

**ANALYSIS OF RETAILING OF WINES AND
SPIRITS: A CASE OF RETAIL OUTLETS IN
NAIROBI EASTLANDS.**

BY

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KENYATTA UNIVERSITY.**

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*Analysis of retailing
of wines and spirits:*



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DECLARATION

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

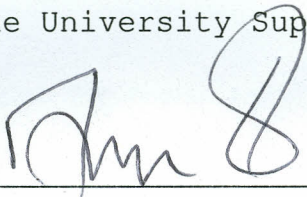


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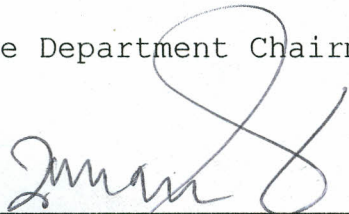


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DEDICATION

This work is specially dedicated to my parents Njoroge Kiania and Wambui Njoroge, brothers Kiania, Muiruri and Mburu, Sisters Lilian and Peninnah and to my special friend Patricia.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	ix
ABBREVIATIONS	xi
ABSTRACT	xii

CHAPTER ONE

1.0 INTRODUCTION	1
1.1 BACKGROUND	2
1.1,1 Marketing channels	2
1.1,2 Retail outlets classification	6
1.1,3 Nature of wines and spirits business in Kenya	7
1.2 STATEMENT OF THE PROBLEM	8
1.3 OBJECTIVES OF STUDY	10
1.4 RESEARCH QUESTIONS	10
1.5 THEORETICAL FRAMEWORK	11
1.5,1 Definition of Variables	12
1.5,2 Research Assumptions	13
1.6 SCOPE OF THE STUDY	14
1.7 SIGNIFICANCE OF THE STUDY	14

CHAPTER TWO

2.0	LITERATURE REVIEW	16
2.1	INTRODUCTION	16
2.1,1	Evolution of retailing	16
2.1,2	Need for retailing	18
2.1,3	Role of retailing	19
2.1,4	Retail function in distribution	20
2.1,5	Relationship among retailers and their suppliers	22
2.2	MAJOR CHALLENGES IN RETAILING OF WINES AND SPIRITS	24
2.2,1	Competition	24
2.2,2	Site location	25
2.2,3	Breaking the bulk	27
2.2,4	Conflict in marketing channels	28

CHAPTER THREE

3.0	RESEARCH METHODOLOGY	29
3.1	RESEARCH DESIGN	29
3.2	AREA OF STUDY	29
3.3	SAMPLING DESIGN	29
3.3,1	Sampling frame	29
3.3,2	Sampling techniques	29
3.3,3	Sample size	30
3.4	DATA COLLECTION TOOLS	30

3.4,1	Testing of data collection tools	30
CHAPTER FOUR		
4.0	DATA ANALYSIS AND INTERPRETATION	31
4.1	INTRODUCTION	31
4.2	RETAIL OUTLET DISTRIBUTION	31
4.3	PACK SIZES	34
4.4	PRICING	35
4.5	AVERAGE SALES	36
4.6	SALES MODE	37
4.7	SOURCING	41
4.8	REPLENISHING STOCK	41
4.9	COMPETITION	43
4.10	FACTORS IN SELLING WINES AND SPIRITS	46
4.11	PRICING STRATEGIES	47
4.12	FACTORS IN PRICING	49
4.13	PROPORTION OF DRINKERS IN THE PREMISES	50
4.14	SERVICES OFFERED TO CONSUMERS	51
4.15	PROMOTION ACTIVITIES	52
CHAPTER FIVE		
5.0	SUMMARY, CONCLUSION AND RECOMMENDATIONS	
5.1	SUMMARY	54
5.2	CONCLUSION	54
5.3	RECOMMENDATIONS	56

5.4 POSSIBLE AREAS FOR FURTHER RESEARCH	58
BIBLIOGRAPHY	59
APPENDIX A: INTRODUCTION LETTER	61
APPENDIX B: QUESTIONNAIRE	62
APPENDIX C: BUDGET	72
APPENDIX D: TIME TABLE OF EVENTS	73

LIST OF TABLES

Table Content	Page
Table 4.2,1	Business category by hours of business
	32
Table 4.2,2	Brands sold by business category
	33
Table 4.3,1	Pack sizes by business category
	34
Table 4.4,1	Price charged by Average sales In retail outlets
	35
Table 4.4,2	Price charged by source of products
	36
Table 4.5,1	Business category by average sales
	36
Table 4.6,1	Business category by factors Considered in determining sales mode
	38
Table 4.6,2	Reasons for not breaking bulk
	40
Table 4.7,1	Business category by source of products
	41
Table 4.8,1	Business category by how often stock is replenished
	42
Table 4.9,1	Competition types by level of competition
	43
Table 4.9,2	Business category by intra competition
	44
Table 4.9,3	Business category by inter competition
	45
Table 4.9,4	Business category by vertical Competition
	45
Table 4.10,1	Factors considered in selling wines by level of importance
	46
Table 4.11,1	Pricing strategy by business category
	48

ABBREVIATIONS

- KWAL - Kenya Wine Agencies Limited
- IDK - International Distillers Kenya Limited
- UDV(K) - United Distillers and Vintners Kenya Limited
- KLD - Kenya Liquor Distributors.

ABSTRACT

The main purpose of this study was to investigate the status of wines and spirits business in retail outlets in Nairobi Eastlands. Retailers are expected to offer these products in small enough quantities for individual consumption. The producers pack most of these products in big pack sizes which are not popular with consumers resulting to low sales of wines and spirits in retail outlets. In an effort to increase sales volume of these products, different retailers employ different sales modes according to their type of outlet. The study was to establish the factors that influence the practical applicability of a particular sales mode in relation to the type of outlet.

Before the products reach the final consumer, various intermediaries are involved but there is no clear definition of roles between and within the various intermediaries resulting to a sourcing problem. The study was to investigate the impact of this problem to the sales of wines and spirits in retail outlets.

To achieve this goal, the study identified the various retail outlets. Stratified random sampling was used to bring together those outlets with the same characteristics. Primary source of data was used. The data was collected using a self-administered questionnaire which was supplemented by direct observation.

In the study, there were three types of retail outlets which were serving consumers; wineshops, bars and restaurants and supermarkets. Wineshops were found to have an advantage over the others in that, most of them sourced their merchandise direct from producers enabling them to sell at both wholesale and retail prices. They were therefore able to supply both consumers and other retailers.

The results further revealed that, all retail outlets preferred selling in the original pack sizes from producers. Only 13.6% were making an attempt to sell in small bits. Most of the retail outlets were found charging exorbitant prices for these products.

Given these facts, producers of wines and spirits need to be more aggressive in their marketing efforts to ensure there is a smooth flow of the products to the final consumer.

CHAPTER ONE

1.0 INTRODUCTION

In Kenya, as in many other developing countries, most producers do not sell directly to the final consumer. Between them and final users are a number of marketing intermediaries, who make possible the flow of products from producers to buyers by performing three basic functions. Most prominently, intermediaries perform transactional function that involves buying, selling and risk taking because they stock merchandise in anticipation of sales. Intermediaries perform a logistic function evident in gathering, storing and disposing of products on physical distribution. Finally, intermediaries perform facilitating functions which assist producers in making goods and services more attractive to buyers (Berkowitz 1994).

All three groups of functions must be performed in a marketing channel, even though each channel member may not participate in all three. Channel members often negotiate about which specific function they will perform. A marketing channel is a team of marketing institutions that directs a flow of goods or services from the producer to the final consumer (Lewison and Delizier 1983). The two most important intermediaries are wholesalers and

retailers. Wholesalers do the business of wholesaling while retailers are businesses whose sales come primarily from retailing (Kotler & Armstrong 1996).

Wholesaling activities are those activities involved in selling products and services to those who are buying for purposes of resale or business use (Berkowitz 1994). According to Barman & Evans, retailing consists of those business activities involved in the sale of goods and services to consumers for their personal, family or household use. It is the final stage in the distribution process.

1.1 BACKGROUND

1.1,1 Marketing channels

As stated earlier, marketing channels consist of independent individuals and firms and because of this, there is always potential for disagreements concerning who performs which channel function, how profits are allocated, which products and services will be provided by whom, and who makes critical channel related decisions. These channel conflicts necessitate measures for dealing with them.

Channel conflict will arise:-

- When one channel member believes another channel member is engaged in behaviour that prevents it from achieving its goals.
- When a channel member bypasses another member and sells or buys products directly
- From disagreements over how profits margins are distributed among channel members.
- When manufacturers believe wholesalers or retailers are not giving their products adequate attention.
- When a manufacturer increases its distribution coverage in a geographical area.

In the case of wines and spirits business, a wholesaler is supposed to buy from a supplier in bulk. The wholesaler then breaks bulk into smaller assortments for his retailer who buys at wholesale price and then sells to the final consumers at the recommended retail price.

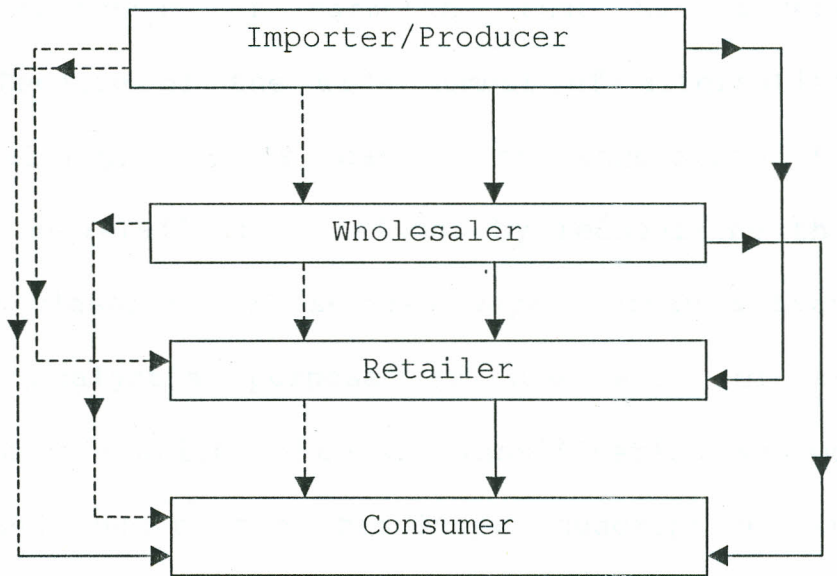
Although liberalization is an opportunity to diversify and improve on efficiency and competitiveness (Daily Nation 23 November 1999) it has also brought challenges in the wines and spirits business especially to local producers. Cheap imports, cumbersome licensing procedures and lack of cheap credit facilities are bottlenecks to the country's

industrialization (Daily Nation 16 November 1999). Local investors are willing to invest but are discouraged by bureaucracy and lack of protection. Cheap contraband wines and spirits are ruining the market for local companies. But retailers are benefiting from availability of a wide range of brands which is a new business opportunity for them.

Before liberalisation of the Kenya economy in the early 1990s KWAL was the sole importer of wines and spirits (Daily Nation December 6 1994). Liberalisation of trade has allowed any person in Kenya with access to foreign currency to import any consumer product resulting to fierce competition (Marketing Society of Kenya, 1996). This has forced companies in Kenya dealing with wines and spirits to change their way of doing business. Previously IDK now UDV(K) and KWAL used to sell their products through one agent KLD but this has changed where the companies now sell directly from the factory. This has resulted in a mix-up in the business where retailers are no longer the sole outlet through which the final consumer gets the products. Conflict has arisen where channel members are bypassing others by buying or selling products directly. Some wholesalers are doubling as retailers and some retailers are sourcing direct from the producer. Importers on the

other hand are selling to wholesalers, retailers and also consumers directly. Instead of a smooth flow from one intermediary to the next upto the final consumer, wines and spirits business has taken the following schematic form which has various channels.

Fig.1: Marketing channels



KEY

- > Various channels from producer to consumer
- - - - -> Importer to consumer

From producer to consumer, the following channels exist:-

- (i) Producer → Wholesaler → Retailer → Consumer
- (ii) Producer → Wholesaler → Consumer
- (iii) Producer → Retailer → Consumer

From Importer to Consumer, four channels result:-

- (i) Importer → Wholesaler → Retailer → Consumer
- (ii) Importer → Wholesaler → Consumer
- (iii) Importer → Retailer → Consumer
- (iv) Importer → Consumer

1.1,2 Retail outlets classification

For manufacturers, consumers and the economy, retailing is an important component of marketing that has several variations. Because of the wide number of alternative forms of retailing, it is easier to understand the differences among retail institutions, by recognizing that outlets can be classified in several ways (Berman & Evans 1992). The analyst's purpose or use will dictate appropriate classification schemes. Classification schemes can be grouped under two headings, descriptive and strategic (Marson et al 1993).

Descriptive schemes group retailers on descriptive characteristics that are often used for reporting data. They include, type of ownership, type of merchandise carried, location, and store/non store operations. In strategic classification schemes retailers gain competitive insights that assist them in developing positioning strategies and assessing market opportunities. These classifications schemes include margin/turnover, retail

prices and services strategy, strategic group analysis, and gross margin merchandise types.

There is multiplicity of retail outlets. There are a variety of small and large businesses classified under the general term of retailers (Mwangi, 1975). On one extreme there is a large number of small wine shops which sell a variety of brands on take-away basis as they do not have sitting space. There are also bars which differ in sizes. The third category are supermarkets which stock a wide assortment of products.

The nature of outlets affect the source of the merchandise. The small outlets are supplied by wholesalers while large outlets may be supplied directly from the factory at a better price. Keen competition exists today among all these categories of outlets.

1.1,3 Nature of wines and spirits business in Kenya

For a retailer to meet the requirements of his customers, he has to break up the bulk of his products. This is done to make available small assortments of goods in the right sizes and quantities at a price consumers will afford. A retailer of wines and spirits has to stock a wide variety of products and sizes as well as those with a low profit margin to meet the needs of the consumers.

In retailing of wines and spirits in Kenya, the issue of breaking bulk has not been exploited fully. Sales of big pack sizes are relatively low in most retail outlets and an appropriate mode of sales needs to be developed in an effort to increase sales volume.

Retailers are in existence at the pleasure of their consumers. They must always ask themselves what more they are offering or providing the customers than their competitors and the degree to which they answer this question correctly for the benefit of the customers determine their success as individual retailers (Njoka 1999).

1.2 STATEMENT OF THE PROBLEM

Development plan of 1989-1993 reveals that, retail stores represent over 50% of all small firms in Kenya which provide employment as well as selling different kinds of products. Therefore, retailing is a significant aspect of the Kenya economy as both retail sales and employment are substantial contributors to total Kenya sales and jobs. Studies in the area of retailing are relatively few and limited in scope. Mwangi (1975) concentrated on historical perspective of retailing in Kenya up to 1974, Muthoka (1998) approached it from performance point of view.

Kilonzi (1992) looked at the general problems of the business, while Njoka (1999) looked at the key success factors in the pharmaceutical retail business. There is no evidence of a study assessing the status of wines and spirits business in retail outlets.

Retailers are expected to offer products and services in small enough quantities for individual or family consumption. Since consumers take so much of the retail market for granted, the importance of this task is greatly underrated, resulting to low consumption of wines and spirits. The study therefore looks into the factors that influence the mode of sales vis a vis the nature of retail outlet.

From the background of this study, it is evident that there is no clear definition of roles between and within the various intermediaries in the marketing channel resulting into conflict. The study looks at the impact of this conflict to the sales of wines and spirits in retail outlets.

1.3 OBJECTIVES OF THE STUDY

The general aim is to investigate the status of wines and spirits business in retail outlets in Nairobi. To be able to achieve this, the study will specifically:-

- (a) Find out the factors that influence the mode of sales in retail outlets.
- (b) Establish the distribution of the various wines and spirits types and sizes amongst the different categories of retail outlets.
- (c) Establish the extent of conflict as a result of channel members bypassing others when sourcing and selling the products.
- (d) Find out what marketing activities the different categories of retail outlets undertake to promote consumption of wines and spirits.

1.4 RESEARCH QUESTIONS

In order to achieve the above objectives the following research questions need to be answered:

- (a) What are the various types of retail outlets?
- (b) What mode of sales is used in these retail outlets?
- (c) What is the duration of operation for the various retail outlets?
- (d) What are the various brands and pack sizes stocked by the retail outlets?

- (e) What factors influence sales of wines and spirits in different retail outlets?
- (f) How do the different categories of retail outlets source for their supplies?
- (g) What factors are considered in pricing of these products in the different retail outlets?
- (h) Are there any other services that go together with the selling of wines and spirits in retail outlets?

1.5 THEORETICAL FRAMEWORK

A retail outlet is assumed to be an establishment which by choosing its merchandise has the sole goal of achieving maximum economic profit, that is, the establishment seeks to procure the stock at the lowest cost and sell large volumes at the highest price possible that consumers are willing to pay. The major objective is to maximise sales revenue where sales revenue is given by quantity sold multiplied by price.

In a nutshell, however, sales revenue will come from stock turn-over (How quickly merchandise sells).

From the background of the problem, stock turnover is a function of many variables which may be acting in unison or in isolation. The variables include type of outlet (T),

price charged (P), variety of brands in stock (B), pack sizes available (Q) and the mode of sales an outlet adapts (M), among others. The study establishes the relationships among these variables. These relationships are displayed through cross tabulation of the different variables.

1.5,1 Definition of variables

Type of outlet (T)

This refers to the three categories of outlets identified in the background of the problem. These are bars, wineshops and supermarkets. They are different in terms of marketing activities they undertake in an effort to increase stock turnover.

Price charged (P)

This is the price individual outlets sell the various different brands and pack sizes.

Variety of brands in stock (B)

The various outlets stock different brands from the various producers. This includes all the brands sold in the outlet including those out of stock at the time of the survey.

Pack sizes available (Q)

This includes the total number of the different sizes the various brands of wines and spirits are packed by producers.

Mode of sales (M)

This is the way retailers sell wines and spirits. This considers retailers who only sell in the original pack sizes as packed by producers and also those who sell in small bits. There are still others who utilise both the two sales modes.

1.5,2 Research assumptions

For the purpose of this study the following assumptions were made:

- (a) There are different types of outlets
- (b) Price charged by each outlet is a careful consideration of a number of factors
- (c) Variety of brands in each outlet depends on demand and supply.
- (d) Different brands are packed in different pack sizes.
- (e) There are only two modes of sales; either opening big pack sizes and selling in small bits or selling in the original pack sizes from the producers.

1.6 SCOPE OF THE STUDY

Retailers of wines and spirits are so many as some wholesalers and importers also sell directly to the final consumer. Because of the limited time allocated for the study, it was not possible to include all these other retailers. The data collected from bars, wine-shops and supermarkets were deemed adequate for the desired findings.

The study collected data only from a section of Nairobi;- Eastlands. Eastlands was selected as a representative sample of what is happening elsewhere in the republic as it is densely populated and accommodates people of different income brackets. The findings are believed to be applicable to other parts of the country.

1.7 SIGNIFICANCE OF THE STUDY

It was the purpose of the research, given the opportunities brought about by liberalisation to search for a way of promoting sales of wines and spirits in retail outlets. The study attempted to highlight the key role the retailers play and the need for better co-operation between the various intermediaries in the marketing channel to avoid conflict.

Potential beneficiaries of the study include the local producers who may use the findings in measuring the effectiveness of small pack sizes in an effort to fight competition from imports.

Next, the findings will help the retailers in identifying areas of deficiency in the selling of wines and spirits and how the business can be made more profitable.

Finally, to other students of marketing who might be interested in carrying out further research in this area.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

Retailing has been an integral part of the marketing system for hundreds of years. The retail store or shop in some form or the other existed in every civilised land making retail trade one of the largest fields of business endeavour (Bolen 1978). The field of retailing is both fascinating and appealing. The opportunities in retailing are bounded only by one's imagination and vision. However along with the opportunities in retailing, there are some perils (Berman & Evans 1992). Business in Kenya has become tougher because of the economy. Companies are recording reduced profits, there are more and more people venturing in retailing resulting to increased level of competition and profit margins are reducing. This is a time for cautious operations, but one in which companies will find it more vital than ever to break through to new clear images to keep their market share (Ibid).

2.1,1 Evolution of retailing

The earliest traders were soldiers of fortune who travelled from place to place engaging in barter with whoever had something desirable to trade. Traders took advantage of

their adversaries to the extent that they practiced fraud, deceit, and even violence in order to gain advantage to their dealings. Because of such poor ethics, trade became an unsavoury occupation, held in low esteem. It is interesting to see how the ancients viewed retail trade. The retailer was viewed as a falsefier and this is why even today many people are suspicious of merchants (Bellenger & Goldstrucker, 1983).

Retailing started as periodic markets, then as trade fair and then stalls. Markets and fairs are the true ancestors of retailing and stalls, the ancestors of shops. In the 16th century, stalls began to give way to shops. A shop was a room on the street, opened when business was being conducted and closed when not. During the 17th century the word merchant had a restricted meaning. A merchant was one who engaged in export and import trade. These agencies dealing in international trade were sometimes referred to as merchant capitalists since they frequently financed the goods in which they dealt. People engaged in domestic trade were called tradesmen or shopkeepers (Ibid). Historically, retail trade was considered beneath the dignity of gentle people but this has now changed as retailing has come to be recognised by many as a very vital sector of any economy in the provision of entrepreneurial skills and employment.

2.1,2 The need for retailing

Retailing meets a variety of needs of two groups that come into contact with the retailer - consumer and manufacturer (James et al 1981). Retailing

- Provides consumers with an assortment of offerings from which to choose, at the times and places they want to buy them and in the desired form.
- Enables consumers to compare prices, quality and features of products they wish to buy.
- Makes it possible for consumers to buy a product or service at the time it is needed or wanted.
- Provides consumers with offerings in the place they want them
- Makes many offerings in the form or quantity that consumers desire.

Manufacturers benefit from retailing in two related ways. First, retailing allows manufacturers to sell their products to consumers all over the world. Most retailers stock their shelves with the offerings of many manufacturers and as a result no matter where their factories are, manufacturers can sell their products to consumers everywhere. The second benefit of retailing to manufacturers is that it makes mass production possible.

The ability to produce so many bottles of wines in a day, for example, is of no value unless there is an efficient method for getting the bottles into the hands of consumers. The retailers of alcoholic products in Kenya provide that efficient method. In absence of strong retail network, producers of wines and spirits would be forced to locate near consumers, building many small manufacturing facilities in numerous areas around the country to produce just enough alcohol for each area. This would mean loss of the efficiencies of mass production and a large increase in cost of the product.

2.1,3 Role of retailing

- (i) Retailing brings buyer and products or service together
- (ii) Retailing gives the product or service place utility
- (iii) Retailing gives feedback to producer, wholesaler etc. By buying or not buying items for sale, a retailer tells the producer in essence what to produce.
- (iv) Retailing breaks bulk. Retailers or merchants offer products and services in small enough quantities for individual or family consumption (Davidson et al 1988).

(v) Retailing assumes storage function. By receiving goods before their sale, retailers assist the distribution system by not requiring manufacturers to build enormous warehouse facilities. Retailing permits the merchandise to be stored for short periods near the point of sale. If such were not the case, distribution channel, would break down completely during peak retailing periods such as the Christmas rush and underutilized at othertimes of the year.

(vi) Retailing assumes risk. Retailers buy merchandise before they sell thereby giving the manufacturer more stable business operation. Retailers of wines and spirits hold their money by stocking new brands and sizes that may not be known by the customers. They in turn assume risk by offering credit to consumers. This action tends to level out business operations since customers no longer need to wait for payday to purchase items.

2.1,4 Retail function in distribution

Lewison & Delozier (1989) defined marketing channel as a flow of goods or services from the producer to the final consumer. Generally, the team consists of a producer, one or more wholesalers and many retailers. The goal of a

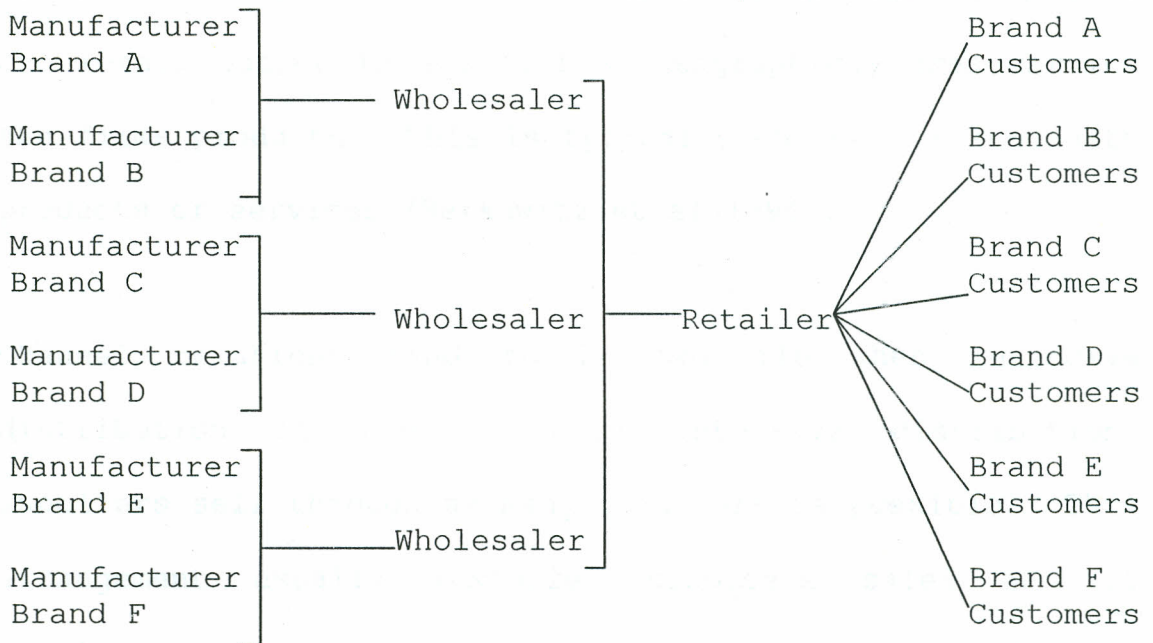
marketing channel of distribution is to have the right product in the right quantities in the right place at the right time. Marketing channels are directed at bringing together producers and their respective customers.

Retailing is the last stage in a channel of distribution. Due to this fact, retailing plays an important role as an intermediary between manufacturers, wholesalers and other suppliers and final consumers. As Mwangi (1975) observed, in all these methods of distribution, the retailer is the last marketing intermediary next to the consumers. Accepting that all selling efforts are aimed ultimately at consumers, retailers are strategic marketing intermediaries for distributing goods and services to the final consumers.

The retailer collects an assortment of goods and services from various suppliers and offers them to customers. This procedure is called sorting process (Berman & Evans 1992). To maximise the efficiency, many manufacturers or suppliers would like to make the basic type of item and sell the entire inventory to as few buyers as possible. Yet many customers want to choose from a variety of goods and services and purchase a limited quantity. Through the sorting process, the retailer bridges the gap between manufacturers (suppliers) and final consumers. A retailer

satisfies customers by offering an assortment of goods and services, collected from a number of suppliers, and by selling them in small quantities. Wide retail assortments enable customers to undertake one stop shopping and consumers are able to choose and buy the product version and quantity that they desire. Retailer's role in the sorting process can be represented diagrammatically as follows:

Fig. 2: Sorting process



2.1,5 Relationship among retailers and their suppliers

Frequently, retailers and their suppliers have divergent viewpoint, which need to be reconciled. Control over the distribution channel, the allocation of profits, the number of competing retailers handling the suppliers' goods and

services, customer display space and locations, advertising support, payment terms, and flexibility in operations are just a few of the issues over which retailers and suppliers have their own different priorities and goals (Berman & Evans 1992). Because of the growing number of regional and national retail chains, retailers have more power in the distribution channel than ever before.

Channel relations are generally smoothest when exclusive distribution is involved. In exclusive distribution, only one retail outlet in a specified geographical area carries the firms products. This is typically chosen for specialty products or services (Berkowitz et al 1994).

Channel relations tend to be volatile when intensive distribution is used. With intensive distribution, suppliers sell through as many retailers as possible. This arrangement usually maximizes suppliers sales and it enables retailers to offer many different brands and product versions. It is usually chosen for convenient products or services. Distribution of wines and spirits in Kenya takes this form where retailers stock many different brands and sizes from different producers.

Selective distribution is an approach that combines aspects of both exclusive and intensive distribution. This allows suppliers to have high sales than possible in exclusive distribution and lets retailers carry some competing brands.

2.2 MAJOR CHALLENGES IN RETAILING OF WINES AND SPIRITS

2.2,1 Competition

Retailers compete with one another on the basis of their product, price, place and promotional strategies. These strategies are directed at scanning the attention and patronage of ultimate consumers and serve as a focus for retail competitive actions. According to Lewison and Delozier (1989) there are four types of competition, intratype, intertype, vertical and systems competition.

Intra-type competition involves the competition between two or more retailers using the same type of business format. Competition between two or more retailers using different types of business formats to sell the same type of merchandise is referred to as inter-type competition. Vertical competition is the competition between a retailer and a wholesaler that is attempting to make retail sales to the retailers' constomers. This is the kind of competition retailers of wines and spirits are experiencing

in addition to both intra-type and inter-type. Systems competition on the other hand is the competition between two or more vertical marketing systems.

The success of any firm engaged in retailing depends largely on how much they embrace the retailing concept. This concept is a management orientation that focuses a retailer on determining its target market needs and satisfying those needs more effectively and efficiently than competitors (Levy and Weitz, 1995). High performance retailers must be strong competitors. They must not only simply satisfy customers' needs but must also keep a close watch to ensure that competitors do not attract their customers. Retailers hence attempt to protect themselves from competition by offering unique merchandise and services that cannot be copied easily. But according to Njoka (1999) gaining long term competitive advantage in retailing is particularly difficult because competitors can and do copy most acts of other retailers.

2.2,2 Site location

Location means the region, state, or country or city that represents the general market area for the firm. Site refers to a particular building on a particular corner or street. When choosing a site to locate a retail outlet,

several factors need to be considered. These will include: Market population, level of competition, facilities and services, adequate and accessible parking, surrounding firms, traffic density and on street location. The location of the store can be a critical factor in the success or failure of the retail operator.

Bolen (1978) observed that retail location as part of the retailing mix should be dependent on the target market. Questions that need to be answered include; where are these target market customers and where do they wish to shop?, In which town or city will they shop in sufficient numbers to merit placing a store in the area?, In what part or section of the particular city or town will they be willing to shop to support a given store?, At what particular site will they prefer the store to locate for maximum accessibility?

The questions of city, section of city and actual site are interrelated. Answers to certain questions are dependent on other factors. To make the final selection, however, the retail operator should make the choice in light of all the variables.

How retailers position themselves within the retail market structure will determine their ability to compete and to

earn high profits (Mason et al 1993). Positioning strategies involve targeting decisions along three basic dimensions: customers, benefits/attributes and competitors. Retailer positioning strategy spell out the plan for achieving competitive advantage.

2.2,3 Breaking the bulk

One expectation customers have is that merchants will offer products and services in small enough quantities for individual or family consumption; a process referred to as breaking bulk (Davidson et al 1988). The individual consumer then, is able to purchase a desired collection of products and services out of literally millions of potential subproducts and services options offered by a fairly limited number of stores in suitable purchase quantities.

Breaking bulk is very important in the selling of wines and spirits due to the fact that producers are not able to pack all their brands in small pack sizes which consumers would prefer to buy. This then calls for contribution of retailers in an attempt to meet this need of consumers. But there are bottlenecks in this endeavour. One is as a result of the nature of retail outlets. Selling in tots for example is only practical in bars but these are not the only retail outlet for wines and spirits. The other

bottleneck is the cost of equipment which is too much for ordinary retailers. Hygiene and trust are other expectations of consumers which most bars are not able to keep up with. Because of these problems, producers of wines and spirits may need to look for other valuable methods of breaking the bulk.

2.2,4 Conflict in marketing channels

Channel conflict arises when one channel member believes another channel member is engaged in behaviour that prevents it from achieving its goals (Berkowitz et al 1994).

The ultimate goal of retailers of wines and spirits is to reach the final consumers. In this business, there is conflict when a channel member bypasses another member and sells or buys products directly. Major retailers such as supermarkets may source their suppliers direct from the producers while some wholesalers also sell to retailers' customers. This mix-up has some negative impact on retailing of wines and spirits especially in retail outlets. A measure to deal with this conflict is, therefore necessary.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The survey method was used to collect data from respondents in retail outlets. A questionnaire was administered personally which was supplemented by direct observation.

3.2 AREA OF STUDY

The target population were all those retail outlets that sell wines and spirits in Nairobi Eastlands as part of their merchandise. Eastlands accommodates a big number of consumers with different income brackets and is believed to have sufficient number of retail outlets which are adequate to give the desired findings.

3.3 SAMPLING DESIGN

3.3,1 Sampling frame

A list of 108 licenced bars and restaurants, 32 wineshops and 36 supermarkets operating in Eastlands region (Nairobi) was compiled from the records obtained from Nairobi city council's licencing department.

3.3,2 Sampling techniques

Stratified random sampling technique was used to select a representative sample. The population elements were

separated into 3 strata; bars & restaurants, wineshops and supermarkets. From a list of elements in each stratum, a sample was selected through simple random sampling procedure.

3.3,3 Sample size

The sample size for each stratum was 25% of the total number of retail outlets in that category.

3.4 DATA COLLECTION TOOLS

Primary source of data was used. To collect primary data, a self administered questionnaire was used. The questionnaire was supplemented by direct observation which gave insights to some specific situations. The questionnaire was administered to those responsible for buying and selling of wines and spirits in retail outlets. Both open and closed questions were used.

3.4,1 Testing of data collection tools

Before the main study was done, a pilot survey was conducted on one representative from each stratum to test the validity of the research instruments. As a result of this appropriate changes and corrections were made.

CHAPTER FOUR

4.0 DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The general aim of the study was to investigate the status of wines and spirits business in retail outlets in Nairobi Eastlands. Central to the study was the need to find out factors that influence the mode of sales in retail outlets, establish the distribution of the various types and pack sizes of wines and spirits in the outlets, find out the various sources of these products and finally, establish the various marketing activities retail outlets undertake to promote consumption of wines and spirits.

Primary data obtained from the field survey was compiled, cross-tabulated and presented in the form of frequencies and percentages for ease and analysis. This was done through the use of SPSS (statistical package for social sciences).

4.2 RETAIL OUTLET DISTRIBUTION

18.2% of the outlets investigated were wineshops, 61.4% were bars and restaurants and 20.4% were supermarkets. Wineshops were found to be in both wholesale and retail business while the other two were basically retail.

All the outlets investigated sold in the original pack sizes, only 13.6% used breaking bulk (tot selling) although the brand sold in this manner was only 60%.

Further, 72.7% of the outlets operated for 12 hours and above per day while 27.3% did business for less than 12 hours. This is summarized in table 4.2,1 below.

Table 4.2,1 Business category by hours of business

	Long	Short
Wineshops	5 (62.5%)	3 (37.5%)
Bars & Restaurants	27 (100%)	—
Supermarket	—	9 (100%)

Source: Survey

The table reveals that 62.5% wineshops investigated did business for long hours. All bars and restaurants operated for long hours while business hours for all supermarkets were short. Bars and restaurants do not have specific closing time; the operations continue as long as there are customers drinking.

Table 4.2,2: Brands Sold by business category

Business Category Brands	Wine shop	Bar & Restaurant	Supermarket	Row total
Vodka	8 (100%)	27 (100%)	9 (100%)	44 (100%)
Brandy	7 (87.5%)	26 (96.3%)	7 (77.8%)	40 (90.9%)
Whisky	7 (87.5%)	26 (96.3%)	9 (100%)	42 (95.5%)
Wine	7 (87.5%)	6 (22.2%)	8 (88.9%)	21 (47.7%)
Gin	5 (62.5%)	14 (51.8%)	5 (55.5%)	24 (54.5%)

Source: Survey

Key: The percentages in the Row total column are based on all the 44 respondents, while the rest are based on the total number of retail outlets in each business category.

The table shows that, all the outlets visited sell vodka. 87.5% wineshops, 96.3% bars and 77.8% supermarkets sell brandy. 87.5% wineshops, 96.3% bars and all supermarkets sell whisky. Wine was found to be very scarce in bars as only 22.2% bars sell wine. Gin was also unpopular across the board. This implies that, in all retail outlets, vodka is very common while wines and gin are unpopular. In general, the study revealed that, all the outlets visited sell vodka, 90.9% sell brandy, 95.5% sell whisky, 47.7% sell wines while only 54.5% sell gin.

4.3 PACK SIZES

Wines and spirits are packed in four major categories of pack sizes, popularly referred to as full, half, quarter and minipacks. The retail outlets stock the products in these pack sizes although there are some sizes which are more popular than others in retail outlets. This distribution of the different pack size is given by table 4.3,1 below.

Table 4.3,1: Pack sizes by business category.

Category \ Size	Wine shop	Bar & Restaurant	Supermarket
Full	6 (75%)	7 (25.9%)	9 (100%)
Half	8 (100%)	23 (85.2%)	9 (100%)
Quarter	8 (100%)	24 (88.8%)	9 (100%)
Minipack	8 (100%)	27 (100%)	9 (100%)

Source: Survey

The table reveals that, the most common pack size in 100% retail outlets, was minipacks. 100% wine shops, 88.8% bars and 100% supermarkets had quarters. All wineshops and supermarkets together with 85.2% bars stocked halves. Full bottles were only available in 75% wineshops, 25.9% bars and 100% supermarkets. This implies that, consumers of

wines and spirits prefer smaller pack sizes as opposed to full bottles.

4.4 PRICING

The study revealed that, different outlets charge different prices for the products. The prices charged were either around the recommended retail price or way above the recommended. Table 4.4,1 shows the effect of the price on average sales.

Table 4.4,1: Price charged by average sales in retail outlets

Average sales Price	Low	High	Row total
Over-priced	15 (34.1%)	10 (22.7%)	25 (56.8%)
Recommended	11 (25%)	8 (18.2%)	19 (43.2%)
Column total	26 (59.1%)	18 (40.9%)	44 (100%)

Source: Survey

The table shows that, 34.1% of those who over-priced the products had low sales, while 22.7% had high sales. 25% of those who charged the recommended price had low sales while 18.2% had high sales. This therefore means that, price is not the guiding factor for those who consume wines and spirits.

Table 4.4,2: Price charged by source of product

Price \ Source	Hawker	Producer	Wholesalers	Row total
Over-priced	1 (2.3%)	1 (2.3%)	23 (52.2%)	25 (56.8%)
Recommended	0 (0%)	7 (15.9%)	12 (27.3%)	19 (43.2%)
Column total	1 (2.3%)	8 (18.2%)	35 (79.5%)	44 (100%)

Source: Survey

Table 4.4,2 reveals that 52.2% of those who over-priced sourced the merchandise from wholesalers, 2.3% sourced from hawkers while the rest 2.3% sourced from producers. On the other hand, 15.9% of those who charged recommended prices sourced from producers while 27.3% got the merchandise from wholesalers. None of those who charged recommended prices got the products from hawkers. Therefore, regardless of the source, 56.8% over-priced while the rest 43.2% charged recommended prices.

4.5 AVERAGE SALES

Table 4.5,1: Business category by average sales

Average sales \ Business category	Low	High
Wine shop	2 (25%)	6 (75%)
Bars & restaurant	18 (66.7%)	9 (33.3%)
Supermarket	6 (66.7%)	3 (33.3%)

Source: Survey

Table 4.5,1 shows that only 25% of all wineshops had low sales while 75% had high sales. 66.7% of all bars and restaurants had low sales while 33.3% had high sales. Likewise, 66.7% supermarkets had low sales while 33.3% had high sales. In general therefore, wineshops had higher average sales as compared to the other business categories. Consumers of wines and spirits prefer buying from wineshops as opposed to bars and supermarkets.

4.6 SALES MODE

All respondents investigated (100%) take advantage of the various pack sizes from producers where they sell in the original pack sizes. Since the full bottle is not popular with consumers as observed in table 4.3,1 above, a few retailers attempt to sell various brands in tots. The study revealed that, only 13.6% break bulk. Those who do not break bulk gave various factors considered in determining the sales mode adapted in the retail outlet. Table 4.6,1 summarises each category and the response respondents gave on each factor.

Table 4.6,1: Business category by factors considered in determining sales mode

Factor category	Profitability			Pack sizes available			Class of customers			Nature of business			Practicability			Equipment available		
	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III
W/S	6(75%)	2(25%)	—	5(62.5%)	1(12.5%)	2(25%)	3(37.5%)	2(25%)	3(37.5%)	4(50%)	1(12.5%)	3(37.5%)	2(25%)	3(37.5%)	3(37.5%)	2(25%)	6(75.0%)	—
B/R	23(85.2%)	3(11.1%)	1(3.7%)	17(63.0%)	8(29.8%)	2(7.4%)	8(29.6%)	15(55.6%)	4(14.8%)	6(22.2%)	8(29.6%)	13(48.1%)	5(18.5%)	7(25.5%)	15(55.6%)	7(25.9%)	2(7.4%)	18(66.7%)
S/M	6(66.7%)	2(22.2%)	1(11.1%)	7(77.8)	1(11.1%)	1(11.1)	4(44.4%)	2(22.2%)	3(33.3%)	5(55.8%)	3(33.3%)	1(11.1%)	5(55.6%)	1(11.1%)	3(33.3%)	3(33.3%)	—	6(66.7%)

KEY

W/S Wineshop

B/R Bar and Restaurant

S/m Supermarket

I Very important

II Important

III less important

The table shows that 75% wineshops, 85.2% bars and 66.7% supermarkets indicated profitability as a very important factor in determining what sales mode to adopt. 62.5% wineshops, 63.0% bars and 77.8% supermarkets indicated pack sizes available as a very important factor. Class of customers was indicated as just important by 25% wineshops, 55.6% bars and 22.2% supermarkets. Nature of business was indicated as very important by 50% wineshops, 22.2% bars and 55.8% supermarkets. 37.5% wineshops, 55.6% bars and 33.3% supermarkets felt that practical application of a particular sales mode is less important in determining which mode of sales to adapt. 66.7% bars and supermarkets felt that availability of measuring equipment is less important. This means that, even if the measuring equipment were to be given to retailers free of charge, majority of the retail outlets (66.7%) would not break bulk.

It was therefore necessary to probe for the reasons the respondents had for not breaking bulk. These are summarised in the following table:

Table 4.6,2: Reasons for not breaking bulk.

Reasons	Frequency	Total
Not practical	16 (42.1%)	38
Supervision requirement	19 (50.0%)	38
No consumer demand	25 (65.8%)	38
High equipment price	8 (21.1%)	38
Low popularity of wine & spirits	11 (28.1%)	38

Source: Survey

From table 4.6,2 above, it is clear that 6 respondents break bulk resulting to 38 respondents in total's column. Of the remaining 38 respondents who do not break bulk, 42.1% felt that breaking bulk was not practical in their outlets, 50% felt that a lot of supervision is required while 65.8% indicated that consumers do not ask for small bits. Since many of them have never considered breaking bulk, only 21.1% indicated the price of equipment as expensive. Low popularity was indicated as a reason by 28.1% respondents. This was given by respondents who felt that wines and spirits is not their core business.

4.7 SOURCING

Table 4.7,1: Business category by source of products

Business Category \ Source	Hawkers	Producers	Wholesalers
Wineshops	1 (12.5%)	4 (50%)	3 (37.8%)
Bars & Restaurants	—	1 (3.7%)	26 (96.3%)
Supermarkets	—	3 (33.3%)	6 (66.7%)

Source: Survey

The table shows that 50% wineshops sourced their merchandise from producers while only 12.5% sourced from hawkers. 37.5% wineshops sourced from wholesalers. For bars, 96.3% sourced from wholesalers. On the other hand, 33.3% supermarkets got merchandise direct from producers while the rest 66.7% sourced from wholesalers. Those wineshops which were supplied direct by producers were able to sell at both wholesale and retail prices. Bars and supermarkets were supplied by these wineshops. The wineshops were at the same time reaching retail customers. This confirms the hypothesized conflict in the marketing channels pointed out in the background of this study.

4.8 REPLENISHING STOCK

The following table shows a presentation of business category by how often it replenishes stock.

Table 4.8,1: Business category by how often stock is replenished.

Business Category \ Options	Immediately	Major purchase	Row total
Wineshop	3 (37.5%)	5 (62.5%)	8 (18.2%)
Bars & Restaurants	22 (81.5%)	5 (18.5%)	27 (61.4%)
Supermarkets	7 (77.8%)	2 (22.2%)	9 (20.4%)
Column total	32 (72.7%)	12 (27.3%)	44 (100%)

Source: Survey

Key: The percentages in totals column and row are based on all the 44 respondents. The rest are based on the total number of respondents in each business category.

62.5% wineshops wait to make one major purchase after a given time while only 37.5% replenish stock immediately after a particular brand runs out. This is because the 62.5% buy in bulk and it takes some time before such stock is cleared. 81.5% bars buy on daily basis or immediately a particular brand runs out. This is because they buy in small numbers the various brands they sell. They source from wholesalers who get orders from the bars every morning. Bars find no need to hold money in stock that is slow moving as supplies come after a short notice. Like bars, 77.8% supermarkets replenish stock immediately. In general, 72.7% of all the outlets considered in the study

replenish stock immediately while only 27.3% wait to make one major purchase.

4.9 COMPETITION

Table 4.9,1: Competition types by level of competition

Level \ Type	Very stiff	Stiff	Minimum
Intra type	21 (47.7%)	9 (20.5%)	14 (31.8%)
Inter type	18 (40.9%)	9 (20.5%)	17 (38.6%)
Vertical	29 (65.9%)	8 (18.2%)	7 (15.9%)

Source: Survey

The table shows that, competition between businesses in the same category (intra type) was indicated as very stiff by 47.7% respondents, 20.5% viewed it as stiff while 31.5% considered it as minimum. For inter type competition (competition between outlets in different categories) 40% considered it as very stiff while 38.8% indicated it as minimum. For vertical competition (competition between wholesalers who attempt to make retail sales and other retailers), a massive 65.9% considered it as very stiff. Most retailers felt that, wholesalers were pushing them out of business through better prices. Wholesalers were

selling to other retailers as well as to consumers thus competing with the retailers for the same customers.

A more clearer picture is evident when business categories are presented against each type of competition. The following 3 tables display this.

Table 4.9,2: Business category by intra competition

Competition Level Business Category	Very stiff	Stiff	Minimum
Wineshop	2 (25%)	4 (50%)	2 (25%)
Bars & Restaurants	18 (66.7%)	3 (11.1%)	6 (22.2%)
Supermarkets	1 (11.11%)	2 (22.2%)	6 (66.7%)

Source: Survey

Competition between wineshops was generally stiff 50%. Bars and restaurants on the other hand considered competition among themselves as very stiff (66.7%) while majority (66.7%) of the supermarkets indicted minimum competition between themselves. This is because in supermarkets, wines and spirits are just one of the many items sold.

Table 4.9,3: Business category by inter competition

Business category \ Competition level	Very stiff	Stiff	Minimum
Wineshop	2 (25%)	3 (37.5%)	3 (37.5%)
Bar & Restaurant	14 (51.9%)	2 (7.4%)	11 (40.7%)
Supermarket	2 (22.2%)	4 (44.4%)	3 (33.3%)

Source: Survey

Competition between wineshops and other business was considered stiff by 37.5% wineshops and minimum by 37.5%. This is because, wineshops offer better prices than any other retail outlet. For bars, 51.9% indicated competition between them and other retail outlets as very stiff, 7.4% stiff and 40.7% minimum. Most supermarkets indicated inter type competition as stiff 44.4% and minimum 33.3%.

Table 4.9,4: Business category by vertical competition

Business category \ Competition Level	Very stiff	Stiff	Minimum
Wineshop	5 (62.5%)	2 (25%)	1 (12.5%)
Bar & Restaurant	17 (63.0%)	4 (14.8%)	6 (22.2%)
Supermarket	7 (77.8%)	2 (22.2%)	—

Source: Survey

Competition between wholesalers who attempt to make retail sales and all the other retail outlets was considered very stiff by the various business categories. 62.5% wineshops, 63.0% bars and 77.8% supermarkets considered this competition as very stiff. This is because wholesalers sell to consumers at the same price they sell to retailers thus putting retailers out of business.

4.10 FACTORS IN SELLING WINES AND SPIRITS

Table 4.10,1: Factors considered in selling wines and spirits by level of importance

Importance level Factors	Very important	Important	Less important
Source	27 (61.4)	8 (18.2%)	9 (20.5%)
Variety of brands in stock	28 (63.6%)	14 (31.8%)	2 (4.5%)
Price charged	31 (70.5%)	9 (20.5%)	4 (9.1%)
Pack sizes available	26 (59.1%)	12 (27.3%)	6 (13.6%)
Mode of sales	11 (25%)	9 (20.5%)	24 (54.5%)
Type of business	12 (27.0%)	12 (27.3%)	21 (45.3%)

Source: Survey

61.4% of the respondents considered source as a very important factor in selling wines and spirits. Variety of the various brands a particular outlet offers for sale and

the prices they are offered at are also very important factors which were indicated by 63.6% and 70.5% respondents respectively. 59.1% indicated pack sizes available as the other very important factor. Mode of sales and type of business were taken as less important factors by 54.5% and 45.5% respectively. Therefore, source of merchandise, variety of brands in stock, price charged and pack sizes available are very important factors in selling wines and spirits. Mode of sales and business type are less important factors. This is because, there are only two options of selling; either selling in the original pack sizes or breaking bulk. Breaking bulk is not adapted by many outlets.

4.11 PRICING STRATEGIES

Table 4.11,1 below summarises the various pricing strategies according to which retail outlets price their merchandise.

Table 4.11,1: Pricing strategy by business category

Pricing strategy \ Business category	Wineshop	Bar & Restaurant	Supermarket
Recommended	5 (62.5%)	4 (14.8%)	5 (55.5%)
Source	3 (37.5%)	4 (14.8%)	3 (33.3%)
Needed markup	1 (12.5%)	17 (62.9%)	3 (33.3%)
Competition level	3 (37.5%)	24 (88.8%)	5 (55.5%)
Class of customers	1 (12.5%)	10 (37.0%)	3 (33.3%)
Below the recommended	—	—	1 (3.7%)

Source: Survey

62.5% wineshops, 14.8% bars and 55.5% supermarkets set the retail price according to the recommended. 37.5% wineshops, 14.8% bars and 33.3% supermarkets price according to source. 12.5% wineshops, 62.9% bars and 33.3% supermarkets indicated they price according to needed makeup. 37.5% wineshops, 88.8% bars and 55.5% supermarkets price according to competition. From this study, it can be concluded that, wineshops and supermarkets set the price based on the recommended retail prices. Bars set prices for these products based on competition, that is, bars in one given location set the same retail prices.

4.12 FACTORS IN PRICING

Different respondents indicated that they consider different factors before settling on a given price. Table 4.12,1 summarises these factors by response given by different categories of retail outlets.

Table 4.12,1: Factors considered in pricing by business category

Business Category Factors	Wineshop	Bars & Restaurants	Supermarkets	Row total
Location	6 (75%)	(88.8%)	5 (55.5%)	35 (79.5%)
Sales volume	3 (37.5%)	9 (33.3%)	2 (22.2%)	14 (31.8%)
Level of Competition	3 (37.5%)	22 (81.5%)	5 (55.5%)	30 (68.2%)
Rent and other overheads	1 (12.5%)	4 (14.8%)	2 (22.2%)	7 (15.9%)
Cost price	4 (50.0%)	9 (33.3%)	7 (77.7%)	20 (45.5%)
Source	4 (50.0%)	4 (14.8%)	4 (44.4%)	12 (27.3%)

Source: Survey

Key: The percentages under row total column are based on all the 44 respondents. The rest are based on the total number of respondents in each business category.

The factors that were considered by 50% wineshops and above were location, cost price and source. When setting the

retail price, bars mostly considered location and level of competition given by 88.8% and 81.5% respectively. Supermarkets mainly considered location (55.5%), level of competition (55.5%), and cost price (77.7%). In general, 79.5% respondents considered location and 68.2% considered level of competition. In conclusion therefore, the particular place a retail outlet is located and the level of competition are two very important factors that cannot be ignored when setting retail prices.

4.13 PROPORTION OF DRINKERS IN THE PREMISES

There are some consumers who like drinking at home while others prefer drinking in retail outlets. Table 4.13,1 below shows the result analysing the impact of business category on customer distribution.

Table 4.13,1: Business category by proportion of drinkers in the premises.

Proportion Business Category	Almost all	More than half	Less than half	None
Wineshop	—	3 (37.5%)	2 (25%)	3 (37.5%)
Bars & Restaurant	20 (74.1%)	6 (22.2%)	1 (3.7%)	—
Supermarket	—	—	—	9 (100%)

Source: Survey

37.5% wineshops indicated that more than half their customers drink in the premises while 25% indicated less than half drink in the premises. 37.5% wineshops indicated that none of their customers drink in the premises. For bars, a massive 74.1% indicated that almost all the customers drink in the premises. The column for none was blank which is an indication that no bars solely depend on take away customers. 100% supermarkets indicated that customers drink in the premises. This is because wines and spirits constitutes only a small fraction of the merchandise sold.

4.14 SERVICES OFFERED TO CUSTOMERS

The analysis was focused on those retail outlets where customers drink in the premises.

Table 4.14,1: Services offered by each business category

Services	Wineshop	Bars & Restaurants
Comfortable seats	—	26 (96.3%)
Bitting	1 (33.3%)	23 (85.2%)
Entertainment	—	21 (77.7%)
Secure parking	2 (66.7%)	25 (92.6%)
Children entertainment	1 (33.3%)	4 (4.8%)
Big space	—	9 (33.3)
Hot water	—	21 (77.7%)

Source: Survey

The table reveals that, services were offered by only wineshops and bars. Supermarkets did not have customers who drank in the premises thus no need to offer any special services. The only services offered by wineshops are bittings, secure parking and children entertainment which were indicated by 33.3%, 66.7% and 33.3% in that order. Most common services in bars are comfortable seats and secure parking which were indicated by 96.3% and 92.6% respectively. The licence given to wineshops does not allow customers to drink in the premises. This is why wineshops only offered skeleton services. Because of competition, bars try to outdo one another by offering better services than the competitors. This is the reason why all the services had a high response rate in bars.

4.15 PROMOTION ACTIVITIES

Table 4.15,1: Promotion Strategy by Business Category

Promotion Strategy	Wineshop	Bar & Restaurant	Supermarket
Advertising	3 (37.5%)	7 (25.9%)	4 (44.4%)
Sales promotion	3 (37.5%)	7 (25.9%)	6 (66.6%)
Personal selling	5 (62.5%)	22 (81.5%)	3 (33.3%)
Publicity	4 (50.0%)	16 (59.3%)	—

Source: Survey

37.5% wineshops, 25.9% bars and 44.4% supermarkets indicated advertising as a promotional strategy. 37.5% wineshops, 25.9% bars and 66.6% supermarkets do some sales promotion. 81.5% bars do personal selling through bar hostesses who serve customers on personalized basis. Publicity was only indicated by 50% wineshops and 59.3% bars. In conclusion therefore, it is evident from the table that each business category undertakes more than one promotional activity in an effort to improve consumption of wines and spirits.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The aim of the study was to investigate the status of wines and spirits business in retail outlets in Nairobi Eastlands. Three types of retail outlets namely wineshops, bars and restaurants and supermarkets were studied.

Specifically, the study was designed to determine the factors that influence the mode of sales a particular retail outlet adapts and to establish the distribution of various types and pack sizes of wines and spirits in retail outlets.

The results revealed that, there were only two modes of sales; selling in the same pack sizes as packed by producers and breaking bulk (selling in tots). All the retail outlets were found selling in the original pack sizes. Only a few were breaking bulk. Of those which were breaking bulk, majority were bars.

In this study, the spirits were categorised as vodka, brandy, whisky and gin. Different brands of wines were generalised under one title "wines". The results revealed

vodka as the most popular brand, available in all retail outlets. Wines and gin were the most unpopular.

The study revealed four pack sizes of the products; full bottle, half, quarter, mini & mega packs. Mega & mini packs were very popular in all retail outlets. This implies that, consumers prefer small pack sizes.

Majority of the retail outlets were selling the products way above the recommended prices. Only less than half retail outlets were sticking to the recommended prices.

CONCLUSION

The study revealed three sources from which different retail outlets got the supplies. These were hawkers, producers and wholesalers. Those who were supplied by producers had an advantage over the others as they were able to do both wholesale and retail businesses. This resulted to very stiff competition among the different retail outlets.

Further, the study revealed that each retail outlet was engaged in atleast one promotion activity among the following; advertising, sales promotion, personal selling and publicity.

Respondents visited offered suggestions on what needs to be done to make the wines and spirits business beneficial to all the stakeholders. Majority of the respondents suggested that the prices need to be lowered to a level that most customers can afford. Many respondents felt that, producers need to be more aggressive in making their products known to customers especially in retail outlets. Producers especially those of new products being introduced into the market need to give some free samples so as to give potential customers a chance to try the products.

5.2 CONCLUSION

From the analysis of the wines and spirits business in Nairobi, it can be concluded that, the retailers would not like to involve themselves in any other sales mode apart from selling in the original pack sizes. Producers should look into the possibility of packing all the brands in small pack sizes, which seem to be very popular with consumers. Producers should work hand in hand with the various intermediaries to avoid conflict in the marketing channel.

5.3 RECOMMENDATIONS

Based on the findings already discussed, the following recommendations are suggested.

One, that if the producers mind about exploitation of consumers by retailers, control measures need to be put in place in the area of distribution. The producers should ensure that wholesalers strictly stick to wholesaling while retailing is left solely to retailers like in the case of other alcoholic products.

Two, that since majority of the 50% retailers were found charging exorbitant prices for these products, the producers should revisit the issue of profit margins. When setting recommended retail prices, the producers should ensure that they give the various intermediaries adequate profit margins such that, no retailer can quote low profit margin as a basis for overpricing.

Three, that since mega & minipacks were identified as the most popular pack sizes, the producers of wines and spirits, should go back and look into the viability of packing all their brands in these small packs. This way, they might end up killing two birds with one stone in that, they will be able to reach more consumers and at the same time, cut out imports, since most imports come in full bottles which are not popular with consumers.

Finally, since most retailers felt that the producers were not doing enough in the area of promoting their products, it is of paramount importance that producers become more aggressive in advertising, personal selling and sales promotion to make their products known to potential customers.

5.4 POSSIBLE AREAS FOR FURTHER RESEARCH

The study focussed on the status of wines and spirits business in Nairobi Eastlands. This left out other parts of the city. Further, Nairobi as the capital city has its own outstanding differences from other towns in the country. There is need to carry out a further study in these other parts and compare the status of this business based on economic conditions of the different parts of the country.

The study concentrated on retailing of wines and spirits. This is one of the intermediaries in the marketing channel. Further studies should be done on the other intermediaries to investigate their role and contribution in the marketing of wines and spirits.

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APPENDIX A:

INTRODUCTION LETTER



KENYATTA UNIVERSITY
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31 July 2000

TO WHOM IT MAY CONCERN

RESEARCH PROJECT BY D53/8251/98 – NJOROGE N. EVANS

The above named is a second year MBA student at the Faculty of Commerce.

He is carrying out a research project entitled **"ANALYSIS OF RETAILING OF WINES AND SPIRITS". A Case of Retail Outlets in Nairobi Eastlands.**

The information obtained in the course of this project will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide him with the necessary assistance.

Thank you.



APPENDIX B

QUESTIONNAIRE

I am a masters student in the Faculty of Commerce, Business Administration Department at Kenyatta University. I am carrying out a research on "Analysis of retailing of Wines and Spirits: A case of retail outlets in Nairobi Eastlands". This questionnaire is aimed at eliciting information which will be useful in the above mentioned research as part of the Master of Business Administration degree requirements. You have been selected as one of the respondents in this study. The information supplied will be used strictly for academic purpose only and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

Thank you.

PUT A TICK (✓) AGAINST CHOICES OR FILL IN BLANKS WHERE APPLICABLE. (YOU MAY TICK MORE THAN ONE). FOR "OTHERS" PLEASE SPECIFY.

Q1. Date of interview _____

Business location (Estate) _____

Q2. For how long has this business been operating

Less than one year []

- 1-2 years []
- 2-3 years []
- 3-4 years []
- 4-5 years []
- Over 5 years []

Q3. Please indicate your business category

- Wine shop []
- Bar & Restaurant []
- Supermarket []
- Others (Please specify) _____

Q4. What is the size of your business?

- Small []
- Medium []
- Large []
- Others (Please specify) _____

Q5. Which of the following drinks does your business deal in?

- (a) Beer []
- (b) Wines []
- (c) Spirits/hot drinks []
- (d) Mineral water []
- (e) Juice []

(f) Soda []

(g) Others (Please specify _____)

Q6. If your business deals with b and c above, please list the various brands sold, their different pack sizes and the price you sell them at in the following format.

<u>Product</u>	<u>Pack size</u>	<u>Price</u>
E.g. (i) Smirnoff vodka	750ml (full)	
(ii) Wood pecker cider	300ml	
(iii) _____	_____	_____
(iv) _____	_____	_____
(v) _____	_____	_____
(vi) _____	_____	_____
(vii) _____	_____	_____
(viii) _____	_____	_____
(ix) _____	_____	_____
(x) _____	_____	_____
(xi) _____	_____	_____
(xii) _____	_____	_____
(xiii) _____	_____	_____
(xiv) _____	_____	_____
(xv) _____	_____	_____

Q7. Which mode of sales does your business adopt in selling wines and spirits?

- (a) Selling in the same pack sizes
as packed by producers []
- (b) Selling in small bits i.e. in tots for spirits
or glass for wines []
- (c) Both (a) and (b) above []

Q8. How would you rate the importance of the following factors when determining the mode of sales to use?

Factors	Very important	Important	Less important
-Profitability			
-Availability of different pack sizes			
-Class of customers			
-Nature of business (retail outlet)			
-Practicability of the mode in the outlet			
-Availability of measuring equipment			
-Others (Please specify) _____			

9. If you do not sell in small bits, what are your reasons (You may tick more than one).

- (a) It is not practical in my business []
- (b) Requires a lot of supervision []
- (c) Consumers do not demand []
- (d) Equipment are expensive []
- (e) Wines and spirits are not popular in my
business []
- (f) Others (specify) _____

10. If you sell in small bits, please list the brands sold and price charged in the format below:

<u>Brand</u>	<u>Measure</u>	<u>Price</u>
e.g. Richot	Tot	
Highlife sherry	Glass	
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Q11. Which pack sizes are most popular with your customers?

- (a) Full bottle (750ml) []

Half (350ml)	[]
Quarter (150ml)	[]
Minipak (30ml)	[]
Tot	[]

Q12. Which are your hours of business? (Please indicate the times)

(a) During week days

Opening time _____

Closing time _____

(b) During the weekends and public holidays

Opening time _____

Closing time _____

Q13. Where do you source your merchandise from?

Hawkers []

Direct from the producers []

From wholesalers []

From other retailers []

Others (specify) _____

Q14. How often do you replenish your stock? (Tick appropriately).

(a) Immediately after a specific brand runs out []

(b) Wait to make one major purchase for all brands

sold

[]

(c) Others (specify) _____

Q15. How would you rate the following different types of competition?

	Very stiff	Stiff	Minimum
Competition between retailers in your category e.g. bars only			
Competition between retailers in different business categories i.e. between you and other business categories.			
Competition between retailers and wholesalers who attempt to make retail sales			

Q16. How would you rate the importance of the following factors with respect to sales of wines and spirits?

	Very important	Important	Not important
Source of merchandise			
Variety of brands available in stock			
Price charged			
Pack sizes available			
Mode of sales			
Type of business			
Others (specify)			

Q17. According to you which is the best basis for pricing wines and spirits (You may tick more than one)

According to recommended prices []

According to the source []

According to needed mark up []

According to competition []

According to the class of the outlet []

Others (specify) _____

Q18. What factors does your business consider in setting retail prices for wines and spirits in your business? (You may tick more than one)

Location []

Volume of sales []

Level of competition []

Rent and other overheads []

Cost price []

Source of merchandise []

Other services offered e.g. parking []

Other factors (Please specify) _____

Q.19. Do you adjust your retail prices every time the following happens?.

Q19. What problems do you face?	Yes	No
Supplier's prices go up		
Supplier's prices go down		
Overheads go up		
Overheads go down		
You get merchandise cheaply		

Publicity

Q20. What proportion of your customers drink in the premises?

- Almost all
- More than half
- Less than half
- None

Q21. For those customers who drink in the premises, what other services do you offer? (Tick appropriately)

- Comfortable seats
- Sell biting in form of Nyamachoma, samosas etc
- Entertainment (Music)
- Secure parking
- Children entertainment facilities
- Big space
- Hot water
- Others (specify) _____

Q22. What promotional activities do you undertake to overcome competition?

Advertising []

Sales promotion []

Personal selling []

Publicity []

Others (specify) _____

Q23. What do you suggest should be done to improve the sales of wines and spirits in retail outlets?

Thank you.

APPENDIX C

BUDGET

ACTIVITY	AMOUNG (KSHS)
Proposal preparation	1,500
Proposal typing, photocopying and binding	3,000
Production of questionnarie	1,600
Data collection	5,000
Computer data analysis	12,000
Project report writing, typing and photocopying	5,000
Report binding	<u>1,200</u>
Total	<u>29,300</u>

APPENDIX D

TIME - TABLE OF EVENTS

Phase	Description	Number of Weeks											
		1	2	3	4	5	6	7	8	9	10	11	12
I	Pilot study (1 week)												
II	Adjustments (1 week)												
III	Data collection (5 weeks)												
IV	Data coding (6 weeks)												
V	Data analysis (7 weeks)												
VI	Report writing (5 weeks)												
VII	Compilation (5 weeks)												

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