of supermarkets range from Latin America to Asia to Africa, roughly reflecting the ordering of income, urbanization, and infrastructure and policies that favor supermarket growth. The first wave began in the major cities in the larger and wealthier countries of Latin America.

The supermarkets in Kenya have been rapidly expanding from the city centers where they were originally located to other places such as slums areas and those areas inhabited by low and middle-level income earners. For instance Uchumi, and Tuskies Supermarket have expanded to Buruburu shopping centre in the Eastland in Nairobi. This is an area that has been predominantly served by small scale traders. As these supermarkets sell almost everything under one roof, the expansion of these big supermarkets may eat into the market served by the small scale traders. Thus, the supermarkets’ expansion may have an impact on the
small and medium enterprises. This effect may be positive or negative but it is hypothesized that since the supermarkets are able to have a variety of products in one shop, it may hamper the growth of small scale traders. It is therefore of great significance to establish what effect the expansion of supermarkets has had on small scale retail traders. This research sought to establish the impact of supermarket on small scale retail traders in Buruburu shopping centre in the Eastland of Nairobi.

1.3 Objectives of the study

1.3.1 General objective

The objective of the study was to investigate the effects of expansion of supermarkets on small scale retail traders.

1.3.2 Specific objectives

The specific objectives of the study were:

i. To determine the effect of expansion of supermarkets on growth of small scale businesses in Buruburu shopping centre in Eastland Nairobi

ii. To establish the influence of expansion of supermarkets on the market share of small scale businesses in Buruburu shopping centre in Eastland Nairobi

iii. To determine the influence of expansion of supermarkets on the financial performance of small scale businesses in Buruburu shopping centre in Eastland Nairobi
1.4 Research questions

i. How does the expansion of supermarkets influence growth of small scale businesses in Buruburu shopping centre in Eastland Nairobi?

ii. How does expansion of supermarkets affect the market share of small scale businesses in Buruburu shopping centre in Eastland Nairobi?

iii. How does the expansion of supermarkets affect the financial performance of small scale businesses in Buruburu shopping centre in Eastland Nairobi?

1.5 Significance of the study

This study is important to a number of stakeholders as described below.

1.5.1 Small Scale traders

The small scale traders in Nairobi will find the study useful since it will bring to light how supermarkets are affecting small businesses. The recommendations offered in the study will help them devise better strategies to compete with these supermarkets.

1.5.2 Government

The Government will find the study useful as a guide to what needs to be done if its goal is to help in the growth of the retail sector in the country. The study will recommend policy formulation for the sector which will aid in this. If the effect of supermarket expansion hampers the growth of small scale retail businesses,
then the Government may be asked to come up with policies that control the expansion of supermarkets into estates.

1.5.3 Researchers

The study is also important to researchers. This is so because the study has recommended on what areas need further studies. Thus, the researchers can pursue more on this issue by carrying out more studies that will inform research and the discipline.

1.6 Anticipated limitations of the Study

The study was anticipated to have the following limitations:

1.6.1 Bias of the respondents

This limitation facing the study emanates from the bias of the respondents as well as self reports. The respondents may be biased towards having more positive self-assessments which may mean that there is a high extent of corporate governance practice among the media houses. The study overcame this by performing a Cronbach analysis where correlations for self rating were assessed.

1.6.2 Confidentiality

This limitation involves the issue of confidentiality. Some of the respondents may not be willing to reveal information about their organization fearing that it would be used by their competitors. This was overcome by sending the questionnaires together with the introductory letters with specific information on the purpose of the research and the confidentiality of information provided. The
letter detailed the fact that the information will be used specifically for academic purposes.

1.6.2.3 Rate Responses

This limitation involves the issue of the respondents taking long time to respond to the questionnaire. This was overcome by requesting the respondent to give specific day of collecting the questionnaire if they were not able to fill them on the spot.

1.7 Scope of the study

The study covered Buruburu shopping centre in the Eastland of Nairobi where Uchumi and Tuskys supermarkets have opened some of their branches. Nairobi was selected because the expansion of supermarkets has been rapid in Nairobi than any other part in the country.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review from studies on effects of supermarket expansion. It also provides a theoretical framework empirical literature, critical overview of literature and conceptual framework on which the study will be based.

2.2 Main review

This section reviews the background on expansion and growth of supermarkets.

2.2.1 Supermarkets expansion

According to Reardon and Bedegue (2002), supermarkets are traditionally viewed by development economists, policymakers, and practitioners as the rich world's place to shop. But supermarkets are no longer just niche players for rich consumers in the capital cities of the countries in these regions. The rapid rise of supermarkets in these regions in the past five to ten years has transformed agrifood markets at different rates and depths across regions and countries. Many of those transformations present great challenges--even exclusion--for small farms, and small processing and distribution firms, but also potentially great opportunities. Development models, policies, and programs need to adapt to this radical change. In the six Latin American Countries of Argentina, Brazil, Chile, Colombia, Costa Rica, and Mexico, Reardon and Berdegue (2002) report that the retail market share commanded by supermarkets has grown from a population weighted average of 10-20% in 1990 to an average of 50-60% of food retail sales in 2000. By 2001, supermarkets in Argentina accounted for 57% of its
share of total food retail sales. The corresponding shares for Brazil, Chile, Colombia, Costa Rica, and Mexico are 75 %, 50 %, 38 %, 50 %, and 45 %, respectively. Weatherspoon and Reardon (2003) in their overview of supermarket expansion in Africa, find expansion to be the most rapid in South Africa, followed by Kenya, Nigeria, and the beginnings of expansion in other East African countries.

Belik and dos Santos (2002) noted that growth in retail demand for convenience foods, for quality, variety, and continuity over time, has been linked to growth in urbanization, an increase in the opportunity cost of time associated with the entry of women into the labor force, and growth in real per-capita income during the 1990s that has given households access to vehicles and refrigeration. Supply-side factors cited as contributing to the expansion of supermarkets range from trade liberalization, reduction in regulations on foreign direct investment, improvements in coordination and logistical systems, enforcement of contracts, improved packaging, and other economic forces commonly associated with the world globalization (Baldwin and Martin, 1999).

The contributions of these factors to supermarket expansion have not been rigorously studied however. The rapid adjustment in the food marketing chain linked to the growth of supermarkets has raised concern about the plight of the smaller traditional farmers that cannot meet the more demanding market channel standards. In the case of Mexico, Chavez (2002) notes that as the supermarket structure expanded to the central and northern regions of the country, greater demands for quality, uniformity, and continuity of product supply over time were placed on suppliers of primary agricultural commodities.
Berdegue (2001) finds for the case of Chile that small-scale farms, which typically employ more traditional farming technologies, also had difficulty meeting these product form (quality, uniformity), time, and spatial requirements of the growing supermarket sector, particularly for fruits, vegetables, meats, dairy, and other perishable foods.

Weatherspoon and Readon (2003), concluded that: chains draw as much as possible on medium-large growers that both export and sell to local supermarkets, where the larger growers are not available, and where small farmers cannot meet the standards of the supermarkets, there is some reliance on importing product to the stores from other countries, where projects can be put in place to "upgrade" the small farmers to meet the needs of supermarkets, the chains appear to be eager to participate in these schemes.

The World Bank has also expressed concern with the plight of small-scale producers. The Bank's Agricultural Sector Review for emerging economies forecasts that between 40 and 60 % of all agricultural produce and food products may be sold through large supermarket chains within a period of 5 to 10 years. The concern is that the increased penetration of supermarkets could paradoxically result in a diminished market for local products. The Bank suggests that this could depress agriculture for several years if local farmers and processors have not learned to satisfy the quality and volume demands of the new marketing structure. The sector review notes that several emerging market countries see that the retailing revolution is a threat leading to a decline in domestic sales due to increased imports from the international processors and traders.
2.2.2 Factor affecting supermarkets growth

According to Jobber & Lancaster, (2003), many retailers permanently close their doors everyday as they become victims of competitors who have done a better job of meeting customers' needs. Retailers together with all other small firms are realizing that they are in an economic war in which only the strong will survive. Instead of entering the war, some firms give up and go out of business. This is mainly due to lack of retail development strategies which comprise of: location, merchandize, prices, service, communications, market research, financial capability, technological advancement and proper human resource capability.

Supermarkets stores need to be located in areas accessible to attract different types of consumers. Churchill and Peter, (1994) point out those supermarket owners need to get the product to the target where it will be convenient for the customers to buy. No matter how good a product is, how fair its price or how effectively it's promoted the target market may not buy it if is not conveniently located. Jobber & Lancaster (2003) noted that planning the merchandize mix is one of the most important aspects of store operations. The merchandize mix represents the full range of products the retailer offers to potential customers.

One way to examine the relative strategic positioning of a store is to plot retailer against competitors on a margin/turnover graph. As retailers increase prices in an attempt to improve margins, customers start seeking out competitors from which to purchase. Jobber & Lancaster (2003) suggested that , in business, each retailer should have an overall strategy to reach potential consumers. One manner in which this strategy can be examined is in the context of the objectives of the promotional mix in order to satisfy a customer and have a quality store,
market research is essential. The retailer must be in touch with consumer expectations, desires, needs, wants and behavior (Jankowicz, 2000). In this case, understanding the Dar-es-salaam population shopping culture is important. For example, Tanzanians will prefer taking milk straight from a cow rather than processed packed milk, or eating locally processed maize flour from posho-mills than buying from supermarkets. Culture establishes the standards for purchasing behavior. Retailers should improve their understanding of culture on consumers.

2.3 Effects of Supermarket Expansion on Small Businesses

According to Sim, 1994, Competition among players in the retail sector is a global phenomenon. The oversupply of retail space in the Central Business District and the springing up of new shopping centres and neighborhood shops in the suburban areas are expected to lead to further softening of retail rentals in the main shopping belt in Tanzania. The general outlook of the retail sector is bleak as the market faces a downturn caused by a decline in tourist arrival and expenditure, ever increasing operating costs. In the face of a potential oversupply of retail space and the up-and-coming shopping centres, shop-owners and shoppers alike will have a much wider selection of shopping locations.

Sirpal, 1995, observed that existing and new shopping centres will face immense difficulties in attracting and maintaining their clientele base (i.e. both tenants and shoppers). A shopping centre will survive the competition only if it can attract a steady flow of customers. The buying public or shoppers therefore have to know of the centre's existence, its location and the various goods and services which shops in the centre have to offer. Advertising, promotion and publicity - or any
combination of these three activities - would help to build traffic flow and increase sales for all the shops in the centre.

Before the development and implementation of any marketing strategies, one must first define the organization's business and strategic mission. Next, its strategic objectives and performance should be established before formulating a strategy to achieve these clear strategic objectives and targeted results. Shopping centres in general deal with the retail trade and the provision of services. Shopping centres would therefore target tenancies with shopkeepers and patronage by shoppers. However, the formulation of marketing strategies by a shopping centre is not only limited to tenants and shoppers but should also extend to rival shopping centres as part of the competition. (Sim, 1994),

Unless the shopping centre is already satisfied with its current level of profits, it should aim to rationalise its operations in the future to form the strategic mission for its organisation. The objectives of shopping centres are obviously to achieve full occupancy rates and to ensure that their tenants are continually attracting shoppers at a profit. Creating a good reputation and maintaining a favourable image for the shopping centre are therefore of considerable importance. Management should also ensure that the shopping complex will compare favourably with its competitors in terms of performance.

According to Sun, 1991, Strategic planning provides the blueprint of all the important entrepreneurial, competitive and functional actions that are to be taken in pursuing organisational objectives and in positioning the organisation for sustained success. Sirpal, 1995 explained that in formulating any strategy, one's strengths and weaknesses must be critically examined so that the strategy
can exploit to the fullest the advantages one holds, and play down one's disadvantages. For example, a particular shopping centre may be endowed with a good location but yet tenants within the complex do not appeal to shoppers with the result that human traffic remains low. The marketing strategy in this case would be to re-select tenants and to attract desirable tenants through emphasizing the complex's location advantage.

A competitive situation analysis may also be essential. One should identify the sources of competitive pressures, how strong these pressures are, what one's competitors are doing, and what future competitive conditions will be like. This formulation phase of a business strategy is important because competitive forces of rival firms will eventually help shape one's strategy. A market leader will seek to build his defence against competitors. On the other hand, a relatively weak firm may choose to retreat into market niches where the competition is weak.

Before the retailer decides to venture into any market sector or to create any niche market, preliminary preparation works such as consumer surveys and market studies are of importance to determine the needs and preferences of the market. These will also help to determine the state of competition which one is likely to face. These preliminary preparation works would enable the retailer to better gauge market sentiments and to ensure that the potential market is a sustainable one. Competition is also a crucial factor in deciding the successful outcome of any marketing programme. A major marketing programme should never be launched against a competent and well-entrenched competitor without first neutralizing his ability to counter-attack effectively. The financial abilities and resource capabilities of the adversaries, their current strategies and likely
counter strategies must be analyzed. Their effects must be ascertained so that a suitable marketing programme may be formulated accordingly.

2.3.1 Grand /Directional strategies

According to Wheelen & Hunger (2002), there are four grand strategies namely stability, expansion/growth, retrenchment and combination.

2.3.1.1 Stability Strategy

Stability strategy is where a firm continues to serve the public in the same product or service, market and function sectors as defined in its business, definition or in very similar sectors. Its main strategic decisions focus on incremental improvement of functional performance. In effective stability strategy a company will concentrate its resources where it presently has or can rapidly develop a meaning of competitive advantage in the narrowest possible product market s a function scope consistent with its resources and market requirements.

2.3.1.2 Growth Strategy

Wheelen & Hunger (2002) point out that growth through concentric diversification into a related industry may be a very appropriate corporate strategy when a firm has a strong competitive position but industry attractiveness is low. Growth strategies are part of grand strategies which helps an organization to decide on its orientation to grow. A business can implement this strategy by re-defining the business-either adding to the scope of activity or substantially increasing the efforts of the current business. They also add that expansion is usually thought of as the growth. This is an appropriate strategy
that should be considered in this study because the main purpose is to stimulate growth in the supermarket sector.

2.3.1.3 Retrenchment strategies

Retrenchment strategies can be pursued by a company when it has a weak competitive position in some or all of its product lines resulting in poor performance, that is, sales are down and profits are becoming losses. A company may follow a number of retrenchment strategies. The turnaround strategy emphasizes the improvement of operational efficiency and is more appropriate when corporation problems are pervasive. A captive company strategy is the giving up of independence in exchange for security. Sell-out/Divestment strategy is used if a company with a weak competitive position in an industry is unable to pull itself up by its bootstraps or to find a customer to which it can become a captive company.

2.3.1.4 Combination strategy

Combination strategy is where a firm can adopt two or more of the above strategies. It is used for synergistic purpose and help to utilize all factors of production effectively like a retrenched factor can be utilized in growth area.

2.3.2 Michael Porters Generic Strategies

Thomson & Strickland (2001) suggests that an organization has to obtain a sustainable competitive advantage. Michael Porter suggested that they should follow either one of three generic strategies.

2.3.2.1 Cost Leadership.
This strategy involves the organization aiming to be the lowest cost producer within their industry. The organization aims to drive cost down through all the elements of the production of the product from sourcing, to labour costs. The cost leader usually aims at a broad market, so sufficient sales can cover costs.

2.3.2.2 Differentiation

To be different, is what organizations strive for. Having a competitive advantage which allows the company and its products ranges to stand out is crucial for their success. With a differentiation strategy the organization aims to focus its effort on particular segments and charge for the added differentiated value.

2.3.2.3 Niche strategies

Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. With both of these strategies the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment.

2.3.3 Chinese Strategies of war and Retail marketing strategies

In this context, inspirations may be drawn from ancient Chinese teachings, including battlefield strategies, to enable owners and marketing agents to further enhance their competitiveness. Strategic warfare has been applied over the centuries in China to help lords win wars over their enemies. Such maneuvers can similarly and equally be applied to strategically help shopping centres win
the “retail war”. After all, the applications of ancient Chinese philosophies and military strategies were already tested and accepted in project management, facilities management and real estate marketing management (Low, 1994; Low and Sirpal, 1995; Low and Yeo, 1993). In addition, Low and Sirpal (1995) suggest that the all-encompassing Thirty-six Chinese Classical Strategies of War bear many similarities to modern-day corporate and business strategies theorised in the West. These similarities indicate that modern-day Western theories on corporate and business strategies cannot possibly be new anymore (Thomas, 1995).

2.3.3.1 Beat the grass to startle the snake

According to Low and Yeo, 1993, any suspicion about the enemy’s circumstances must be investigated. Before any military action, be sure to ascertain the enemy’s situation; repeated reconnaissance is an effective way to discover the hidden enemy. Before the retailer decides to venture into any market sector or to create any niche market, preliminary preparation works such as consumer surveys and market studies are of importance to determine the needs and preferences of the market. These will also help to determine the state of competition which one is likely to face. These preliminary preparation works would enable the retailer to better gauge market sentiments and to ensure that the potential market is a sustainable one. Competition is also a crucial factor in deciding the successful outcome of any marketing programme. Sun, 1991 suggested that a major marketing programme should never be launched against a competent and well-entrenched competitor without first neutralizing his ability to counter-attack effectively. The financial abilities and resource capabilities of the adversaries,
their current strategies and likely counter strategies must be analyzed. Their effects must be ascertained so that a suitable marketing programme may be formulated accordingly.

2.3.3.2 Raise a corpse from the dead

The powerful is beyond exploitation, but the weak needs help. Exploit and manipulate the weak for they need you more than you need them. In marketing terms, this strategy suggests the raiding of weaker competitors to make one’s own organisation stronger. This may take the form of a corporate raid or management buy-out of weaker rivals to consolidate one’s position in the market. Apart from consolidation, this strategy also helps one’s organisation to diversify into other areas through raiding the weaker competitors. Sirpal, 1995 suggested that, in the case of the retail sector, this strategy may be realized through, for example, the acquisition of additional shop space abandoned by weaker businesses. It may also take the form of venturing into a joint venture with a weaker rival but with retained management prerogative.

2.3.3.3 Lure the tiger out of the mountain

Use unfavorable natural conditions to trap the enemy in a difficult position. Use deception to lure him out. One must always try to lure the rival to compete in areas where he is less familiar. In this case, the initiator of a fresh competitive strategy can first reap the benefits in the intervening period and also gain a first mover advantage which is not easily surmountable by others. The eventual retaliation by one’s rival in areas where he is inexperienced would drain his resources dearly because he has to expend much more effort in order to compete. By then, the initial benefits would have already been reaped by the initiator.
Hence, the rival’s pay-off will be reduced drastically. (Sirpal, 1995). The position of one’s rival is thus weakened severely by this strategic move. In the case of the retail sector, rival companies may be lured into new and unfamiliar territories (new product lines, for example) with the expectation of reaping higher returns.

2.3.3.4 To catch rebels, nab their leader first

Destroy the enemy crack forces and capture their chief, and the enemy will collapse. His situation will be as desperate as a sea dragon fighting on land. Although direct confrontation is undesirable, it is sometimes necessary and unavoidable. When the situation arises such that a move is required, one may simply attack the market leaders. Attacks on market leaders need not necessarily make an aggressor the new leader. However, a challenger may “win” by wrestling enough sales away from the leader to make it a far stronger runner-up. When such a strategy is adopted, one should direct marketing efforts at the strongest rival to lure away the most crucial tenants from this rival. These tenants, in turn, would bring along with them their customers. The remaining tenants may then also choose to relocate as shopper flow reduces and business profit levels drop (Sim, 1994).

2.3.4 Research gap

As can be observed from the empirical review (similar studiers) above, most of these studies on effects of supermarket expansion were done other countries other than Kenya. These had different conditions and such results may not necessarily be generalized to countries such as Kenya. Given the rapidly expanding retail sector and that no such study has been done on Kenya, this
consists a gap in literature that requires further analysis. Thus, the present study seeks to fill in this gap.

2.4 Conceptual framework

- Business growth
- Market Share
- Financial performance

Dependent variables independent variable

Source: Researcher (2010)
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes the methodology that the researcher used to carry out the research.

3.2 Research design
This study used survey design to collect data. It is useful in explaining or exploring the existing status of the variables at a given point in time. The survey method seeks to obtain more information on the existing phenomena than other methods like case study.

3.3 Population
The target population was 110 registered small business operating in the Buruburu shopping centre in Eastland of Nairobi form City Council of Nairobi business registry records. The whole population was used when carrying out the study.

3.5 Data collection Tool
The researcher used questionnaires as a tool of data collection. The questionnaire administration involved sending questionnaires through the research assistant who worked closely with the researcher.

3.6 Pre-testing
The pre-testing of the questionnaires was done for reliability. Five questionnaires were distributed to the entrepreneurs/owners of small businesses in the areas to be studied through a research assistant. The pre-tests showed if the
questionnaires adequately addressed the objectives of the study and if analyzable.

3.7 Data analysis
Data was analyzed using the descriptive statistics. The measures of central tendency were the descriptive statistic type that comprised frequencies and percentages.

3.8 Data Presentation
Analyzed data was presented using frequency distribution tables, histograms, bar charts and pie charts.
CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the results of the study. Out of the 110 questionnaires distributed, 60 were collected within the time. Three of these were found to be incompletely filled in thus were not used in the final analysis. This means that the total number of usable questionnaires were 57 giving a response rate of 51.8%. This is shown in Table 1 and Figure 1.

Table 1: Response rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>57</td>
<td>51.8</td>
</tr>
<tr>
<td>Non-response</td>
<td>53</td>
<td>48.2</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)
4.2 General Information

4.2.1 Gender of respondents

Gender of respondents was analysed in order to find out the representation of respondents according to gender. The results are shown in Table 2 and Figure 2.

Table 2: Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>43.9</td>
</tr>
<tr>
<td>Female</td>
<td>32</td>
<td>56.1</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)

Figure 2: Gender

The study found that 44% were male while 56% were female. This shows that majority of the businesses surveyed were run by females.
4.2.2 Age of Businesses

The age of businesses were sought in order to establish how long the businesses had been operating in the area. The results are shown in Table 3 and Figure 3.

Table 3: Age of business

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>14</td>
</tr>
<tr>
<td>2-4 years</td>
<td>27</td>
</tr>
<tr>
<td>5-7 years</td>
<td>11</td>
</tr>
<tr>
<td>8-10 years</td>
<td>3</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)

Figure 3: Age of Business
The study found that 25% had less than 2 years, 47% had 2-4 years, 19% had 5-7 years, 5% had 8-10 years and 4% had over 10 years. The results show that majority of the small businesses had been existing for 2-4 years.

4.3 Supermarket expansion and growth of small scale businesses

The respondents were asked to state how the establishment of supermarkets in their neighbourhoods had affected the growth of their businesses. It was noted that majority of the respondents asserted that most of the customers had deserted them and instead gone shopping in supermarkets as these convenient stores have everything under one roof.

The respondents were asked the extent to which they agreed that the establishment of supermarkets around the area had hindered the growth of small businesses. The results are shown in Table 4 and Figure 4.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low extent</td>
<td>4</td>
<td>7.0</td>
</tr>
<tr>
<td>Low extent</td>
<td>12</td>
<td>21.1</td>
</tr>
<tr>
<td>Large extent</td>
<td>25</td>
<td>43.9</td>
</tr>
<tr>
<td>Very large extent</td>
<td>16</td>
<td>28.1</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)
The study found that 7% agreed to a very low extent, 21% to a low extent, 44% to a large extent and 28% to a very large extent. Thus, majority of the respondents were of the opinion that the supermarkets establishment in the area had hindered the growth of small businesses in the area.

The respondents were asked how likely they thought the establishment of supermarkets around the area would lead to establishment of more small businesses in the area. The results are shown in Table 5 and Figure 5.
Table 5: Supermarkets and sparring of small business growth

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very unlikely</td>
<td>10</td>
</tr>
<tr>
<td>Unlikely</td>
<td>26</td>
</tr>
<tr>
<td>Likely</td>
<td>11</td>
</tr>
<tr>
<td>Very likely</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)

Figure 5: Supermarkets and sparring of small business growth

The results show that 17% said it was very unlikely, 46% said it was unlikely, 19% said it was likely while 18% said it was very likely. Thus, most of the respondents were of the opinion that the establishment of supermarkets was unlikely to lead to more establishment of small businesses in the area.
4.4 Supermarkets expansion and performance of small businesses

4.4.1 Influence of supermarkets on financial performance

The respondents were asked to state the extent to which they agreed that establishment of supermarkets around the area had affected the financial performance of their businesses. The results are shown in Table 6 and Figure 6.

Table 6: Influence of supermarkets on financial performance

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low extent</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Low extent</td>
<td>20</td>
<td>35.1</td>
</tr>
<tr>
<td>Large extent</td>
<td>27</td>
<td>47.4</td>
</tr>
<tr>
<td>Very large extent</td>
<td>9</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2010)
4.4.2 Whether supermarkets would reduce profitability of small businesses

The results show that 2% said it does to a very low extent, 35% said it does to a low extent, 47% said it does to a large extent while 16% said it does to a very low extent. The results reveal that majority of the businesses' financial performance were affected by the establishment of supermarkets. The respondents were also asked to state how likely the establishment of supermarkets around the area would reduce the profitability of the small businesses. The results are summarised and presented in Table 7 and Figure 7.

Figure 6: Influence of supermarkets on financial performance
Table 7: Whether supermarkets would reduce profitability

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very unlikely</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Unlikely</td>
<td>13</td>
<td>22.8</td>
</tr>
<tr>
<td>Likely</td>
<td>25</td>
<td>43.9</td>
</tr>
<tr>
<td>Very likely</td>
<td>16</td>
<td>28.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2010)

Figure 7: Whether supermarkets would reduce profitability

The study found that 5% said it was very unlikely, 23% said it was unlikely, while 44% said it was very likely. These results reveal that majority of the businesses would be affected in terms of low financial performance if more supermarkets would be established in the area.
4.5 Influence of Supermarkets on market share of small businesses

4.5.1 Extent to which supermarkets affect market share of small businesses

The respondents were asked to state the extent to which they agreed that establishment of supermarkets had affected their market share. The responses were analysed and shown in Table 8 and Figure 8.

Table 8: Supermarkets and market share of small businesses

<table>
<thead>
<tr>
<th>Extent to Which Affected</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low extent</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Low extent</td>
<td>15</td>
<td>26.3</td>
</tr>
<tr>
<td>Large extent</td>
<td>30</td>
<td>52.6</td>
</tr>
<tr>
<td>Very large extent</td>
<td>11</td>
<td>19.3</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)
The study found that 2% agreed to a very low extent, 26% to a low extent, 53% to a large extent and 19% to a very large extent. The results reveal that most of the respondents agreed to a large extent that supermarkets had affected the market share of small businesses in the area.

4.5.2 Likelihood of fall of market share of small businesses

The respondents were further asked to state how likely the establishment of supermarket around the area would decrease market share of small businesses in the area. The results are shown in Table 9 and Figure 9.
Table 9: Likelihood of fall of market share of small businesses

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlikely</td>
<td>13</td>
</tr>
<tr>
<td>Likely</td>
<td>29</td>
</tr>
<tr>
<td>Very likely</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)

Figure 9: Likelihood of fall of market share of small businesses

The results show that 23% said it was unlikely, 51% said it was likely while 26% said it was very likely. Thus, most of the respondents agreed that establishment of more supermarkets in the area would likely lead to decreased market share of small businesses in the area.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of research findings, conclusions made from the study, recommendations, and suggestions for further research.

5.2 Summary of Findings

The study found that 44% were male while 56% were female. The results showed that majority of the small businesses had existed for 2-4 years. It was also noted that majority of the respondents were of the opinion that the supermarkets establishment in the area had hindered the growth of small businesses in the area. Thus, most of the respondents were of the opinion that the establishment of supermarkets was unlikely to lead to more establishment of small businesses in the area.

The results revealed that majority of the businesses' financial performance were affected by the establishment of supermarkets. The results further revealed that majority of the businesses would be affected in terms of low financial performance if more supermarkets would be established in the area. The study noted that most of the respondents agreed to a large extent that supermarkets had affected the market share of small businesses in the area. They also agreed that establishment of more supermarkets in the area would likely lead to decreased market share of small businesses in the area.
5.3 Conclusions

The objectives of this study were threefold: to determine the effect of expansion of supermarkets on growth of small scale businesses; to establish the influence of expansion of supermarkets on the market share of small scale businesses; and to determine the influence of expansion of supermarkets on the financial performance of small scale businesses.

It was noted that the establishment of supermarkets in the area had hindered the growth of small businesses and more small businesses were unlikely to come up. The study concludes that indeed the expansion of supermarkets into areas that were formally preoccupied by small businesses hurt the businesses by limiting their growth or expansion. This is consistent with other studies especially Jobber and Lancaster (2003) who concluded that supermarkets impede growth of small businesses.

The study also noted that the expansion of supermarkets into Eastlands had affected majority of small businesses' financial performance as the margins were very low. The financial performance of most small businesses in the area was also unlikely to improve with the supermarkets in the area. The study concludes that expansion of supermarkets significantly affects the financial performance of small businesses in areas where such supermarkets are established. This is consistent with the findings of Sirpal (1995) on the difficulties that small businesses face when competing with large supermarkets.

Lastly, the study revealed that the market share of small businesses in the area had been severely affected with the establishment of supermarkets. This market share was unlikely to improve for the small businesses. The study therefore
concludes that the expansion of supermarkets leads to decrease in market share of small businesses as the customers flock the one-stop-shops to make their shopping hence shunning the small businesses, especially when the products sold by the small businesses are available in the supermarkets. These findings corroborate those of Jankowitz (2000) and Jobber and Lancaster (2003) on the potential loss of market share of small businesses due to high competition from large supermarkets.

5.4 Recommendations

The study recommends that policy makers need to take cognizance of the impact that the expansion of supermarkets have on small businesses. Policies need to be enacted that will ensure that the growth of supermarkets does not lead into the demise of small businesses given the important role small businesses play in the economy.

The small business owners need to invest more on customer relationships and quality goods if they are to grow despite the presence of large supermarkets. This is because customers value close business relations and good customer care and if the small business owners can invest in this then they can win back their market share, the profitability may rise and the businesses may grow.

There is need for the small businesses to invest in advertising, promotion or publicity. This is because in order for the small businesses to survive the competition, they need to attract a steady flow of buyers. Such measures can help build traffic flow and increase sales for the small businesses.
The small business owners should also ensure that they have marketing or business plans for their businesses. Such plans can help them visualise how to grow their businesses after they perform the SWOT analysis.

5.5 Suggestions for further studies

There is need to replicate this study to other towns in Kenya in order to see if the same results could hold about the effect of supermarkets expansion in such areas. There is also need to perform more rigorous analysis with secondary data on financial performance of small firms to see whether there is any statistically significant influence of such expansions on small businesses.
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Appendices

Appendix 1: Questionnaire

Section 1: General information

1. What is your sex?

Male ( )
Female ( )

2. How old is your business?

Less than 2 years ( )
2-4 years ( )
5-7 years ( )
8-10 years ( )
Over 10 years ( )

Section 2: Influence on growth of small scale businesses

3. In your opinion, how has the establishment of supermarket around this area affected growth of other small businesses?

...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................
4. To what extent do you agree that the establishment of supermarkets around this area has hindered the growth of small businesses in the area?

Very large extent ( )
Large extent ( )
Low extent ( )
Very low extent ( )

5. How likely do you think that with the establishment of supermarket around this area more small businesses will come up?

Very likely ( )
Likely ( )
Unlikely ( )
Very unlikely ( )

Section 3: Influence on financial performance of small scale businesses

6. To what extent do you agree that the establishment of supermarkets around this area has affected the financial performance of your businesses?
Very large extent ( )
Large extent ( )
Low extent ( )
Very low extent ( )

7. How likely do you think that with the establishment of supermarket around this area, the profitability of small businesses will fall?

Very likely ( )
Likely ( )
Unlikely ( )
Very unlikely ( )

8. In your opinion, how does the establishment of supermarkets around this area impact on small business performance?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

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Section 4: Influence on market share of small scale businesses

9. To what extent do you agree that the establishment of supermarkets around this area has affected the market share of small scale businesses?
   
   Very large extent (    )
   Large extent (    )
   Low extent (    )
   Very low extent (    )

10. How likely do you think that with the establishment of supermarkets around this area, the market share of most of the small businesses in this area will fall?

   Very likely (    )
   Likely (    )
   Unlikely (    )
   Very unlikely (    )

11. In your opinion, how does the establishment of supermarkets around this area affect the market share of small businesses?

   ........................................................................................................................................
   ........................................................................................................................................

End of Questionnaire

47
A LIST OF BIG SUPERMARKETS IN EASTLAND NAIROBI

1. Uchumi supermarket ltd

2. Naivas Supermarket

3. Tuskys Supermarket

4. Mimosa Supermarket

5. Nakumatt Supermarket

6. Rikana Supermarket

7. Kamindi Super stores

8. East Mart stores

9. Ukwala Supermarket