E-COMMERCE MARKETING STRATEGIES ADOPTED BY SOCIAL ENTERPRISES AND CUSTOMER RETENTION AT THE BOTTOM OF THE PYRAMID IN NAIROBI COUNTY, KENYA

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DECLARATION

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

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ABSTRACT

The impact of e-commerce marketing strategies on customer retention has become a more prominent issue for investigation. Over the years e-commerce marketing has become the preferred way of conducting and promoting business in order to cut expenses, and increase the business profitability. The study sought to examine e-commerce marketing strategies adopted by social enterprises and customer retention at the bottom of the pyramid in Nairobi County, Kenya. The specific objectives were to establish e-commerce marketing strategies adopted by social enterprises at the bottom of pyramid in Nairobi County and to determine the effects of e-commerce marketing strategies by social enterprises on customer retention at the bottom of pyramid in Nairobi County. This research adopted descriptive survey design. A census was adopted which comprised of 11 social enterprises serving the bottom of the pyramid in Nairobi County. Quantitative data was analysed using descriptive statistics such as mean, standard deviation and chi-square was used to find the relationship between the variable. Qualitative data was analysed using content analysis and presented in prose form. The findings also revealed studied companies used SMS, social media and electronic catalogue technology to engage with their customers in that order. There has been increase in early repeat rate and average basket size in the last two years (2015 and 2016) implying that customers are retained. The chi-square results indicated there is relationship between e-marketing strategies adopted by social enterprises at the bottom of pyramid and customer retention. The study concluded that e-commerce marketing strategies adopted by studied social enterprises had positive effect on customer retention. The study recommended that companies serving the bottom of pyramid market should continually embrace the electronic marketing practices especially electronic and social media marketing which have enhanced feedback system and can act as a buying portal. Lastly, the enterprise should develop loyalty programs within their e-marketing platforms so as achieve customer loyalty hence retention

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ACRONYMS AND ABBREVIATIONS

BOP　　　　　　Bottom of Pyramid

E-commerce　　　Electronic Commerce

E-mail　　　　　Electronic Email

M-Kopa　　　　　Mobile Kopa

PR　　　　　　　Public Relation

SME　　　　　　Small and Micro Enterprises

CHAPTER ONE: INTRODUCTION

1.1 Introduction

Over the years marketing and its ways to reach the global world, has been transformed with electronic media playing a key role in this transformation. The easy availability of the internet has led to a progressive and interconnected environment, and the phenomenal growth of the internet has resulted in declining trends of traditional marketing media (Banerjee, 2016). According to Nelson-Field, et al. (2012) e-commerce marketing allows the establishment and maintenance of long-term relationships with customers. E-commerce marketing has been found to have the ability to give business the durability to stay with customer information which is importance in achieving customer retention (Feihua, 2011). However, Businesses have given little attention to customer relationship at the bottom of the pyramid in comparison at the top of the pyramid. With markets at the top of pyramid saturating and profits from these markets thinning, shrewd managers have recognize the underlying possibilities exploiting the bottom of pyramid market (Prahalad, 2005). The emerging importance of bottom of pyramid market has led to possibility of restructuring marketing strategies for the sole reason of serving the market as well as increasing organization returns (Rivera-Santos and Rufin, 2010).

The study was guided Bottom of the Pyramid (BOP) theory proposed by Prahalad (2005). In an attempt to understand the BOP theoretical perspective one tries to deconstruct the notion of poverty in relation to the market and secondly it highlights the role companies in serving the disadvantaged, (Majumder, 2012). The commitment-trust theory of relationship marketing posits that two fundamental factors, trust and commitment, must exist for a relationship to be successful hence customer retention (Cook, Karen & Richard, 1978). According Hersey and Blanchard (1974) contingency theory posit that organizations decide to use technology such as electronic marketing practices to improve efficiency in giving feedback and handling customer queries. According to Kotler & Armstrong (2011), organization are abandoning mass marketing in favour of targeted marketing by identifying market segments so as to tailor their marketing programs during product and service development.

The Bottom of the pyramid (BOP) is presumed to be the largest and fastest growing market in the world with 2/3 of the world population already in it and the BOP population will grow to 6 billion people in 40 years' time with a commensurate purchasing power of $5 trillion (Chikweche, 2013). The market is dominated by social enterprise which addresses societal challenges and problems which range from maternal child health care, energy, illiteracy, crime, drug abuses and mental health, access to commodities. Nairobi County is the most populous county in Kenya with over 3.3 million residents. The BOP market stands at approximately 57% of the total population (Tetra Pak Ltd, 2013). The findings of the Tetra Pak Ltd in 2013 research also showed that the BOP population is on the rise due to the ever-rising cost of goods and services in Kenya. The BOP market has attracted firms in FMCGs, energy, ICT, health, agriculture, sanitation among many others.

1.1.1 E-commerce Marketing strategies

Marketing strategy can be viewed as a way which focuses on bringing forth strategic performance of a firm by use of sub-strategies which include growth of latest segments and/or customers, the development of new products, expert delivery preparations market forecasting, services after sales advances and market-share examination (West, Ford and Ibrahim, 2010). E-commerce provides the capability of buying and selling products, information and services on the internet and other online environments. E-commerce marketing strategy is the design of marketing strategy that capitalizes on the organizations electronic or information technology capabilities to reach specified marketing objectives (Yasin et al., 2011).

According to Kotlyarov (2012) e-commerce marketing strategies are based on the four principals. Affordability which is the degree of e-commerce strategy been affordable to BOP customers; Awareness which is the degree of marketing strategies adopted by firms have been made aware amongst the BOP customers; Accessibility which is the extent of BOP customers have the opportunity to acquire and use e-commerce strategies; Availability which is the extent an e-commerce marketing strategy is available amongst the BOP consumers and if the firms serving these customers have alternatives in case of unavailability. The choice of electronic commerce marketing strategy will depend on four main variables: the nature of the customer's interaction with the product and seller; the current capabilities of the business; the capabilities that are (or will become) "commodity" operations, in which competitive advantage cannot be sustained; and the trade-off between time and control.

Some of the e-commerce companies utilize marketing strategies such as electronic catalogues which is mainly used to attract and build relationship with the customer. Search engine optimization strategies which according to Dou, Lim, Su, Zhou and Cui (2010) aid organizations to boost their presence online and enhance brand image. Payment gateway strategies which according to Izhar, Khan, Khiyal, Javed and Baig (2011) are an important component in building customer relationship and trust in online marketing context.

1.1.2 Customer Retention

Customer retention is defined as the activities the firm takes in reducing number of client defections (Kotler, 2011). Onsongo (2016) concluded by saying the key major step towards customer retention starts with the first contact with the customer within the firm and then goes on throughout the whole lifetime of the association. With increase in customer acquisition costs, businesses need to assume a proactive role in retaining customers. While specific strategies may vary, retention starts from the first day a member interacts with the service provider.

The antecedents of customer retention are loyalty of the customer to a company, brand image which create customer trust and/or specific products or services which makes the company to stand out thereby creating long term customer commitment through satisfaction. To retain customers, organization can adopt various strategies including marketing strategies. In marketing, the concepts of customer relations, relationship marketing and customer service stand out in retaining customers (Sackitey, 2011). To determine customer retention, engagement, adherence and loyalty has been used consistently used by various studies (Trasorras et al., 2009; Bowen and Chen, 2001; Kaplan and Norton, 2001). It has also been noted that retained customers are mostly likely to spread word-of-mouth which in most cases is positive to their friends, relative and social circle (Fecikova, 2004; Avci et al., 2010). The ways in which firms handle complaints has also been associated with customer retention through customer satisfaction (Ang & Buttle, 2006; Kumar et al., 2007; Trasorras et al., 2009).

Previous studies have indicated that acquiring new customers is five times expensive than retaining existing customers (Lopez et al., 2009). It suggested that improvement in customer retention is gainful for an organization in terms of more profits than increasing their market share. According to Kotler and Armstrong (2010), in recent times many organizations are recognizing significance of

fulfilling and keeping customers because they form the companies' association wealth. However, for an organization to be effective there is need for them to be aware of the effort that is needed to put in customer retention programs and the desired output (Kuranchie, 2010).

1.1.3 Social Enterprise

Social enterprise describes business whose primary purpose is to gain social and environmental objective. Thus social enterprises are founded on societal problem with a purpose of solving social and environment problem rather than create profits for the owners. The surpluses generated from these enterprises are reinvested back in the business or are utilized for the community empowerment rather than enriching the owners and/or the shareholders as profits (Chell, 2007). Social enterprise is considered amongst scholars and business people as bridge which seeks to reduce the gap between the poor and the rich. It provides a completely new dimension in business and global contemporary by attending the unmet of the society and environment (Leadbeater, 2007).

Social enterprises in Kenya are still in their infancy stage although of late it has attracted interest from multinationals. The increase in interest has been associated with the ability of social enterprise to create economic and social value such as providing employment opportunities, training to an employment disadvantage segment, developing of new goods and services, developing as well as applying innovation to economic and social development. In doing this, the social enterprise are primed to address problems such as mortality rate, maternal child health, crime, illiteracy, drug abuses, digital divide, energy and conversancy as well as water and sanitation. Example of social enterprises in Kenya include One Acre Fund, KickStart, Alive & Kicking, the iHub, Fairtrade (Kenya), TotoHealth, M-KOPA, Poa Internet and Hivisasa.

1.1.4 Bottom of Pyramid

The bottom of the pyramid (BoP) refers to markets that serve some of the poorest individuals on the planet. Prahalad and Hammond (2002) suggests that the bottom of pyramid consumer is defined as having an annual per capital income which is less than $2000 while Gupta and Pirsch (2014) argue that the bottom of pyramid consumer is an individual that earning approximately $2 per day. The Kenya Economic Survey (2014) defines the Bottom of the Pyramid as that group of consumers who earn less than Ksh.23, 670/ - per month or approximately ksh.780/- per day. This definition is very

close to the World Bank categorization of consumers who earn $ 2,500 per year. According to Rivera-Santos and Rufin (2010), the BOP has attracted a lot of interest both for marketers, strategic management practitioners, government and non-governmental organizations. To marketers, it conjoins the attractiveness of societal gains and profits realization. The enticing prospects of aiding the less disadvantages individual at the BOP while at the same time earning profits make its ideal for marketers. The fundamental potential emerging from marketing to the bottom of the pyramid is decline in conflict with the promise of increase in global prosperity.

BOP market is not vast homogenous entity as it seems to be by most social scientists. It is made up of different segment with different needs, system requirements and expectations. This demand for organization serving this market to understand which model of marketing to adapt to effective obtain economic and societal gains (Chikweche & Fletcher, 2012). A number of unique features characterize the BOP which poses distinct challenges for both domestic and international marketers. Michailova et al (2013) depicts these challenges, thus the younger age demographic, gender discrimination, the nature of BOP rural and urban locations, dwelling sizes, degree of uncertainty and turbulence in the environment, the nature and adequacy of infrastructure and the extent of the informal economy.

Nairobi County has an estimated 3.5 million residents and it is estimated that between 60% and 70% of the resident are found at the bottom of pyramid. The county has various organization and institution targeting the market at the bottom of the pyramid. These include energy, water and sanitation, health, education, SME, communication and micro finance. This includes TotoHealth which use mobile technology to help reduce maternal & child mortality and detect developmental abnormalities in early stages in Nairobi Informal settlement. M-KOPA solar has connected over 500,000 homes to affordable solar power to the very poor for whom affordable electricity has remained out of reach. Poa Internet is a great internet service developed and delivered in by and for the people from the communities in Kibera and Kawangware. Hivisasa is an online, local, county-level Kenyan newspaper tailored for the mobile web.

1.2 Research Problem

The impact of e-commerce marketing strategies on customer retention has become a more prominent issue for investigation. Over the years e-commerce marketing has become the preferred

way of conducting and promoting business in order to cut expenses, and increase the business profitability which is unlike in case of traditional marketing methods which is considered expensive in some type of market. Electronic commerce marketing method can be designed in such a manner to reach target set of customers or niche customers having specific expectation and preference for the products or services apparently based on the specific e-marketing campaign promotion. Thus, e-commerce marketing strategies are ideal for bottom of pyramid market which is served by infancy social enterprise sector in Kenya (Ronoh, 2013).

The size of the BOP market is expected to expand at a faster rate than that of the top of the pyramid. Therefore the potential and the opportunities of the BOP market are enormous for the business serving this market. However, it is a neglected market, which gives great growth opportunities, compared to the developed and saturated market at the top of pyramid (Evalueserve, 2008). Further, most business have been found to use traditional marketing strategies such as mass marketing at bottom of pyramid which have low customer retention potential as BOP consumers are considered less attractive to most of multinational corporations. With most companies spending enormous amount of money, time and energy to attract new customers as well as retaining the old ones, e-commerce marketing strategies offer business serving bottom of pyramid a better alternative to retain their customers.

Previous studies have focused on assessing marketing strategies adopted by firms with few studies focusing on e-commerce marketing strategies, customer retention and bottom of pyramid. For instance, Gathuru (2012) sought to determine the marketing strategies adopted in serving bottom of the pyramid customers of Kenya Power & Lighting Company while Onsongo (2016) sought to establish the impact of marketing strategies on client retention in the health insurance sector in Kenya. Cowden (2014) sought to find out the effect of social media marketing of young Icelandic Companies while Qteishat et al (2015) found that electronic marketing has significant role on customer retention in telecommunication sector in Jordan.

To the best of the researcher's knowledge, there is no study known to the current that has a clear focus on assessing e-commerce marketing strategies adopted by social enterprises and customer retention at the bottom of the pyramid in Nairobi County. This research study therefore sought to fill the existing knowledge gap by assessing e-commerce marketing strategies adopted in serving Bottom of the Pyramid customers in Nairobi County in relation to customer retention.

1.3 Objectives of the study

The objectives of the study were

i. To establish e-commerce marketing strategies adopted by social enterprises at the bottom of pyramid in Nairobi County

ii. To determine the effects of e-commerce marketing strategies by social enterprises on customer retention at the bottom of pyramid in Nairobi County

1.4 Value of the study

The study has value to knowledge. Academicians will benefit from the study by broadening of their syllabus with respect to e-commerce marketing strategies hence providing a wider understanding. This study would increase the level of literature available in understanding how firms at the bottom of pyramid go about implementing e-commerce marketing strategies. It will also increase literature available on bottom of pyramid firms in Kenya, which may be used by all the stakeholders. The findings would attract other researchers to venture into the implications of e-commerce marketing strategies on customer retention that have not been studied in the African context.

This research poses great help to firms that have focused on the customers who are at bottom of the pyramid so they can learn on e-commerce marketing strategies to adopt for customer retention, hence the firms would be better positioned to compare performance and make improvements where necessary so as to boost their market performance. The management would be well positioned in decision making process based on the understanding of what e-commerce marketing strategies they need to adopt for their business to effectively deliver value to its policy holders through targeting customer at the bottom of pyramid.

The study is of value to the policy makers and other practitioners in who are interested in the bottom of pyramid market which has been largely been neglected due to high cost of doing business. The government would be able to use the findings of this study as it would offer the basis understanding marketing challenges affecting the social enterprise and in the process pursue various ways to enhance performance of social enterprises though policies and regulation, thus providing enabling climate for nourishes.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the theoretical foundation of the study, e-commerce marketing strategies, customer retention and empirical review.

2.2 Theoretical Foundation of the Study

The study was founded on bottom of the pyramid theory and segmentation, targeting and position theory which focus on base of the pyramid; commitment trust theory which focused on customer retention and contingency theory which explained why firms adopt technology such as e-commerce marketing strategies.

2.2.1 Bottom of the Pyramid (BOP) theory

The BOP theory is one of the theories that are common among marketing practitioners (Prahalad, 2005). The theory was proposed by Prahalad who explained world economic pyramid is divided into 4 parts. The upper part consists of between 75 and 100 million income earners consumers all over the world known as Tier 1. This group of upper income earner is a group comprising of upper-income and middle income from developed nations as well as handful of extra rich individuals from developing countries. The middle of pyramid consists of second group which is Tiers 2 and 3. It consists of poor individual in developed countries and in developing countries it comprises of rising middle class. The remaining about 4 billion are contained in lowest level know as Tier 4 hence bottom of pyramid.

The theoretical perspective of BOP was expounded by Majumder (2012) who attempted to analyse the concept of resource-poor in respect to the existing markets and focusing on the role of various companies targeting these market (BOP). Prior to the formulation of theory, multinational companies focused on top of pyramid economic market. The bottom of pyramid framework takes a comprehensive outlook by inserting consumer's model in determining market strategy as well as development of products for companies (Majumder, 2012). This is because the poor are able to afford goods and services designed for developed markets and therefore there is for corporations to do what is need in the market so that this segment of market can access them (Prahalad & Hart, 2002).

The marketers are required to develop various marketing strategies that reflect distinct economies of the economic pyramid with BOP market characterized by high volume, reduced packaging unit and reduced margin per unit. According to Ahmad & Mead (2004) the BOP has noticeable been unattractive markets for multinational due to low incomes and consequently, low purchasing power. This resulted to viewing the poor in the BOP as potential market but there is lack of conventional marketing patterns to exploit this market. A good example is that all communication models used in marketing are applicable however; the application of universal concepts relies on the buyers' nature. Therefore, the crucial tenet of the theory is based on promoting partnership between corporation and consumer. Jaiswal (2008) asserted to exploit this segment; companies are required to develop marketing strategies for their services and products on similar rhythm

2.2.3 Commitment Trust Theory

Cook, Karen and Richard (1978) posits that commitment and trust are the two major factors of commit-trust theory that is used in relationship marketing. Relationship marketing entailing building ties with customers by honouring and meeting their needs (Day, 1970). Business which are the ideologies of relationship marketing are not after pursuing short term goals and profits but forging long lasting ties with their customers. As a result of bond, Meyer and Natalie (1984) revealed that these businesses would be trusted by customers and both parties (business and customers) will benefit from mutual loyalty as the needs of parties would be fulfilled.

Trust entails the confidence that is developed amongst parties in a relationship. Thus, businesses have been found to develop and maintain confidence in the market with their customers. Maintenance of valued partnership for long term desire in business is what constitutes commitment. This kind of desire forces firms to consistently invest in the creation and maintenance of its relationships with customers. For example, to achieve customer satisfaction, a company might come up with after purchase programs for the purpose of customer experience. According to Hunt (1990) the commitment of business to its customers is manifested through several relationships building program.

Moorman, Rohit and Gerald (1993) posit that electronic marketing practices are based on trust between customers and the firm. Electronic marketing allows the organization and the customer to interact directly through direct communication. According to Stone and Woodcock (2000) the

theory assumes that the customers should be treated in a manner that makes them feel valued so that they can retain existing customers and attract prospective customers. This is achieved by considering the customer need when designing products and services. This improves the level of satisfaction and enhances customer retention.

2.2.3 Contingency theory

Contingency theory is one of organization behaviour approach which tries to explain how given contingent factors like culture, external environment and technology affect function and design of an organization. Therefore, according to Hersey and Blanchard (1973) organizational effectiveness does not essentially depend on match or fit between environmental volatility, technology type, organization size, information system and features of organization structure.

Contingency theory postulates that effectiveness of leadership cannot be universally applied in all situations or organization hence every organization may have it unique way of directing it resources to achieve distinct desirables (Hersey & Blanchard, 1974). Leadership success depends on a variety of contingencies factor such as task, group and subordinate variables. Therefore, it can be concluded that a particular form of effective leadership behaviour is dependant of situational demand of that specific time and organization.

The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations at all times (Smith, 1984). Preferably, organizational effectiveness does not essentially depend on match or fit between environmental volatility, technology type, organization size, information system and features of organization structure (Vroom & Jago, 1998). This theory assumes that no single structure is equally applicable to all organizations. This might not hold because most organizations today adopt flexible organizational structures to cope with the changes in the external environment.

The importance of the theory is that organizations that use electronic marketing practices invest in modern technologies like information communication technologies to improve efficiency in giving feedback and handling customer queries. This makes the organization reliable and consistent in providing customer needs as and when the customer is in need. This creates a good relationship with the customer as a result of trust, loyalty and confidence (Buttle, 1996).

2.3 E-Commerce Marketing Strategies

Electronic marketing is part of integrated marketing practice that includes: online marketing, social media, Electronic Catalogues, Search Engine, Payment Gateway and Seller's Portal Personalization.

The association between customer retention and electronic catalogues is not sufficiently researched and reviewed in the literature. Never the less, there is plenty of evidence which indicated that catalogues have indeed some effect on customer loyalty and customer satisfaction. According to Liao and Chen (2004) electronic catalogues as form of e-commerce marketing strategies are heavily used as they have potential to attract and build relationships with customers. Lin and Hong (2008) further revealed that electronic catalogue have also the ability to provide organizations means to reach consumers in effective way and to build robust understanding with the product in the market. Lin and Hong (2008) further maintained that electronic catalogue have the capability to be paired with transaction data and data mining so as to offer customized and tailored shopping experience to customers. As results, it provides an enhanced relationship with the customer and at the same time build satisfaction.

Payment getaways are considered to be vital element of creating and maintain customer relationships as well as achieving satisfaction within the confinement of electronic marketing. Izhar et al (2011) indicated that effective electronic payment portal take care of the need of both merchant and customers. Tsiakis and Sthephanides (2015) further contend that payment gateways can enhance a background for creating trust between the organization and the customers. However, for this to be achieved there is need to embed security measures as security shape consumer satisfaction and perceptions. Pavlovski (2007) asserted that payment gateways can build efficient customer relationship management when it is integrated with electronic commerce and marketing capability. This was supported by McIntyre (2003) who asserted that electronic payment systems are function of comprehensive and broad customer relationship management solution which involves the experience of the customer during interaction on the websites

2.5 Measurement of Customer Retention

The advantage associated with customer retention have been explored and recognized by countless researchers. The concept of customer retention has been increasingly considered as vital managerial tool particularly from the perspective of saturated markets and at the same time slow increase of

new customers in the market (Ghavami & Olyaei, 2006). According to Cohen et al. (2006) organization such as bank have noticed that customer retention is considered an effective tool which has a potential to help banks gain competitive advantage and survive the cut throat competition that is witness in banking industry. Berndt et al. (2005) revealed that firms are required to put a lot of emphasis on their current customers as this would ensure that there is repeat purchase and continual support of the product.

Therefore, to achieve close relationship with their customers, organizations are required to have strong coordination capability between organization and their marketing divisions so as offer long term customer retention solution for the selected customers (Chary & Ramesh, 2012). This would help organization to reduce the cost of acquiring new customers to replace customers who have opted out of their market. According Cohen et al. (2006), the cost of acquiring new customer has huge financial implication to an organization and it may cost up to five times the cost of retaining existing customers. Similar results were obtained by Rouholamini and Venkatesh (2011) who indicated that new customer acquisition is 5-7 timer expensive that retaining existing customer costs. For this to achieve, organizations are required to offer outstanding customer services which would result to customer loyalty (Ghavami and Olyaei, 2006). Hurey (2004) revealed that the cost of replacing a lost by acquiring new one is expensive to business. This is because the process of acquiring new customers always starts from creating commercial relationship with the potential customers and this demand organization to pay extra amount of money to get the potential customers to participate in this new relationship. In e-commerce, e-satisfaction, e-loyalty and switch barrier are main components of customer retention

Customer satisfaction in electronic commerce is fluid and unpredictable as compare to other forms of business (Korper & Juanita 2001). An effective e-commerce application should be able to provide a superior customer satisfaction and perception of the organization. According to Akshay (2007) the cyber security issue has emerge one of the greatest challenge for online shoppers. It can be concluded that e-satisfaction is influenced convenience, site design, security, merchandising and serviceability.

With E- loyalty relationship marketing the aim is to achieve most from existing customers as acquiring new customer is expensive and there exist greater profitability from loyal customers. Srini et al. (2002) found out that there are eight issues that influence customer loyalty. This includes

customization, cultivation, choice, care, character, contact interactivity, convenience and community. Customization is associated with time saving as it reduces effort to what ones needs. Community which is an online social entity allow potential customers or existing customers to exchange and share experience, information as well as other product/service information prior to purchasing. Cultivation is the degree to which a retailer is able to provide required information and other incentives for the purpose of expanding the depth and breadth of the purchases. Contact interactivity offers the customers probability of finding the right products with the requirement to buy it first after evaluation on the product to fit customer requirements.

The influence of switch barrier in relationship to customer retention is significant as switch barriers help to contain customers who may view service delivery are less satisfactory (Chatura & Jaideep, 2003). However, the authors pointed out that some customers could become indignant with the strategies that organization employs to achieve switch barriers. The best way to achieve switch barriers is to build a switch barrier that would add value to the customers. This would ensure that customers are not resentful with the switch barriers implemented by an organization.

2.6 E-Commerce companies Marketing strategies and Customer Retention

Fullerton (2002) concluded that through social media, customers easily share information with their friends. Electronic marketing led to improved sharing of information, brand commitment and loyalty leading to customer retention. Brookes & Little (1997) concluded that online marketing provides a platform to market goods and services to a wide range of customers. It also enables easy and convenient access to an organization's products and services in an efficient manner. This assists in building corporate reputation and thus improves customer loyalty.

Schlinke and Crain (2013) literature review on utilization of electronic market revealed that majority of the organization is using social media marketing for the purpose of customer retention objective. This is visible by persistently building relationship online after sale completion. Similar findings were obtained by Marshall et al. (2012) using a focus group entailing social media platform within various sales department of different organization. They revealed that the participants of focus group had experienced that through social media platform organizations are able to create and maintain optimal relationship with their customers. This was evident amongst customers who were located far away from the organization and they are unable to make several face time.

Martin and Merisavo (2003) findings on the relationship between email marketing and customer loyalty in the cosmetics industry, showed that most customers purchased products consistently since they were reminded repeatedly through emails by the organization. Johnston and Ellis (2000) argue that email marketing is used by organizations as a tool to improve customer loyalty continuously reminding customers about products and service to enhance continuous sales. Ab Hamid et al (2013) found there is direct relationship between social media users and customer retention in hotel industry in Pakistan. The younger generation of customers who spent most of their time engaged in social media communication of an organization especially in hotel industry are likely to revisit and recommend their social circle for said hotel. They concluded that an increase in the use of social media for communication by an organization increases the trust as well as the retention rate.

Eid and El-Gohary (2013) revealed that for small business enterprises' marketing success in U.K, use of EM tools had a positive influence on Small Business Enterprises (SBEs) pre-sales activities, after sales activities, marketing performance and marketing effectiveness. Tiago (2012) findings revealed that most customers enjoyed accessing electronic services through their mobile phones which enabled them to be up to date with any innovations on the products and services ultimately leading to customer retention. Avlonitis and Karayanni (2000) found a substantial positive effect of marketing strategies on customer retention of German service firms. These results yield a positive relationship between EM and performance as well as customer retention.

Locally, Ngugi (2012) established that some commercial banks adopted electronic marketing to reduce costs and improve efficiency. Wanjuki (2014) established that digital marketing was used as a strategy to improve customer service. Karimi (2014) revealed that most of the relationship marketing practices presented to the respondents in Kenyan Insurance companies were to a moderate extent, perceived to have an effect on customer. The insurance firms were found to be undertaking customer data-mining to identify important customers who warrant special attention. Kagendo (2015) revealed that the most commonly used electronic marketing practices by Safaricom Limited were as follows: social media marketing; audience participation, viral campaigns, customer feedback, offline communication; direct email, online partnership; widget marketing, affiliate marketing, online public relation; publisher outreach, brand protection, search engine optimization and paid search.

Anna (2014) established that marketing through social media seemed to be significant especially when it is accompanied by traditional marketing strategies of a company. This is because, most companies prefer to utilize the common traditional free PR strategies to   push for interviews and by pass other methods of traditional marketing. To the best of the researcher's knowledge, there is no study known to the current that has a clear focus on assessing e-commerce marketing strategies and customer retention at the bottom of the pyramid in Nairobi County.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

The chapter provides the research methodology that was used to carry out the study. It consists of the research design, data collection tools and data analysis techniques.

3.2. Research Designs

Kothari (2005) postulates that a research design is a detailed outline of how an investigation took place which includes the method of collecting data, the instruments that were employed, the manner in which the instruments are used and the means for analysing the data collected. The study employed a descriptive survey as its research design and employed content analysis to analyse qualitative data. Survey designs are ideal where population of interest is large. According to Mugenda and Mugenda (2008), the design ensures that high reliability is obtained by describing all the population subjects with uniform stimulus that reduces errors related with subjectivity. This design is preferred because of its feasibility, making the results statistically significant even when analysing multiple variables. The survey is appropriate, as it seeks to ascertain the relationship between e-commerce marketing strategies and customer retention at the base of pyramid in Nairobi County.

3.3 Population of Study

Population comprise a full set of object, cases or individual who share common characteristics which are observable (Mugenda & Mugenda, 2003). Target population is that population from which the study seeks to generalize study results. In this study, the population was 11 social enterprises serving the bottom of the pyramid in Nairobi County drawn from the lists of Novaster Ventures (2017) and Mercy Corps(2017). These companies range from energy, communication, education and health. According to Novaster Ventures (2017) and Mercy Corps (2017) there are 11 ecommerce social enterprises in Kenya. Since the population of study is small a census study was adopted for this study. See Appendix 111

3.4 Data Collection Methods

The study collected primary data using questionnaires. A questionnaire were used as it is easier to administer and save time .The questionnaire included closed and open ended questions .Open ended questions sought views, opinions, and attitudes from the respondents which could not have been captured by the closed ended questions on marketing strategies adopted in serving bottom of pyramid in Nairobi County. The questionnaire was divided in three sections, section A collected demographic data of the respondents, B collected data on e-commerce marketing strategies and Section C collected data on customer retention. The questionnaires were administered through drop and pick method to the 11 heads of marketing.

3.5 Data Analysis

The collected data was examined and checked for completeness and comprehensibility. The data was then edited, coded and tabulated. Descriptive statistics was used for quantitative data where the results was analysed using data such as mean, percentage, frequency; standard deviation and variance in describing the study's research findings . Findings presentation were done by the use of frequency distribution tables. Content analysis was used to analyse qualitative responses and presented in prose form. In addition the researcher conducted a chi squared test so as to determine the relationship between e-commerce marketing strategies used by social enterprises and customer retention at the bottom of the pyramid in Nairobi County. The tool for data analysis was SPSS.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the findings and results of the study in the order of the research objectives. It begins by analyzing the response rate of the population, background information of the organizations, ecommerce marketing strategies employed by social enterprises and how they relate to customer retention.

4.2 Response rate

This section presents the research findings on the respondent in terms of response rate by gender, age, job title and position of the respondents. The researcher targeted 11 social enterprises serving bottom of pyramid in Nairobi County. However, two of the companies were not in operation during data collection exercise. Out of nine that remained, the response rate was 77.78% implying seven companies participated in this study.

4.2.1 Gender of the respondents

The respondents were required to state their gender. The results are as shown in Table 4.2.1

Table 4.2. 1 Gender of Respondents

Gender	Frequency	Percentage
Male	5	71.4
Female	2	28.6
Total	**7**	**100**

From Table 4.2.1, majority of the respondents were male as shown by 71.4% of the respondents while female were only 28.6%. This implies that majority of businesses serving the bottom of pyramid are dominated by male employees. These finding is consistent with Gathurri (2012) who establish that over half of employee in social enterprises serving bottom of pyramid are male

4.2.2 Age of the respondents

The respondents were asked to state their age. The results are as shown in Table 4.2.2

Table 4.2. 2 Age of the respondents

Age	Frequency	Percentage
26-35	6	85.7
46-50	1	14.3
Total	7	100

From Table 4.2.2, 85.7% the respondents were between 26 and 35years. Only one of them was found to be between 46 and 50. This implies that social enterprises serving the bottom of pyramid in Nairobi County are dominated by young people. The findings agree with Odour (2012) who established that most of employees working with social enterprises were between 30 and 40 years.

4.2.3 Job Titles of the respondents

The respondents were asked to state their job title in their organization. The results are as shown in Table 4.2.3

Table 4.2.3 Job titles of the respondents

Job Title	Frequency	Percentage
Managing Director	3	42.9
Marketing Manager	2	28.6
Production Manager	1	14.3
Vice president of Sales and Marketing	1	14.3
Total	**7**	**100**

It is evident that 42.9% of the respondents were managing directors, 28.6% were marketing managers, 14.3 % production manager and 14.3% Vice president of sales and marketing. This

indicates that the views of various cadres of employees were captured by this study. The findings of this study disagree with Muthiani (2012) who found that 29% of the respondents from organization serving bottom of pyramid in Nairobi were from senior positions in their organizations

4.3 Organization Characteristics

The background information of the company included type of company, age of company in the market and short term focus of organization.

4.3.1 Type of Organization

Majority (43%) of the organization were found to be agricultural technology based. These are technology companies serving the agriculture sectors. Others were telecom as well as retail organizations. This implies that majority of social enterprises serving the bottom of pyramid in Nairobi County deals in agricultural technology which concurs with Wangui(2016).

4.3.2 Age of the Company

The respondents were asked to indicate for how long their company has been in existence. The results are as shown in Table 4.3.2

Table 4.3.2 Age of the company

Job Title	Frequency	Percentage
Below 1 year	1	14.3
Between 1-2 years	1	14.3
Between 3-5 years	5	71.4
Total	**7**	**100**

From Table 4.3.2, majority of the companies are young as they were in existence for less than 5 years. Only five companies were found to exist between 3 and 5 years while the rest less than three years concurring with Wangui(2016) who found that most of the organization serving the bottom of pyramid had been in existence in less than five years and as such they require marketing strategies.

4.3.3 Short term focus of organization

The respondents were asked to indicate what they organization focus in the short term. The results are as shown in table 4.3.3

Table 4.3.3 Short term focus of the organization

Job Title	Frequency	Percentage
Customer acquisition	3	42.85
Customer retention	3	42.85
Both Customer acquisition and retention	1	14.3

From Figure 4.1, the company focused on both customer acquisition and customer retention at various degrees. Three of the companies which represented 42.85% of studied company were found to focus on customer acquisition and three of the companies representing 42.85% of the companies were also found to focus on customer retention. One of the companies representing 14.3% was found to focus on both customer's acquisition as well as customer retention. As much as organizations are after acquiring new customer, their retention is key to their success. This has seen most of them pursuing the same goal simultaneously as indicated by Feihua (2011) who found that e-commerce marketing strategy adopted by multinational companies' aims to acquire new customers and at the same time ensure they are retained.

4.4 E-Commerce Marketing Strategy

4.4.1 Mode of payment utilized by customers

The respondents were requested to state the mode of payments their customers utilize to make payments. The results are as shown in 4.4.1

Table 4.4.1: Mode of payment utilized by customers

	Frequency	Percentage
Mobile money	5	71.4
Cash	3	42.9
Debit/ credit cards	2	28.6
Bank cheques	1	14.3
Bank transfers and deposits	1	14.3

From Figure 4.2, majority of the company used mobile money such as m-pesa, Airtel money to receive payments from their customers as shown by 71.4% of the respondents. It was also revealed that other companies used debit/credit cards, bank cheques as well as bank transfers and deposits. Further, 42.9% of the studied companies serving the bottom of pyramid market in Nairobi County also received hard cash from their customers. It can be deduced that the most common mode of payment was mobile money and cash. Few customers would utilize advanced payment mode which requires the customers to own a bank account. According to Priit et al. (2011) many of businesses in the BOP in Kenya accept payments in the form of mobile money (m-Pesa, Airtel Money, Orange Money, etc.). This is because the organizations have been found to have flexible payment terms or smaller packages.

4.4.2 Mode of payment Challenges

In an open ended question the respondents were further asked to indicate the challenges they encounter while receiving payment through the above identified modes of payment from their customers. It was revealed that most of the payment modes such as Mpesa are controlled by third party and failures in these service providers jeopardize payment. Some of the failures include low network coverage especially in rural areas, service provider going down (out service) making it difficult to make payments. In some cases, the hidden charges deter customers from using mobile money while some of the respondents revealed that some mobile money agent lack sufficient float to commit transactions. Other challenges were inability to matching payments to sales and cheque late payment exceeding credit periods

4.4.2 Electronic Catalogue for Customer Transactions

The respondents were asked to indicated whether their organisation employ an electronic catalogue for customer transactions. Only one the company did not utilized electronic catalogue for customer transaction as shown in Figure 4.3. However, 86.0% of the studied companies utilized an electronic catalogue. This implies that majority of the social enterprise serving the bottom of pyramid market in Nairobi County have adopted e-marketing strategies through the use of electronic catalogue.

Table 4.4.2: Electronic Catalogue for Customer Transactions

	Frequency	Percentage
Yes	6	85.71
No	1	14.29
Total	**7**	**100**

4.4.3 Extent to which electronic catalogues influence customer purchase decisions

The respondents were asked to indicate to what extent does the electronic catalogue influence customer purchase decisions and their marketing strategies in likert scale of 1-5 where 1 is not al and 5 is very great extent. The mean and standard deviation was used to indicate the extent of each statement in relation to electronic catalogue. A mean score of less than 1.4 is taken as not at all, mean score that ranges from 1.5 up to 2.4 is interpreted as small extent, mean score that ranges from 2.5 up to 3.4 as moderate, mean score of 3.5 up to 4.4 as great and above 4.4 as very great extent. The results are as shown in Table below

Table 4.4.3: Extent to which electronic catalogues influence customer purchase decisions

	Electronic Customer catalogue	Mean	Deviation
1.	Catalogue helps in gathering customer data on consumer behavior	3.7143	1.38013
2.	A well laid out catalogue enhances the companies brand visibility	3.1429	1.06904
3.	Catalogue offers an inexpensive way of marketing to the customers	3.1429	1.21499
4.	Consumers buy more products due to a well laid out catalogue design	2.8571	1.21499
5.	Catalogues help grow revenues through impulse purchases	1.8571	.69007
6.	**Average**	**2.9429**	

From Table 4.6, It was revealed that catalogue helps in gathering customer data on consumer behavior to a great extent with a mean of 3.7143 and standard deviation of 1.38013.. Similarly, a well laid out catalogue enhances the companies brand visibility at moderate extent as revealed by a mean of 3.1429 and standard deviation of 1.06904 implying that there is significant deviation from the mean. Similar results were obtained for catalogue offers an inexpensive way of marketing to the customers at moderate extent as indicated by a mean of 3.1429 and standard deviation of 1.21499. Consumers buy more products due to a well laid out catalogue design at moderate extent as shown by mean of 2.86 with a standard deviation of 1.21 which indicate there significant deviation from the mean (moderate).The results also revealed that catalogues help grow revenues through impulse purchases at small extent with insignificant deviation from the mean Mean=1.8571, S.D=0.69007.The overall utilization of electronic catalogues was found to be at moderate level with a mean of 2.9429. This can be deduced that electronic catalogue was adopted by studied companies to achieve customer retention through customer loyalty and customer satisfaction. Electronic catalogue have the capability to allow the customer reach out to the customer and build strong understanding of products and services. This enhances relationship with customer hence build satisfaction. The findings agree with Gonzalez (2015) who found electronic catalogue have the ability to offer e-satisfaction and of e-loyalty and this help to retain customers.

The study further sought to find out how companies serving the bottom of pyramid have utilized technology to engage with customers. It was evident that various technologies have been employed at great extent to engage with customers. The most common is the use of SMS as it's cheap from both the seller and buyer perspective in term of cost, technology and availability. However one of the organizations was found to use electronic catalogue where consumer will browse and agent will place the order for them. In future they are planning to have a customer catalogue where customers can purchase directly. Similarly, another company was found to adopt internal technology to engage their customers. The main purpose of this initiative was to optimize and monitor the process internally. Other technologies identified in this study were social media platform through mobile phones, android tablets and desktop computers

4.4.4 System of gathering customer feedback

The respondents were asked to indicate if there organization has a system of gathering customer feedback. The results are as shown in Table 4.4.4

Table 4.4.4: System of gathering customer feedback

	Frequency	Percentage
Yes	5	71.43
No	2	28.57
Total	**7**	**100**

From Table above, majority of the social enterprise serving the bottom of pyramid market in Nairobi County have a system of gathering customer feedback as shown by 71.4% of the respondents while two of the companies did not have the feedback system

Further, the respondents were asked to indicate if it is in house system or off the shelf system. All the studied companies serving the bottom of pyramid market in Nairobi County was found to have in house system of gathering customer feedback. The results that were measured from the system included number and category of complaints, customer satisfaction level; customer feed backs as well as complaints, customer buying behaviours as well as stock out products. Employees were also utilized by some companies through there interaction with customers. Complaints were determined through pricing complaints and quality of goods. The results from the system were measured depending on the importance of the feedback system to an organization. Half of the system measured daily while in some organization it was real-time. These are the organization which deals with services and customer feedback is important aspect of customer retention. One of the organizations was found to measure after every first delivery to new customer and every month for existing customers. Lastly there was one organization which also measured feedback monthly, quarterly as well as weekly depending on how crucial the feedback was.

From the findings, it is evident that the studied companies had electronic system of gathering customer feedback so as to enhance service delivery hence customer satisfaction. The usage of electronic customer feedback gives organizations various advantages which ensure customer inquiries are handled promptly unlike traditional method of customer feedback. One of the main advantages is the real-time access of customer queries which are accessed through electronic platform such as SMS and social media platform. Therefore, e-commerce marketing strategy has enable organization to gain advantages of electronic customer feedback which has resulted to customer satisfaction. The findings of this study agree with Mwangi (2013) who established that commercial banks have able to satisfy through utilization of e-commerce marketing strategies to

manage their feedback system. The banks were found to integrate customer feedback as much as possible in order to improve products and services. Similar results were obtained by Ahmeed (2009) in Sweden and Denmark where feedback system has been integrated with electronic customer relationship management.

4.4.5 Extent of electronic and social media marketing influence customer purchase decisions

The respondents were asked to indicate to what extent does the electronic and social media marketing influence customer purchase decisions and their marketing strategies. The results are as shown in Table 4.4.5

Table 4.4.5 Extent of electronic and social media marketing influence on customer purchase decisions

Electronic and social media marketing	Mean	Deviation
1 It is important for a company to have a system that enables data collection on consumer buying behavior	4.5714	0.78680
2 Consumers respond best to marketing communication done through sms	3.4286	1.51186
3 Social media is good platform to get customer feedback	2.8571	1.21499
4 Social media can act as a buying portal for customers	2.7143	1.70434
5 Consumers react best to marketing communication on mobile apps	2.1429	1.34519
Average	**3.1429**	

From Table 4.4.5, It was revealed that it was very important for a company to have a system that enables data collection on consumer buying behavior at very great extent as shown by a mean of 4.5714 and standard deviation 0.78680. Consumers respond best to marketing communication done through sms at moderate extent as shown by a mean of 3.4286 and standard deviation of 1.51186. Similarly, social media is good platform to get customer feedback at moderate extent as indicated by a mean of 2.8571 and standard deviation of 1.21499. The results also revealed that social media can act as a buying portal for customers at moderate extent as shown by a mean of 2.7143 and standard deviation of 1.70434. The results further revealed that Consumers react best to marketing communication on mobile applications at small extent as shown by a mean of 2.1429 and standard deviation 1.34519.

The average of 3.1429 indicates that electronic and social media marketing influence customer purchase decisions to a moderate extent. The use of social media has enabled the companies to have a system that enables data collection on consumer buying behavior. This system has been used to company advantage to get feedback from the customer. The findings of these study is consistent with Jafar et al (2016) who established that social media marketing has the ability to enhance customer-product relationship which results customer loyalty. Further, Makhulo (2014) who concluded that that marketing was the main objective behind social media strategy implementation with social media also used for research and marketing as well as customer care.

4.5 Customer Retention

4.5.1 Current average basket size of total customers over the last two years

The respondents were asked to what is the current average basket size of their total customer over the last two years. The results are as shown in Table below

Table 4.5.1 Average basket size of total customers over the last two years

	Frequency	Percentage
Ksh.100- 500	0	0
Ksh 501- 1000	1	14.3
Ksh.1001-1500	4	57.1
Over Ksh. 1500	2	28.6

From Table above, Majority the social enterprises serving the bottom of pyramid market in Nairobi County 57.1% were found to have a current average basket size of between Ksh. 1001 and 1500 .28.6% of the studied companies were found to have a basket size of over Ksh. 1500. Average basket size increased from year to year indicating customer retention and acquisition was increasing over the years.

Table 4.5.2 Average basket size of their new customers over the last two years

	Frequency	Percentage
Ksh.100- 500	0	0
Ksh 501- 1000	1	14.3
Ksh.1001-1500	3	42.9
Over Ksh. 1500	3	42.9

Further, the respondents from studied companies were asked to indicate what the average basket size of their new customers is over the last two years. None of the companies were found to have a customers with a basket size of new customer of between Ksh. 100 and 500. However, Majority of these companies were found to have turnover of over Ksh. 1000.00 of which 42.9% of them were having new customers baskets size of over Ksh. 1500. There has been increase in average basket size of new customers over the last two years with three of the companies (42.9%) having more than Ksh. 1,500. This implies there is evidence of increase customer retention over the last two years.

4.5.2 Early Repeat Rate

In this study, Early Repeat Rate is the percentage of new purchasers who make a subsequent purchase within 60 days of their initial purchase. The respondents were asked to indicate the average percentage of their repeat customers in comparison to new customers in the last two years. The results is as indicated below

Table 4.5.2: Early Repeat Rate

Quarters	Average Percent Repeat	Frequency	Percentage
Year=2015			
First Quarter	70.00	1	14.3
	90.00	1	14.3
Second Quarter	70.00	1	14.3
	90.00	1	14.3
Third Quarter	75.00	1	14.3
	95.00	1	14.3
fourth Quarter	75.00	1	14.3
	95.00	1	14.3
Year=2016			
First Quarter	15.00	1	14.3
	50.00	1	14.3
	95.00	1	14.3
Second Quarter	50.00	1	14.3
	70.00	1	14.3
	95.00	1	14.3
Third Quarter	55.00	2	28.6
	95.00	1	14.3
Fourth Quarter	60.00	3	42.9
	95.00	1	14.3

From Table above, the average percentage of social enterprise repeat customers in comparison to new customers in the first quarter of 2015 was 70 percent for one organization and 90.0% for another. Five companies did not indicate their percentage. Similar results were obtained for the second quarter of 2015. In Third quarter of 2015, one of the companied had average repeat customers in comparison to new at 75.0% while another had 95.0%. The same results were obtained in last quarter of 2015.

In 2016, the first quarter had one of the companies having 15.0% average repeat customers in comparison to new, another one 50.0% and also 95.0% was revealed by one of the companies. In

second quarter, 50.0% average repeat customers in comparison to new was obtained by one company, 70.0% and 95.0% average repeat customers in comparison to new was also obtained each for one customer. In The third quarter of 2016, there was an average repeat customer in comparison to new at 55.o% for two company and 95.0% for another company. In the last quarter of 2016, three companies had average repeat customers in comparison to new of 60.0% while 95.0% was obtained for one company.

From Table above, there has been increase in average repeat percentage from 2015 up to 2016. In 2016, first quarter, the highest average percent repeat was 90.0% from one of the organization. The same was achieved in second quarter. However in the third quarter it rose up to 95.0% and the same percentage was recorded in the last quarter. In 2016, first quarter, the highest average percent repeat was 95.0%, in the second quarter the same percent was obtained. This was replicated over the remaining two quarters of 2016. Increase in average percent repeat implies that customers were being retained across the board.

4.5.3 Extent of loyalty programs enhance customer retention

The respondents were asked to indicate to what extent loyalty program enhances customer retention. The mean and standard deviation was used to indicate the extent of each statement in relation to loyalty programs. The results are as shown in Table below

Table 4.5.3 Extent of loyalty programs enhance customer retention

	Loyalty programs	Mean	Deviation
1	The end result of an effective loyalty program is an increase frequency of subsequent purchases	4.1429	1.21499
2	The end result of an effective loyalty program is an increase in switching cost	3.7143	1.60357
3	Customers are always on the lookout for loyalty programs initiated by organization	3.2857	1.38013
4	Providing goods and services on credit is an effective loyalty program	3.2857	1.25357
5	A lay by payment plan is an effective customer retention tool	2.4286	0.97590
6	A lay by payment plan is an effective loyalty program	2.1429	0.69007

Average of Average	3.1667	

From Table above, It was found that the end result of an effective loyalty program is an increase frequency of subsequent purchases to great extent as obtained from a mean of 4.1429 and standard deviation of 1.21499. It was also revealed that the end result of an effective loyalty program is an increase in switching cost at great extent with a mean of 3.7143 and standard deviation of 1.60357Customers are always on the lookout for loyalty programs initiated by organization to moderate extent as shown by a mean of 3.2857 and standard deviation of 1.38013. Similarly, providing goods and services on credit is an effective loyalty program to moderate extent as obtained from a mean of 3.2857 and standard deviation of 1.25357 which also implies their significant deviation from the mean. The results also revealed that a lay by payment plan is an effective customer retention tool to small extent as indicated by a mean of 2.4286 and standard deviation of 0.97590 with significant deviation from mean. Further, a lay by payment plan is an effective loyalty program at small extent as revealed by a mean of 2.1429 and standard deviation of 0.69007. The findings revealed that the extent of loyalty programs enhance customer retention to a moderate extent. This was achieved through frequency of subsequent purchases and increase in switching cost. The findings agree with Magatef and Tomalieh (2016) who found out that loyalty programs are useful in the creation and maintenance customer in organization. They indicated that some of the loyalty programs have reward system which ensures repeat purchase to earn points. They also indicated that loyalty programs apart from increasing customer loyalty they can be utilized to collect customer information such as buying preference and habits which can increase overall organization performance.

4.6 Relationships of e-commerce marketing strategies on customer retention at the bottom of the pyramid in Nairobi County

Chi square tests of independence were used for testing relationship between e-commerce marketing strategies on customer retention at the bottom of the pyramid in Nairobi County. To get the strength of the relationship, Cramer's V was used where value <=0.20 was considered as weak, between 0.20 and 0.49 was considered as moderate and any value greater than 0.49 was taken as strong relation.

4.6.1 Relationship between electronic catalogue and customer retention

The study examined the influence of electronic catalogue on customer retention using Pearson chi-square (χ^2). Electronic catalogue was considered as independent variable using composite mean while composite mean of customer retention as dependent variable. The results are as shown in Table below

Table 4.6.1 Relationship between electronic catalogue and customer retention

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.000[a]	20	.397
N of Valid Cases	7		
	Value		**Asymp. Sig. (2-sided)**
Phi	1.732		.397
Cramer's V	.866		.397

The results displayed in Table above show that there was statistically insignificant relationship between electronic catalogue and customer retention X^2 (20, N = 7) = 21.00, p=.397. The analysis in Table above indicate Phi and Cramer's V =.866, P=.397. This suggests a strong insignificant relationship between electronic catalogue and customer retention. The results suggest that though a relationship exists between electronic catalogue and customer retention, it is statistically insignificant. This implies that increase in the use of electronic catalogue would have minimal effect on customer retention which may go unnoticed. These findings disagree with Avlonitis and Karayanni (2000) who found out that electronic marketing yield a positive relationship between electronic catalogue and performance as well as customer retention.

4.6.2 Relationship between electronic and social media marketing and customer retention

The study examined the influence of electronic and social media marketing on customer retention using Pearson chi-square (χ^2). Electronic and social media marketing was considered as independent variable using composite mean while composite mean of customer retention as dependent variable. The results are as shown in Table below

Table 4.6.2 Relationship between electronic and social media marketing and customer retention

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.000[a]	20	.109
N of Valid Cases	7		
	Value		**Asymp. Sig. (2-sided)**
Phi	2.000		.109
Cramer's V	1.000		.109

The results displayed in Table above show that there was statistically insignificant relationship between electronic and social media marketing and customer retention X^2 (20, N = 7) = 28.00, p=.109. Phi and Cramer's V was provided to indicate effect size for Chi square tests. The analysis in Table above indicate Phi and Cramer's V =1.00, P=.109. This suggests a strong insignificant relationship between electronic and social media marketing and customer retention. The results suggest that though a relationship exists between electronic and social media marketing and customer retention, it is statistically insignificant. It can be infer that social media marketing would results to increase in customer retention of the companies. These findings agree with Ab Hamid et al (2013) who found there is direct relationship between social media users and customer retention in hotel industry in Pakistan. Similar results were obtained by Oketch (2014) where he found out that social media marketing positively affected both the consumption of the media brands and the consumer buying behavior

4.7 Discussion of the Results

Under this section, findings of this study would be discussed in relation to relevant previous studies. It was revealed that most of the customers used mobile money such as Mpesa, Airtel money to make payment. This mode of payment was found to be convenient in terms of cost and time. The customers can make payment at any time and the statement from service providers would also act as reference for the company and the customer. These findings agree with findings of Priit et al. (2011) in which businesses serving bottom of pyramid accept payment through mobile money as the market they are serving cannot afford to make lump sum payment. However, the notable challenges with this mode of payment were inherent in service provider such as lack of coverage and sufficient float. According to Manali (2015), M-banking is facing various challenges which include software defects, system failure, operating mistakes, network vulnerabilities and processing error.

Apart from one company, six companies were found to utilize electronic catalogue for customer transactions to a moderate extent. The catalogue aided in gathering information on consumer behaviour. The customer feedback from the catalogue was gathered and was used to enhance marketing strategies of the companies. Further, the catalogue enhanced the brand visibility in the market. As a result, the use of electronic catalogue achieves customer retention through customer loyalty programs associated with the electronic catalogue. These findings agree with Lin and Hong (2008) further revealed that electronic catalogue have also the ability to provide organizations means to reach consumers in effective way and to build robust understanding with the product in the market. These findings also conform to the Bottom of the Pyramid theory assertion by Jaiwal (2002) where companies serving this market need to utilise marketing strategies for this market knowing that all marketing strategies are usable but must be tailor made.

The findings also revealed that electronic and social media marketing influence customer purchase decisions to a moderate extent. The social media is a platform that companies were found to implement to manage their customer feedback. The media also allows the companies to collect information on consumer buying behaviour and acts as a buying portal. The information on social media was measured daily thereby giving the companies opportunities to meet customer need promptly leading to customer satisfaction hence customer retention. The findings agree with Marshall et al. (2012) who found that social media platform organizations are able to create and maintain optimal relationship with their customers. Kagendo (2015) also found that social media marketing has been adapted by Safaricom Limited to respondent to customer needs thereby acquiring customer retention. This conforms to Hersey and Blanchard (1974) contingency theory who concluded organizations decide to use technology such as electronic marketing practices to improve efficiency in giving feedback and handling customer queries

Customer retention which was determined through increase in basket size and repeat purchase decision. The average basket size was found to be high and increasing year after year indicating an increase in customer retention and acquisition of the studied companies. The early repeat rate which was used to measure customer retention revealed that there was an increase in average percent repeat over the last two years which was divided in four quarters per year. This implied there was to an extent there was customer retention. Loyalty programs enhance customer retention to a moderate extent. The effective loyalty programs adopted by companies were found to increase frequency of subsequent purchases to a great extent through increase in switching cost. These findings agree with

Lewis (2004) indicated that organization which have loyalty programs that enable customer to accumulate rewards are explicitly enhancing customer retention. This makes it difficult for customer to consider another supplier due to high cost associated with that switching. Further, Oyeniyi and Abiodun (2010) also revealed that customer retention is dependent on customer satisfaction and this is as a result of customer loyalty which is associated with switching cost. They concluded by saying that customer retention is significantly and positively influenced by customer satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter entails summary of the findings, conclusion, recommendation and recommendations of the study for further research.

5.2 Summary of the Findings

The finding revealed that majority of the respondents who participated in this study were young males holding various managerial titles such as marketing managers, production, sales and marketing managers among others. Majority of the studied companies operating at the bottom of pyramid in Nairobi County were from the agricultural- technology sector though there were some in service industry such as telecommunication and retail. Most have been in operation for less than five years and their short term focus is both customer acquisition and retention.

On e-commerce marketing strategy, various modes of payment are used to receive payment from the customers. The most common mode of payment is mobile money. Others ware cash, credit/debit cards, banks cheques as well as back transfers and deposits. However, the utilization of mobile money is faced with various challenges as the applications are owned by third parties. Network issues, , electricity and chargers and lack of float makes it difficult for rural customers to utilize them. Other challenges were inability of matching payments to sales, service provider's system downtime and late payment exceeding credit periods. All studied companies were found to utilize electronic catalogue at

moderate extent. However, Catalogues help grow revenues through impulse purchases to a small extent.

The findings also revealed studied companies used SMS, social media and electronic catalogue technology to engage with their customers in that order. This was achieved through mobile phones, laptops, android tablets and desktop computers. The findings also revealed that a good number of companies serving the bottom of pyramid market in Nairobi County had feedback system which was in-house. The result from the feedback was measured by using complaints, compliments, satisfactions and consumer buying behaviours. This done daily by majority of the companies although some of them had different periodic measurement which included real time, monthly, weekly, quarterly as well as first customer buy. Electronic and social media marketing are utilized to a moderate extent and it also influenced customer purchase decisions to a moderate extent. However, Consumers react best to marketing communication on mobile apps at small extent while it was important for a company to have a system that enables data collection on consumer buying behavior to very great extent.

On customer retention, it was evident that the current average basket size of their total customers over the last two years was over Ksh. 500.00. Further, the average basket size of their new customers over the last two years was over Ksh. 500.00. Early Repeat Rate varied in the two years used in this study. First and second quarters of 2015 recorded low averages as compared to third and fourth quarters. The average depicted an increasing trend. In 2016, the same trend was observed. However, more companies were able to give their average in 2016 than in 2015.

The extent that loyalty programs enhance customer retention was found to be moderate. However, there was small extent for lay by payment plan as an effective customer retention tool and lay by payment plan as an effective loyalty program while great extent for the end result of an effective loyalty program is an increase frequency of subsequent purchases and end result of an effective loyalty program is an increase in switching cost. The chi-square results indicated there is relationship between e-marketing strategies adopted by social enterprises at the bottom of pyramid and customer retention. Of the two strategies, electronic and social media marketing had highest influence on customer retention as compared to electronics catalogue marketing although both influences were found to be insignificant.

5.3 Conclusions

From the findings, it was concluded that social enterprises serving the bottom of pyramid market have adopted electronic catalogues and electronic and social media marketing to a moderate extent. Electronic customer catalogue are moderately inexpensive form of marketing thereby these companies are able to gather some information on consumer behaviour although they did not lead to impulse purchase. Similarly, electronic and social media marketing strategies enabled the organization to collection data on consumer behaviour even though it was concluded that customers reacted to mobile apps to a small extent.

The most common mode of payment was Mobile money although third party influences its effectiveness as well as inability to matching payments to sales. It was also concluded that companies have employed technology to engage with customers through the use of SMS and social media platform on various technology platforms. These platforms are normally in-house and have enabled the companies to gather customer feedback. The information that dominate feedback systems are mainly complaints and consumer buying behaviours which are measured in time periods as either real-time as they come up, to quarterly depending on the importance of the feedback.

The study concluded that the current average basket size of their total customer over the last two years was over Ksh. 500.00 while the average basket size of their new customers is over the last two years was over Ksh. 500.00. The early Early Repeat Rate was found to increase with time, the initial year (2015) was found to be low while subsequent year (2016) there was an increase. However, majority of firms are usually interested in keeping records for the second years of their operations.

The study also concluded that a lay by payment plan as tool of customer retention and loyalty program is effective to a small extent. It also concluded that the purpose of the loyalty program is to increase subsequent purchase and increasing switching cost. Lastly it was concluded that e-commerce marketing strategies by social enterprises insignificantly affected customer retention at the bottom of pyramid in Nairobi County with electronic and social media marketing strategies having stronger effect as compared to an electronic catalogue.

5.4 Recommendations from the study

The study recommends that companies serving the bottom of pyramid market should continually embrace the electronic marketing practices in order for them to remain competitive in the market. The world has become a global village and as a result, adopting these practices would enhance customer loyalty due to effective service delivery therefore customer retention would be achieved.

Companies serving the bottom of pyramid markets should design systems that tap into sms technology. Sms technology such as USSD codes will enable them gain feedback from their customers at the bottom of the pyramid and also enable them to market their goods and services more effectively.

As for payment gateways, integration and use of mobile money is the most common e-commerce marketing strategy adopted by companies serving the bottom of pyramid due to large unbanked population. Therefore, the study recommends that these companies should liaise with mobile telecommunication companies to look for avenues of marketing collaboration while they use their mobile payment platforms.

The study recommends that companies serving the Bottom of the Pyramid customers should adopt a real-time measure of customer feedback through their electronic marketing system. The system should be embedded in various electronic marketing strategies and linked to respective departments/sections such as marketing and customer care. This would allow companies to interrogate and reflect the consumer perception of their products and services and how it influence performance of organization in regard to that of their competitors in specific attributes.

The study also recommends the need to use enhanced electronic commerce marketing platform which has the capability to accumulate rewards in points which can later be redeemed. This would increase the switching cost thus ensure customer are loyal and retained.

5.5 Limitations of the Study

The major limitations of the study were the closure two companies during data collection even though having been in operation during proposal writing. However, the study was able to achieve a response rate of over 70.% which was considered sufficient for this study. Another great limitation was non-cooperation of some of studied companies during data collection. Some of the respondents

were sceptical about the motive of this study and were reluctant to participate. The researcher assured them the research is purely academic and the findings would be useful to their businesses.

5.6 Recommendation for Further Studies

The study only focussed on e-commerce marketing strategies adopted by social enterprises serving the bottom of pyramid customers. This had methodological limitations which had influenced the significance of the relationship between study variables. Further studies should be conducted on the same study area but with increased sample size so as to compare the significance of the relationship.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI

P.O. BOX 30197 – 00100

NAIROBI

SEPTEMBER 2017

Dear Sir/Madam,

I am a postgraduate student currently undertaking Masters of Business Administration (MBA) in Marketing. One of the requirements for the course involves undertaking a research study and for this I am undertaking a research study titled: "E-commerce marketing strategies adopted by social enterprises and customer retention at the bottom of the pyramid in Nairobi County, Kenya. You have been selected to undertake the study. This letter therefore is to kindly request you to assist me by providing the data needed as outlined in the attached questionnaire. Information provided will be used solely for the purpose of this research and all respondents will remain anonymous and will be treated confidentially. A copy of the final report will be availed to you upon request. Your assistance with this request will be highly appreciated.

With Kind Regards,

BEN LUSIGI

MBA. MARKETING

UNIVERSITY OF NAIROBI

APPENDIX II: QUESTIONNAIRE

E-COMMERCE MARKETING STRATEGIES ADOPTED BY SOCIAL ENTERPRISES AND CUSTOMER RETENTION AT THE BOTTOM OF THE PYRAMID IN NAIROBI COUNTY, KENYA

This research is meant for academic purpose. You're kindly requested to provide answers to these questions honestly and precisely as possible. Responses will be treated with utmost confidentiality. Please tick [√] appropriate or fill in the required information on the spaces provided.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender of the respondent

   [   ] Male

   [   ] Female

2. Age in years of respondent

   [   ] 26-35

   [   ] 36-45

   [   ] 46-50

   [   ] Above 50

3. What is your job title? ....

4. What is your position in the organization?

   [   ] Mid Management level

   [   ] C Level

SECTION B: BACKGROUND INFORMATION OF THE COMPANY

5. Company being researched [……………………….]

6. Industry of the company being researched [………………………………………]

7. Years company has been in existence

   [   ] Below 1 year

   [   ] Between 1-2 years

   [   ] Between 3-5 years

   [   ] Over 5years

8. What is your organizations key focus in the short term
   [   ] Customer acquisition
   [   ] Customer retention

SECTION C: ECOMMERCE MARKETING STRATEGY

9. What mode of payment do your customers pay you through tick one or more

Debit/ credit cards	
Mobile money	

Cash	
Bank cheques	
Bank transfers and deposits	
Others(Please state)	

9.1 what are the challenges of receiving payments through these modes of payment from a customer

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

…………………………………………………………………………………………………..

10. Does your organisation employ an electronic catalogue for customer transactions?

[   ] Yes   [   ] No

If No Skip 1f

To what extent does the electronic catalogue influence customer purchase decisions and your marketing strategies? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

Electronic Customer catalogue		Respondents				
7.	Consumers buy more products due to a well laid out catalogue design	1	2	3	4	5
8.	Catalogues help grow revenues through impulse purchases	1	2	3	4	5
9.	A well laid out catalogue enhances the companies brand visibility	1	2	3	4	5

10.	Catalogue helps in gathering customer data on consumer behavior	1	2	3	4	5
11.	Catalogue offers an inexpensive way of marketing to the customers	1	2	3	4	5

1f How does you company utilize technology to engage with customers (site medium and result)

……

……

……

……………………………………………………………………………………………….

11. Does your organization have a system of gathering customer feedback?

[   ] Yes   [   ] No

If yes ,

11b. Is   it   an   in   house   custom   made   system   or   off   the   shelf system…………………….....

11c. How   periodically   do   you   measure   results   on   the   system? ....

12.   To what extent does the electronic and social media marketing influence customer purchase decisions and your   marketing strategies? Tick as appropriate using the following Likert   scale of 1-5 where: 1=   No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great   Extent; 5=Very Great Extent.

Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

Electronic marketing		Respondents				
1	Consumers respond best to marketing communication done through sms	1	2	3	4	5
2	Consumers react best to marketing communication on mobile apps	1	2	3	4	5
3	Social media is good platform to get customer feedback	1	2	3	4	5
4	Social media can act as a buying portal for customers	1	2	3	4	5

5	It is important for a company to have a system that enables data collection on consumer buying behavior	1	2	3	4	5

SECTION D: CUSTOMER RENTENTION

If your product is based on customer subscription instead of repeat purchase decisions, then answer where applicable

13. What is the current average basket size of your total customer over the last two years?
Please tick

Ksh.100- 500	
Ksh 501- 1000	
Ksh.1001-1500	
Others(Specify)	

14. What is the average basket size of your new customers over the last two years? Please tick

Ksh.100- 500	
Ksh 501- 1000	
Ksh.1001-1500	
Others(Specify)	

15. Early Repeat Rate is the percentage of new purchasers who make a subsequent purchase within 60 days of their initial purchase. Indicate the average percentage of your repeat customers in comparison to new customers In the last two years(answer where applicable)

Period	percentage

First Quarter 2015	
Second Quarter 2015	
Third Quarter 2015	
Forth Quarter 2015	
First Quarter 2016	
Second Quarter 2016	
Third Quarter 2016	
Forth Quarter 2016	

16. To what extent does loyalty programs enhance customer retention for your company products? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very

Loyalty programs		Respondents				
1	Customers are always on the lookout for loyalty programs initiated by organization	1	2	3	4	5
2	Providing goods and services on credit is an effective loyalty program	1	2	3	4	5
3	A lay by payment plan is an effective customer retention tool	1	2	3	4	5
4	A lay by payment plan is an effective loyalty program	1	2	3	4	5
5	The end result of an effective loyalty program is an increase frequency of subsequent purchases	1	2	3	4	5
6	The end result of an effective loyalty program is an increase in switching cost	1	2	3	4	5

Thank you for your time

APPENDIX III: LIST OF SOCIAL ENTERPRISES

1. Copia Global
2. Iprocure
3. Poa Internet
4. Mfarm
5. Sokowatch
6. Arifu
7. Esoko
8. Farm Drive
9. MicroEnsure
10. Soko
11. Toto Health