FACTORS THAT DETERMINE STORE LOYALTY: THE CASE OF SELECTED SUPERMARKET CHAINS IN NAIROBI.

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA)

FACULTY OF COMMERCE
UNIVERSITY OF NAIROBI

SEPTEMBER 2002

DECLARATION

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

Signed.................................

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Date. 22·10·2002·

This project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

To my wife Jane Wangari and children Emmah and Eric for their encouragement and support. Thank you for the many days you accepted to be alone as I was away in class in this programme.

To my parents: Wambugu Wanjaria and Anne Wamuyu for their love and inspiration, and whose effort and desire to educate me has always been unstoppable.

May God bless you all.

ACKNOWLEDGEMENT

There are many people that I am indebted to especially for their contribution towards my undertaking the M.B.A. Course. Thanks to Mr. D. Wanjere, an older MBA student of the Faculty of Commerce, University of Nairobi for encouraging me to enroll for this course.

I am deeply indebted to my Supervisor Mr. Tom Mutugu, Senior Lecturer, Department of Business Administration. He has patiently and diligently guided me through this research. Without his advice, this project would not have become a reality. He greatly inspired me throughout the research period and always availed himself for consultation.

I also wish to thank all members of staff of the Faculty of Commerce (UON) for their support and advice. I wish to specifically thank Mrs. M. Kimonye, Dr. M. Ogutu and Margaret Ombok for their valuable advice.

My sincere thanks also go to members of my family for their love and support during my study period. Special thanks go to my parents, Wambugu and Anne for their encouragement. I also want to thank my wife Jane Wangari for her tireless support during this period.

My sincere thanks go to all my colleagues (MBA Students) for their valuable intellectual discussions and suggestions. In particular I wish to thank Ngambi, Mwaura, Mary, Osambo and Dr. Ndonga for being dear friends and companions throughout the course. May God's blessings be upon you.

There are other people who assisted me but have not been mentioned here. I am grateful for all their contributions

Despite the contributions of all those other people towards the completion of this project, I bear full responsibility for any mistakes

ABSTRACT

This study was conducted with the objective of finding out the factors that determine store loyalty and also determine the most important of such factors. The focus of the study was the main supermarket chains in Nairobi.

To achieve the above objective, a sample of 144 customers was picked and a questionnaire was administered to each of them. The questionnaire had semi-structured and likert scale questions. The four main supermarket chains in Nairobi which include Uchumi, Nakumatt, Tusker and Ukwala were picked. Four respondents were picked from each of the 36 branches of the four chains. A recruitment guide was used to determine the loyal customers. Every fifth adult customer leaving the supermarket was asked to fill the recruitment guide to determine the loyalty status and then the questionnaire if one qualified. The researcher picked the next person in cases where one failed to qualify as loyal. Any person who had shopped in the same supermarket for more than one year was taken to be a loyal customer. The questionnaires were picked later from the respondents.

Data collected was analysed using the percentages, means and standard deviations. Ranking was also done. Factor analysis was used to reduce the variables and determine inter relationships.

Analysis of the data indicated that there are many factors that customers consider important in their decision of where to shop. Factors such as prices of the products, availability of all types of merchandise, employees knowledge of products and employees being warm and courteous were brought out as being important. After carrying out factor analysis on the variables, twelve factors emerged and the variables that customers considered important were fitted to the twelve factors.

When ranking was done availability of merchandise came out as the most important factor followed by location and the store operational hours. Prompt service was also rated very high in the determination of store loyalty.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND.

Retailing through supermarkets is a relatively new phenomenon in Kenya. Uchumi and Ebrahims were founded in the 1970's (Lagat, 1995). Later on, Nakumatt, Jack and Jill, Jamia, Shaflus, Sunbeam, Tusker, Ukwala among others were established. However, many of them have since folded up and Uchumi, Nakumatt, Ukwala and Tusker have remained as the largest chains (Kyalo, 2001). The supermarkets now operate within a mature retailing industry in Kenya. It is one that is characterized by increasing price competition, falling gross margins and returns and the closure of independent and medium-sized outlets as the industry continues to rationalize itself and become more concentrated. The implication to the supermarkets is that they have to cope with increasingly tighter conditions (Lagat, 1995).

The retail sector- where supermarkets fall-is a very competitive one. This calls for the differentiation of offers and better services than those of competitors (Davidson, 1988). To successfully manage a supermarket in the current environment there is thus need to be sensitive to the changing needs of customers. This will enable the marketing management to adapt accordingly and retain loyal customers (Davidson, 1988). In the case of supermarket chains, a way out is to build themselves as brands and target to retain brand loyal customers (Lagat, 1995).

A brand is a total offering of a product or service including a set of assets (and liabilities) linked to the name and symbol that adds to (or subtracts from) the value provided by the products or service to a firm and/or that firm's customers (Aaker, 1996). The major asset categories include:

- Brand loyalty
- Name awareness
- Perceived quality
- Brand associations and
- Other proprietary brand assets (Aaker, 1991)

Brand loyalty – the subject of this study- is therefore at the heart of the brand's value. It is the core of the brand equity. If customers are indifferent to the brand and buy with respect to features, price and convenience without concern to the brand name, the brand is likely to have little equity. On the other hand, if they continue to purchase the brand even in the face of competitors with superior features, price and convenience then substantial value exists in the brand (Aaker, 1996).

Brand loyalty can be defined as repeat purchase intention and as behaviour. It is thought of as internal commitment to purchase and repurchase a particular brand (Evans, 1997)

Loyalty can be categorized into five levels (Aaker, 1991). Although not all the five levels may be represented in a specific product class, each level represents a different marketing challenge. These categories include from the bottom to the top.

- ***The non-loyal buyer (switcher)*** – The customer is completely indifferent to the brand and perceives each brand as adequate.
- ***The habitual buyer*** – Buyers who are satisfied with the product or at least not dissatisfied. They have no reason to switch.
- ***Satisfied buyer*** – Those are buyers who, over and above being satisfied with the product, they have switching costs in time, money, or performance risk associated with switching.
- ***Likes the brand*** – Those are buyers who consider the brand a friend. This could be based on a set of use experiences or a high perceived quality. But the liking cannot be traced to anything specific.
- ***Committed customers*** - These are buyers who have a pride of discovering and /or being users of a brand. The brand is very important to this buyer either functionally or as an expression of who they are (Aaker 1991).

Developing a high degree of brand loyalty among consumers is an important goal of marketing strategy. Store loyalty is therefore a major objective of retail channel strategy due to its important financial impact (Evans, 1997).

Brand loyalty represents a favourable attitude toward a brand, resulting in consistent purchase of the brand over time. It happens after consumers learn that one brand can satisfy their needs (Assael, 1998).

To be truly loyal, the consumers must hold a favourable attitude toward the brand in addition to purchasing it repeatedly (Day, 1969). Brand loyalty is product specific. Consumers will be loyal to brands in one category and will have little loyalty to brands in other categories (Assael, 1998). However, brand loyal customers exhibit the same characteristics as those who are store loyal (Carman, 1970).

In the supermarket business just like any other, companies are today doing a lot in order to build loyalty. Today, marketing managers are concerned with a growing trend toward declining brand loyalty. Among the reasons given for this trend include consumer boredom or dissatisfaction with a product, the dazzling array of new products that constantly appear in the market place and increased concern with price at the expense of brand loyalty. The market share of categories that once commanded brand loyalty, have continued to fall (Schiffman, 1994). Marketers are responding by upgrading their brands to distinguish them, and even promoting them more aggressively (Janofsky, 1993).

From the foregoing, one can clearly say that developing a highly consistent market share of brand loyal consumers is the ultimate goal of today's marketing strategy (Schiffman, 1994). But why do companies want loyal customers? David Aaker (1991) notes that loyalty of existing customers represents a strategic asset which, if properly managed and exploited, has the potential to provide value in a number of ways.

Aaker further gives those advantages of having loyal customers as :-

- ***Reduced marketing costs*** – Customers with brand loyalty reduce the marketing costs of doing business. It is simply much less costly to retain customers than to get new ones. Loyalty of existing customers represents a substantial entry barrier to competitors because a lot of resources may be required to entice them to switch.
- ***Trade leverage*** – Strong brands will ensure preferred shelf space because marketers know that customers will have such brands on their shopping list.
- ***Attracting new customers*** – A customer base with a satisfied segment can provide assurance to a prospective customer. A large satisfied customer base provides an image of the brand as an accepted successful product which will be around and will be able to afford product improvements. Brand awareness can also be generated from the customer base. Friends and colleagues of a brand's customers will become aware of a product just by seeing it. This exposure will be more effective than even seeing an advertisement.
- ***Time to respond to competitive threats*** – If a competitor develops a superior product, a loyal following will allow the firm time needed for the product improvements to match or neutralize the competitor one.

In order to reap the above benefits, companies must not only manage loyalty, but they must also enhance it (Aaker, 1991). A thorough knowledge of the factors that determine store loyalty and brand loyalty is therefore necessary for these companies. Some of the determining factors include:-

- When the store conforms to one's self image- If one's image of the store conforms to his self-image, then the shopper's loyalty to the store will be high.
- Availability of the brand- Many customers would want to shop in one place for all items. This is due to scarcity of time. Repeat purchasing will enhance commitment and eventually loyalty (Assael, 1998).
- Level of satisfaction and/or dissatisfaction – This involves many issues like the problems faced by customers, their sources and how they are addressed.
- Customer service – This consists also of several services designed to aid in the sale of a product. They may include credit, delivery, gift wrapping, merchandise returns, store hours, packing and personal service (Stanton, 1991)
- Atmospherics – This refers to a retailers combination of architecture, layout, colour, sound and temperature monitoring, special events, prices, displays and other related factors that attract and stimulate customers (Bearden ,1995).

Store loyalty is the major reward for the marketers who take care of the factors such as above since that keeps them to retain customers (Bearden, 1995).

1.2 STATEMENT OF THE PROBLEM.

A brand can only be strong if it has a strong supply of loyal customers (Kapferer, 1999). This gives the brand stability of future sales. When a customer is loyal, he is likely to speak well to others about the brand (Aaker, 2000). Loyalty is actually a manifestation of a deep relationship between the brand and the customer (Kotler, 2000)

Brand loyalty comes when customers know that they will get the same features, benefits and quality each time they buy the brand. This is to mean that shoppers will become loyal to a particular store chain only if shopping at the chain gives them the same experience always (Kotler, 1999).

In the supermarket business the need to enhance brand loyalty has not increased as a result of competition alone. Customers have also changed. They have become more confident, more ready to experiment and trust their own judgement, they have less disposable income and are more worldly wise (Baker, 1992). They are more demanding and they have strong views on what gives them satisfaction, but less tolerant of goods and services that do not live up to their expectations.

Baker (1992) further states that, faced with the above challenges, the supermarket chains need to restructure if they expect to secure economies of scale in their line of business. This requires them to use all their companys' particular assets to create unique entities that certain consumers really want; entities which have a lasting personality and based on a special combination of physical, functional and psychological values, and which have competitive advantage. This will enable the firm to win a distinguished and distinctive place in the perception of its actual and prospective customers(Baker, 1992).

A number of researches have been done on the area of retailing in Kenya. One such study was done by Karemu (1993) in which he investigated the state of strategic management in the Kenyan retailing industry. Another was conducted by Lagat (1995) where he sought to investigate the state of marketing intelligence activities in Kenya's retailing sector. Ngatia (2000) carried out a comparative study of service providers and customer perceptions of service quality in the retailing industry. Kyalo (2001) carried out a survey of private labelling strategy by supermarkets in Nairobi.

At the moment, the state of the Kenyan economy is bad. Inflation rate is high, economic growth is low and low per capita income. The situation has been aggravated by high levels of joblessness and retrenchments. Customers are now seeking for the value of their money. The scope for differentiation in the supermarket business is limited due to ease of strategy coping and matching by competitors (Kyalo, 2001).

A major strategy for the supermarket chains has been enhancement of brand loyalty. This has become critical since keeping customers is a more efficient strategy than attracting new customers (Rosenberg, 1983). However there has not been a study showing the existence of brand loyalty for supermarkets in Kenya.

Due to the above fact, this study aimed at exploring and investigating issues related to brand loyalty for the chain stores in Nairobi, Kenya. The research therefore sought to answer the following questions.

Are there some specific factors that determine store loyalty with the Kenyan customers?

What are the most important factors in determining store loyalty?

1.3 Objectives of the study

The main objectives of this study were: -

(i) To find out the factors that determine store loyalty.

(ii) To determine the most important factors in determining store loyalty.

1.4 Importance of the study

This study will be of interest and useful to:

(i) Retailers who want to know how to manage and increase their sales through store loyalty enhancement.

(ii) Marketers interested in building brands through the brand loyalty dimension.

(iii) Consumers in evaluating the different store chains in terms of the extent to which they meet their (customer) expectations.

(iv) Academicians who may see this as a good basis for further research related to brand loyalty in the retail sector.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter gives a review of the literature related to the study. It is specifically concerned with the concept of brand loyalty, how it develops and generates value. It is also concerned with the history of supermarkets, their development in Kenya and their current operational situation.

2.2 The concept of brand loyalty

Assael (1998) defines brand loyalty as representing a favourable attitude towards a brand as a result of consistent purchase of the brand over time. According to Assael, loyalty is the result of consumers learning that one brand can satisfy their needs. He further adds that loyalty is not reflected on behaviour alone; rather it implies a commitment to a brand that may not be reflected by just continuous buying behaviour. This supports George Day (1969) who argued that, to be truly loyal, the consumer must hold a favourable attitude toward the brand in addition to purchasing it repeatedly.

Further, Aaker (1991) says that loyalty is manifested through commitment. He argues that a strong brand have high equity as a result of the commitment. This commitment manifests itself through a high level of interaction and communication that is involved with the product. The consumer likes to talk about the brand with others and actually recommends it (Aaker, 1991).

As Aaker (1991) further says, brand loyalty is a measure of the attachment that a customer has to a brand. It reflects how likely a customer is likely to switch to another brand, especially due to that brand's change in price and/or product features (Aaker, 1991).

Oliver (1999), has also defined brand loyalty. To him, it is a deeply held commitment to re-buy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause one to switch. This definition emphasizes two different aspects of brand loyalty-behavioural and attitudinal (Aaker, 1991; Assael, 1998; Day, 1969). According to these writers, behavioural, or purchase loyalty consists of repeated purchases of the brand, whereas attitudinal brand loyalty includes a degree of dispositional commitment in terms of some unique value associated with the brand.

For the purposes of this study, brand loyalty is taken to include purchase loyalty and attitudinal loyalty. Purchase loyalty is here simply defined as the willingness of the average consumer to repurchase the brand. (Moorman *et al*, 1992). Attitudinal loyalty according to the same writers, is the level of commitment of the average consumer toward a brand. They defined commitment as an enduring desire to maintain a valued relationship.

A brand has been defined by Aaker (1991) as a distinguishing name/and or symbol (such as a logo, trade mark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. Nilson (1999) also argued that the brand is the means by which you differentiate your offering from that of everyone else. He further says that a name becomes a brand if it fulfils the criteria of:

- Carrying distinct values
- Differentiating
- Appealing and
- Having a clear identity (Nilson, 1999)

Unique brand associations have been established using product attributes, names, packages, distribution strategies and advertising (Aaker, 1991). Aaker further defines a brand association as anything "linked" in memory to a brand (1991).

2.21 Brand loyalty as a brand equity asset

Brand equity has been defined as the brand assets (or liabilities) linked to a brand's name and symbol that add to (or subtract from) a product or service (Aaker, 1991). Brand equity represents the values inherent in the image of the brand and are often based on the communication strategy surrounding the brand rather than on the physical characteristics of the product (Webster, 1994).

Brand loyalty, together with name awareness, perceived quality, brand associations and other proprietary brand assets such as patents and trademarks are what determines the level of brand's equity (Kotler, 1999). Brand equity is therefore highly related to the degree of brand loyalty (Kotler, 2000). This is perhaps further explained by David Aaker

(1991) when he said that the other four brand equity dimensions enhance brand loyalty. According to Kotler therefore, brand loyalty can be seen as the point of intersection for all the other assets that determine equity level. Kotler's argument can be taken further to say that the strength and impact of the other four assets will be seen in the extent to which they enhance loyalty, which in turn transforms into financial benefits for the brand.

However, although loyalty is influenced by other dimensions of brand equity, in some cases, it occurs quite independent of them. This is to mean that loyalty provides an important basis of equity that in sufficiently distinct from the other equity dimensions (Aaker, 1991).

2.22 Levels of brand loyalty

Kotler (2000) says that consumers have varying degrees of loyalty to specific brands, stores and other entities. He further divides consumers into four groups of loyalty status as below:

-**Hard-core loyals:** Consumers who buy one brand all the time.

-**Split loyals:** Consumers who are loyal to two or three brands.

-**Shifting loyals:** Consumers who shift from one brand to another.

-**Switchers:** Consumers who show no loyalty to any brand.

Evans (1997) views brand loyalty as a continuum from undivided brand loyalty to brand indifference. He further gives the five different categories along the continuum as:

- ***Undivided loyalty***: This is an ideal one. It is a situation where consumers purchase only a single brand and forego purchase if it is not available.

- ***Brand loyalty/occasional switch***: This is a more likely situation and occurs where customers occasionally switch for such reasons as their usual brand being out of stock, a new brand may come to the market and is tried, or a competitive brand offered at a special low price
- ***Brand loyalty/switch***: Reflects a competitive goal especially in low growth markets.
- ***Divided loyalty***: Refers to consistent purchase of two or more brands.
- ***Brands indifference***: Refers to purchases with no apparent repurchase pattern. It is the opposite extreme of undivided brand loyalty.

Aaker (1991) also came up with five categories of brand loyalty as below:

- The non-loyal buyer (switcher)
- The habitual buyer
- The satisfied buyer
- One who likes the brand
- Committed customers

All the above loyalty categories as done by the different authors are somewhat arbitrary (Evans, 1997). The levels do not always appear in the pure form (Aaker, 1991). But the important point is that there are different levels of loyalty which impact differently on brand equity (Aaker, 1991).

2.23 Brand Loyalty implication on financial performance

The financial value of a brand is a function of the amount of its future expected return and of the degree of risk on these returns (Kapferer, 1999).

Kapferer (1999) further says that loyal customers are profitable because they spend more with the brand they are loyal to and are less sensitive to price.

Bewa *et al* (1987) also supports this notion when they say that store loyalty is negatively related to out-of-store deals because such deals often require store switching. There is further evidence that store loyal people are less price sensitive and this suggests a negative relationship (Kim, Srinivasan and Wilcox, 1999).

For any business, it is expensive to gain new customers and relatively inexpensive to keep existing ones, especially when the existing ones are satisfied with the brand (Aaker, 1991). Further, higher loyalty means greater trade leverage since customers expect the brand to be always available (Aaker, 1991).

Research done by Chaudhuri and Holbrook has also established that brand loyalty which expresses itself through both repeat purchase and attitudinal commitment (Jacoby and Kyner, 1973) leads to sales related brand outcomes such as market share. Further evidence from the research also showed that loyalty leads to premium – related outcomes such as higher relative prices in the market place (Chaudhuri *et al* 2001). As Chaudhuri further argues, the two-higher market share and a premium price- are direct determinants of a brand's financial performance.

2.24 Measuring brand loyalty

According to David Aaker (1991), there are several approaches to measuring loyalty. But he gives preference to behaviour measures which include repurchase rates, percent of purchases as well as number of brands purchased. He however goes further to give other approaches which are based upon the loyalty constructs of;

- Switching costs – if switching costs are high, loyalty is likely to be high also.

- Measuring satisfaction - This involves measurement of the level of satisfaction and/or dissatisfaction.

- Liking of the brand – A positive affect can result in resistance to competitive entries. Here, answers to questions such as whether customers like the brand and whether there are feelings of warmth toward the brand, are sought.

- Commitment- This is indicated through interaction and communication with the brand. In this case the extent to which the brand is important to a person in terms of his or her activities and personality really matters (Aaker, 1991).

2.3 Developing and Enhancing Loyalty

Brands are strong when they enjoy loyalty (Kotler, 2000). In Kotler's view, to achieve loyalty, a product must go beyond achieving visibility and differentiation.

It should develop deep relationships with the customer group where the brand becomes a meaningful part of the customer's life and/or self-concept. When this occurs, the customer will be highly loyal (Kotler 2000).

Taking a loyal customer to be the one who has a commitment to continue to do business with a company on an on-going basis, developing brand loyalty simply means seeking to create committed customers (Christopher, 1995)

Christopher gives the process of loyalty building in the form of a ladder whereby the customer has to be converted into a client, then into a supporter, then an advocate and ultimately into a partner.

To convert the customer into a client requires that a pattern of repeat buying is established. This is done by making it possible for the customer to do business with the company. But being a client does not necessarily signal commitment. Since many clients may express high levels of dissatisfaction with the product or service and then switch. A customer-oriented approach becomes necessary to turn the clients into supporters- they are pleased with the product or service. If they are really impressed with the quality of the relationship, they may well become advocates – they tell others about their satisfaction with the offer. The power of word-of-mouth is high and can do even more than advertising. The ultimate expectation should be to make the advocate a partner-a situation where a mutually rewarding relationship has been achieved and neither party intends to leave the other (Christopher, 1995).

Customer loyalty is seen a as two way street (Webster, 1994). According to Webster, customers remain loyal to the company that serves their needs and preferences with a total set of related products and services, while on the other hand, companies demonstrate and maintain their loyalty to the customers by becoming knowledgeable about them and responding to them with enhanced product offerings (Webster, 1994). To Webster, the commitment to deliver superior value to customers contains an explicit commitment to managing customer loyalty. A company that has commitment towards customer loyalty should be able to exhibit that through releasing the resources necessary to retain those good customers by offering them a broad range of related products and services that will keep them loyal as their needs change and evolve over time (Reichheld, 1993).

The maintenance and enhancement of loyalty is also achieved through following some basic rules (Aaker, 1991)

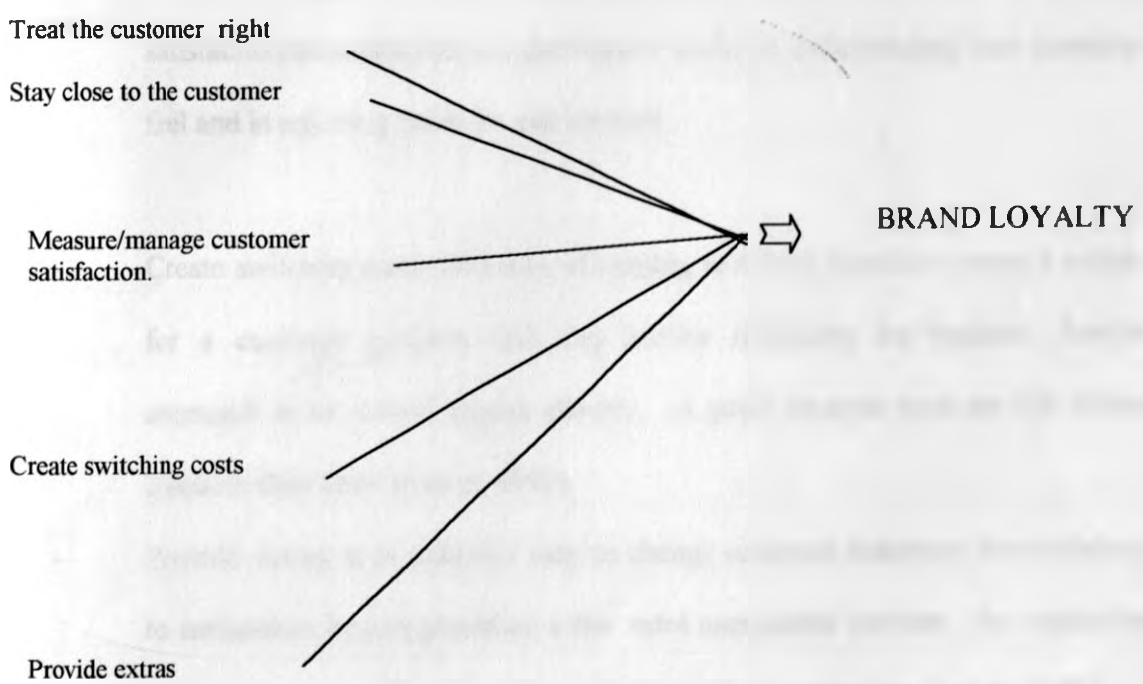

Figure 2.1

Adapted from "Managing Brand Equity", D. Aaker (1991). The Free Press, New York, USA, pg 50.

- Treat the customer right : A product or service that functions as expected provides a basis for loyalty since customers have no reason to switch. Customer should be treated with respect and a positive interaction maintained all the time (Aaker, 1991).

- Stay close to the customer: The company should have its people, including top executives keep contacts with the customers who use their products. This makes them (customers) know that they are valuable (Aaker, 1991).

- Measure/manage customer satisfaction: Regular surveys of customer's satisfaction/dissatisfaction are particularly useful in understanding how customers feel and in adjusting products and services.

- Create switching costs: One way of creating switching costs is to create a solution for a customer problem that may involve redefining the business. Another approach is to reward loyalty directly. A good example here are the airlines frequent-flyer clubs (Aaker, 1991)
- Provide extras: It is relatively easy to change customer behaviour from tolerance to enthusiasm by just providing a few extra unexpected services. An explanation of a procedure or a simple apology may be good examples here (Aaker, 1991).

Considering the above, it is clear that the loyal customer wants to be recognized. He therefore has to be identified, a direct bond has to be established with him and he should be the focus of special attention. Customers should be treated as friends and not as accounts - the basis to a long lasting relationship (Kapferer, 1999)

In the words of Kotler, brand loyalty is built by meeting the customers expectations or even better, exceeding them. Kotler gives the example of Nordstrom, an American department store with very high customer loyalty rating. A man came into Nordstrom with an automobile tyre asking for his money back. Nordstrom gave him 'back' his money though the store does not sell tyres (Kotler, 1999)

2.31 Need to develop loyalty

In today's low-growth and highly competitive market place, retaining brand loyal customers is critical for survival (Evans, 1997). Keeping customers is often a more efficient strategy than attracting new customers (Rosenberg, 1983)

Brand building process has been eroding due to being neglected and loyalty levels have been falling generally (Aaker, 1991)

On the side of consumers, they have become more confident and more demanding. They simply want the products and services that satisfy them and have no time for the ones which do not. More and more consumers have a need to distinguish themselves from one another to express their individualism. For this reason, they demand quality that is sustained (Baker, 1992)

Further, today's customers are tougher, more informed and so sensitive to poor service that they often walk away and never come back (Bearden, 1995). To make it worse, the average dissatisfied customers tells 9 or 10 other people (Albrecht, 1985).

Many marketing managers are concerned with a growing trend toward brand switching. Among the reasons given for the decline in brand loyalty are consumer dissatisfaction with products, the many new products appearing in the markets and consumers' increased concern on price at the expense of brand loyalty (Schiffman, 1994).

The other causes of declining brand loyalty according to Schiffman include the increase in sales promotion 'deals' by almost all players, the increase in comparative advertising and the increased diversity of shoppers (unmarried men and women, husbands, teenage and children) (Schiffman, 1994).

The purpose to build brand loyalty may also be seen in the very tenets of the new marketing concept. Whereas the objective of marketing in the old concept was just to make a sale, under the new marketing concept, the objective is to develop a customer relationship in which the sale is just the beginning (Webster, 1994).

2.4 How loyalty generates value

When brand loyalty exists, there is value created in the eyes of the customers. Several functions through which this happens have been given as below (Kapferer, 1999).

Function	Consumer benefit
Identification	To be clearly seen, to make sense of the offer and to quickly identify the sought-after product
Practicality	To allow savings of time and energy through identical repurchasing
Guarantee	To be sure of finding the same quality no matter where or when you buy the product or service
Optimization	To be sure of buying the best product in its category, the best performer for a particular purchase.
Characterization	To have confirmation of your self-image or the image that you present to others.
Continuity	Satisfaction brought about through familiarity and intimacy with the brand that you have consumed for years.
Hedonistic	Satisfaction linked to the attractiveness of the brand, to its logo and its communication.

Ethical	Satisfaction linked to the responsible behaviour of the brand in its relationship with society (ecology, employment, citizenship) (Kapferer, 1999)

One important question to ask is if brand loyalty is of any strategic value. Aaker (1991) argues that loyalty of existing customers represents a strategic asset that has potential to provide value in several ways.

According to Aaker, brand loyalty provides value through reduced marketing costs, trade leverage, attracting new customers and giving the company time to respond to competitive threats.

2.41 Reduced marketing costs

It is much less costly to retain customers than to get new ones. Existing customers are relatively easy to hold if they are not dissatisfied. The higher the loyalty, the easier it is to keep customers happy and they will have no reason to switch (Aaker, 1991). At the same time, Aaker mentions that the loyalty of customers represents a substantial entry barrier to competitors as a lot of resources may be required to entice the loyal customers to switch.

2.42 Trade leverage

Strong loyalty towards a brand will ensure a preferred shelf space because the retailers know that customers will always buy the brand (Aaker, 1991).

2.43 Attracting new customers

Assurance to prospective customers is provided by a satisfied customer base. A satisfied customer base provides an image of the brand as accepted and successful, and one that will be around and capable of product improvements (Aaker, 1991).

Brand awareness can be generated from the customer base This awareness may come from a favourable word-of-mouth from the loyal customers (Webster, 1994), or may be a result of friends and colleagues of users just seeing the brand being used (Aaker, 1991).

2.44 Time to respond to competitive threats

As a result of loyalty, the company enjoys the benefit of having time to improve the brand in the case of a superior competing brand being developed. This is because loyal customers do not just move quickly to the superior competitor (Aaker, 1991).

2.45 Other ways of generating Value

According to Webster (1994) brand loyalty means the brand has repeat customers. A repeat customer is more valuable than a new one because of a number of reasons like:

- Multiple purchases from the same customer
- The loyal customers will pay a somewhat higher price
- The opportunity to sell other products and services to the loyal customer

2.5 Definition of Supermarket

A supermarket has been defined as a retailing institution that has a moderated broad, moderately deep product assortment spanning groceries and some non-food lines like building materials and office products (Stanton, 1991). Stanton defines retailing as consisting of the sale and all activities directly related to the sale of goods and services to ultimate consumers for personal non-business use (Stanton, 1991).

Kotler (1990) defines a supermarket as a large, low-cost, low-margin, high volume self-service store that carry a wide variety of food, laundry and household products.

Kibera and Waruinge (1997) define a supermarket as a large scale retailing institution with several departments and operating primarily on a self-service basis.

Baker *et al* (1956) had also reckoned that the term supermarket is difficult to define. They argued that supermarkets are basically grocery stores but usually with departments selling non-food items and at least the grocery department is operated on a self-service basis.

From the foregoing and as Karemu (1993) acknowledges, there is no universally accepted definition of the term "supermarket", but is generally used to describe a self-service departmentalized store.

2.51 Supermarket chain.

According to Kotler (1990) chain stores or chain supermarkets are two or more outlets that are commonly owned and controlled, employ central buying and merchandising, and sell similar lines of merchandise.

Chains have advantages over independent supermarkets. Their size allows them to buy in large quantities at lower prices. They can afford to hire corporate-level specialists to deal with such areas as pricing, promotion, merchandising, inventory control, and sales forecasting. Chains also gain promotional economies because their advertising costs are spread over many stores and a large sales volume.

2.6 History of Supermarkets.

The first supermarkets started in America in the late 1920's and early 1930's and are attributed to the introduction of the self-service shopping (Appel, 1972).

The growth of supermarkets according to Kotler and Armstrong (1997) was precipitated by such reasons as :-

- The economic conditions of the 1930's (Great Depression) made customers more price-conscious and supermarket retailing was based on a low-price appeal.
- Supermarkets were located in low rent areas, sold nationally advertised, pre-sold brands and so did not need large advertising budgets.
- They provided one stop shopping of grocery, meat and household goods in a single location. And this lured customers from greater distances. This gave the supermarket a chance to generate more sales to offset their lower margins.

As noted by Ngatia (2000), supermarkets have of late been facing stiff competition from other types of retailers such as food stores, discount stores and superstores. This has forced the supermarkets to move in all directions to improve their competitiveness. Some of the measures they have taken include opening larger stores (selling space of about 25,000 square feet), they carry a large number and a variety of items with the largest increase being in non food items. They have moved to prescriptions, appliances, hardware and sporting goods in an attempt to improve profitability.

2.7. Growth of Supermarkets in Kenya.

Supermarkets are a recent phenomenon in Kenya (Karemu 1993, Kyalo 2001). The first supermarkets have their beginnings in the 1970's with only a few set up in the 1960's Ngatia (2000) notes that the first ones to be recorded include Westlands General store (1960), K & A (1962), Ebrahims self service store (1970) and Uchumi supermarkets (1975), all in Nairobi before the idea later spread to Kisumu, Mombasa and Nakuru.

Kyalo, (2001) notes that later on (1980's and 1990's) Nakumatt, Jack and Jill, Jamia, Shaflus, Sunbeam, Tusker and Ukwala among others were established. Many of them have since been closed but Uchumi, Nakumatt, Tusker and Ukwala supermarkets have been able to establish themselves as chain stores (Kyalo, 2001).

According to Munyoki (1997), 70% of all supermarkets in Nairobi were established after 1980, and also 74% of all supermarkets in Kenya are found in Nairobi. The increase in supermarkets and concentration can be attributed and explained by liberalization in the early 1990's, increasing migration by rural people to Nairobi in search of jobs and the changing lifestyles of majority of Kenyans. Munyoki (1997) argues that supermarkets provide a "one roof" shopping, availing a wide range of assorted merchandise with long hours of service and low prices. This offers a good remedy, to the problems of city workers by offering convenience and saving of time.

2.71 Problems facing supermarkets.

According to studies carried out on supermarkets in Nairobi by Karemu (1993), Lagat (1995) and Munyoki (1997) the supermarkets encounter various problems. Among the notable ones include :-

- Loss of control of customers' movements due to increased space. It is difficult for managers to monitor customers' movements as closely as they had done as self-service stores. This led to the problem of shoplifting.
- Damaged items due to the fact that merchandise is bought in bulk and its inspection is not always easy. Defective units are detected when the merchandise is in the supermarket and this is a loss.
- High transportation costs of merchandise especially if the source and the supermarket are far apart.
- Management of the supermarkets by family members who lack managerial skills (Karemu 1993).
- Products expiring before they are sold.

However according to Karemu (1993), supermarkets enjoy some advantages over the traditional retailers. They buy in bulk, enjoy discounts and can therefore allow their customers discounts. At the same time, due to the larger trading space, supermarkets can stock more items. The supermarkets also run on self – service and this helps to attract more customers. The fact that they also accept credit cards and offer convenient store shopping hours is another advantage. (Ngatia , 2000)

2.8 Store Loyalty

Customers are loyal to stores just as they are to brands (Assael, 1998). A shopper's loyalty to a supermarket may be stronger than his loyalty to any of the items of merchandise carried in the store.

Assael (1998) further argues that in some circumstances, the choice of the store influences the brand bought. This is especially the case when store loyalty is high because the loyal consumers will always shop there first for desired items. It also happens when the customers do not have loyalty to the sought items or their category or even when information about sought items is inadequate (Assael, 1998).

As Evans (1997) says, there has been a retailing revolution with the increasing number of supermarkets and domination by chains which have diversified into everyday products. This has led to growing uniformity and concentration in the sector. The customers choice is restricted due to increased sameness of the stores in the streets. The way out for the supermarkets is enhancement of store loyalty.

2.9 Possible important factors determining store loyalty.

To achieve repeat patronage and loyalty which are desired by the supermarket retailer (Evans, 1997), it is paramount that the management know and have an understanding of what motivates customers to stay (Christopher 1995). What is it that motivates customers to keep buying from us? These are the critical factors that need to be understood in order to develop them to withstand any competitive company. Some of the determining factors include:-

- The image of the store versus the customer's self image - If one's image of the store conforms to his self image, then the shopper's loyalty to the store will be high (Aaker 1991).

- Availability of the brand – Many customers would want to shop in one place for all items. This is due to scarcity of time. Repeat purchasing will enhance commitment and eventually loyalty (Assael, 1998).
- Level of satisfaction and/or dissatisfaction- This involves many issues such as the problems faced by customers, their sources and how they are addressed (Aaker, 1991)
- Customer service – This consists of several services designed to aid in the sale of a product. They may include credit, delivery, gift wrapping, merchandise returns, longer store hours, parking and personal service (Stanton, 1991). Bearden (1995) concurs by saying that customer service refers to the activities that that increase the quality and value that customers receive when they shop and purchase merchandise.
- Atmospherics- According to Bearden (1995), this refers to a retailers combination of architecture, layout, colour, sound and temperature monitoring, special events, prices, displays and other related factors that attract and stimulate customers.
- Location – The actual place where the store is located determines whether it is available to the customers or not. The location also has an effect on the store's image (Kotler, 1990).
- Available technology like catalogs or electronic media that allows the customer to shop while at home or at some other non store location (Davidson, 1988). It is however not enough to conclusively say that these are the only factors that determine why a customer becomes loyal to a particular store.

CHAPTER THREE

3.0 RESEARCH DESIGN

3.1 Introduction.

This chapter sets out the research methodology that was adopted so as to meet the objectives stated in chapter one of this study. The research setting, the population of interest, sample, data collection instruments and data analysis techniques are discussed.

3.2 The Research Setting

The study was a survey conducted within Nairobi, because the chain supermarkets are concentrated within the capital city. The four supermarkets are the largest in Kenya in terms of turnover (Kyalo, 2001). Furthermore, all the four are chain stores since they have at least two branches each (Kotler, 1990). The choice of Nairobi as the study area also considered its convenience in terms of accessibility, time schedule and financial resources available to the researcher.

3.3. Population

The target population for this study comprised of all those who do their shopping in the four main supermarket chains within the city of Nairobi.

A survey earlier carried out by the researcher had indicated that Uchumi had 23 branches out of which 17 were in Nairobi, Nakumatt had 10 and 7 of them were in Nairobi, Tusker had 8 with 7 of them in Nairobi, and Ukwala had 5 branches out of its total 7 in Nairobi. The total number of branches for the four chains in

Nairobi was therefore 36 (See appendix 4).

All the customers of the branches in Nairobi formed the target population for this study. There was no list available for all the customers.

3.4 Sampling.

A sample of 144 respondents was selected from the 36 branches of the chain stores. Ngatia. (2000) used a sample of 215 supermarket customers while Mburu (2001) had a samples of 150 customers. For each branch, four customer respondents were picked. To get the four from each store branch, convenience sampling was used and every fifth adult customer leaving the supermarket was asked to complete the questionnaire. The selected sample was deemed adequate for general conclusions about the entire population. The sample was also adequate for the statistical tools which were used in the data analysis. A recruitment guide for respondents was used to ensure that only loyal customers were included in the sample (See appendix 2).

3.5 Research Instrument.

Primary data was used in the study. A questionnaire was used to collect the data by the research assistants. The questionnaire was administered to the customers as they left the supermarket. The respondents filled in the questionnaire as the researcher/ research assistant waited. This helped reduce the instances of non-response. Where necessary, the questionnaires were left and picked later in order to ensure a high proportion of usable responses.

3.6 Data Analysis.

Once data had been collected, it was analyzed by use of descriptive statistics These included tables, charts and percentages to represent the response rate and information on the other variables that the study considered.

Factor analysis was also used for analysis due to the large number of variables or objects being considered. No variable(s) had been designed as being predicted by others and the researcher intended to look at the interrelationship among all the possible variables that may impact on loyalty together.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Data Editing and Coding

The questionnaires were edited and coded after they were filled in. All the questionnaires returned by the respondents were usable for data analysis.

Table 4.1 Number of respondents

Targeted Respondents	Actual respondents	% Response rate
144	108	75%

Source: Research data

From the table above, the response rate was 108 (75%). The researcher deemed this as adequate and sufficient for the purpose of data analysis. This compares with other studies such as Karemu (1993) with 55%, Lagat (1995) with 62%, and Ngatia (2000) with 68%.

4.2 Demographic Characteristics of Respondents

4.2.1 Occupation

Table 4.2

Occupation	Frequency	Percentage
Government	36	33%
Parastatal	8	7%
Private Company	41	38%
NGO	6	6%
Formal Business	8	7%
Professional Business	5	5%
Informal Business	4	4%
Total	**108**	**100%**

Source: Research findings

From table 4.2 above, it can be concluded that private companies' employees form the highest percentage (38%) of the loyal supermarket customers This category is followed by government employees who are 36(33%) of all the respondents This can be attributed to the relatively better pay that private companies give to their employees. Further, private companies are at the moment the major source of employment in Kenya

4.2.2 Age

Table 4.3

Age (Years)	Frequency	Percentage
Below 18 years	0	0%
19-29 years	38	35%
30-39 years	50	46%
40-49 years	16	15%
50 years and above	4	4%
Total	**108**	**100%**

Source: Research data

The results above indicate that most of the respondents are between the ages of 30-39 years. This category had 50 (46%) of the respondents. Further, the age bracket of 19-29 years is second with a frequency of 38 which is 35% of the respondents. This can perhaps be explained by the fact that these are the brackets of young to middle aged couples whose consumption is relatively high. The age bracket of 30-39 years especially is characterised by high home purchases for foods and cleaning materials, and in larger size packages (Kotler 2000).

4.2.3 Education Level

Table 4.4

Level	Frequency	Percentage
Primary	0	0
Secondary	22	20%
College	44	41%
University	42	39%
Total	**108**	**100%**

Source: Research data

From the table above, 44(41%) of the respondents have college education. This is followed by 42 (39%) with University education. This means that 80% of the respondents have minimum of college education.

4.2.4 Expenditure

Table 4.5

Amount Per Month (Shs)	Frequency	Percentage
Below 5,000	58	54%
5,000-10,000	35	33%
10,000-15,000	7	6%
15,000-20,000	6	5%
Above 20,000	2	2%
Total	**108**	**100%**

Source: Research data

As the above table shows 58 (54%) of the respondents spend below Kshs.5,000 on their supermarket shopping per month. At the same time, only 2(2%) of the respondents are able to spend above Kshs.20,000 with their supermarket shopping in one month. This can be attributed to the poor situation of the economy and low earnings.

4.2.5 Marital status

Table 4.6

Marital status	**Frequency**	**Percentage**
Single	32	30%
Married	76	70
Total	**108**	**100**

Source: Research date

From the above table, it can be seen that 76 (70%) of the respondents are married people. This further supports the fact that their food and cleaning materials requirements are high.

4.2.6 Gender.

Table 4.7

Gender	**Frequency**	**Percentage**
Male	42	39%
Female	66	61
Total	**108**	**100**

Source: Research findings.

It is evident from the above table that 61% of the customers are female.

4.3 Most important factors in determining supermarket loyalty

Table 4.8 Factor rankings

Factor	1	2	3	4	5	6	7	8	9	10	11	12	13	**Total**
Availability of Merchandise	37	25	9	4	2	2	2	-	4	8	1	-	1	**95**
Prompt Service	7	13	17	16	14	10	4	2	4	1	5	2	-	**95**
Flexibility	4	3	5	2	10	14	6	8	13	9	12	9	-	**95**
Employees willingness to help	2	5	3	9	4	15	15	10	3	8	9	10	2	**95**
Courtesy of employees	2	4	10	11	17	9	13	9	6	5	6	2	1	**95**
Employees Knowledge of products	-	4	9	6	11	11	13	16	7	7	8	3	-	**95**
Complaints Handling	2	-	3	6	4	6	12	13	4	6	30	9	-	**95**
Physical facilities	-	2	3	7	7	3	3	10	16	20	6	16	2	**95**
Employees appearance	3	2	-	1	6	3	9	12	17	9	10	21	2	**95**
Location	27	15	11	4	4	10	6	4	3	7	-	4	-	**95**
Store operational hours	-	17	10	12	6	8	4	7	10	10	4	4	3	**95**
Arrangement of merchandise	3	3	14	17	10	4	8	4	8	5	4	15	-	**95**
Reasonable prices	8	3	-	-	-	-	-	-	-	-	-	-	2	**13**
Total	**95**	**95**	**95**	**95**	**95**	**95**	**95**	**95**	**95**	**95**	**95**	**95**	**13**	

Source; Research Findings

There were 95 respondents who gave useful responses in this part. As table 4.8 above shows, the extent to which any of the factors is considered important does not differ very much from how others are considered.

However, it came out clearly that the level of importance differs among the various factors. Of the 95 respondents, 37 (39%) indicated that availability of merchandise is their most important consideration while 27 (28%) indicated location as their most important consideration. Store operational hours was indicated as the second most important factor by 17 (18%) of the respondents. Prompt Service was the third most important factor for 17(18%) of the respondents. Also another 17 (18%) of the respondents had arrangement of merchandise as their fourth most important consideration. The next factor was courtesy of employees as indicated also by 17 (18%) respondents. At position seven was employees willingness to help as indicated by 15 (16%) of the respondents. At eighth position stood employees knowledge of products as indicated by 13 (14%) of the respondents.

Another 13 (14%) of respondents indicated complaints handling as the eighth most important consideration. The next factor was employees appearance which was placed as ninth important factor by 17 (18%) of the respondents. It can therefore be concluded that the ten most important factors to the customers arranged in order of importance are:-

- Availability of merchandise
- Location
- Store operational hours
- Prompt service
- Arrangement of merchandise

- Courtesy of employees
- Employees knowledge of products
- Complaints handling
- Employees appearance

Another factor that was mentioned by the respondents as very important was reasonable prices of products.

4.4 Reasons for being loyal to a supermarket

This section was for measuring the extent to which customers would consider various different factors as being important in their decision of supermarket

Table 4.9 **The relative importance of loyalty factors** (n=108)

	Minimum	Maximum	Mean	Std. Deviation
VAR1	3.00	5.0	4.8056	.4205
VAR2	2.00	5.0	4.3796	.8056
VAR3	1.00	5.0	3.7037	1.0435
VAR4	3.00	5.0	4.8241	.4286
VAR5	2.00	5.0	3.8333	.9323
VAR6	1.00	5.0	2.6944	1.3703
VAR7	1.00	5.0	2.8704	1.2312
VAR8	1.00	5.0	4.5000	.7673
VAR9	3.00	5.0	4.7130	.4939
VAR10	1.00	5.0	4.3981	.7605
VAR11	3.00	5.0	4.7037	.4978
VAR12	3.00	5.0	4.5278	.6479
VAR13	2.00	5.0	4.6759	.6240
VAR14	1.00	5.0	3.8611	1.0891
VAR15	2.00	5.0	4.5463	.6468
VAR16	1.00	5.0	4.6111	.7213
VAR17	1.00	5.0	4.1019	.9662
VAR18	1.00	5.0	4.3704	.8156
VAR19	1.00	5.0	3.6759	1.0215
VAR20	1.00	5.0	3.7407	1.1869
VAR21	2.00	5.0	4.4630	.7160
VAR22	2.00	5.0	4.6113	.5733
VAR23	1.00	5.0	4.5000	.7038
VAR24	2.00	5.0	4.4722	.6898
VAR25	1.00	5.0	4.0648	.9097
VAR26	1.00	5.0	3.1667	1.0722
VAR27	2.00	5.0	4.5278	.6761
VAR28	1.00	5.0	3.5278	1.0542
VAR29	1.00	5.0	2.7222	1.0751
VAR30	1.00	5.0	3.9630	1.0132
VAR31	3.00	5.0	4.7685	.4453
VAR32	1.00	5.0	4.2407	.8847
VAR33	1.00	5.0	3.1296	1.1768
VAR34	2.00	5.0	4.6296	.5734
VAR35	1.00	5.0	3.1852	1.1119
VAR36	2.00	5.0	4.2222	.7893
VAR37	2.00	5.0	3.9815	.9271
VAR38	1.00	5.0	3.4537	1.3069
VAR39	1.00	5.0	3.6574	1.1452
VAR40	1.00	5.0	3.9537	1.0798
Valid N (listwise)				

Mean score ranked on a 5-point scale.
Scale with 1= not at all important and 5= very important.

Source: Research data

As the table above shows, the customers considered the importance of the various loyalty factors to varying degrees

All the factors studied other than three were reported as being fairly important to being important. The most important of the factors was reasonable prices of products with a mean of 4.8241 followed by availability of all types of merchandise with a mean of 4.8056 this was followed by adequate number of cashiers with a mean of 4.7685. Knowledge by employees about products and willingness of the employees to help were the next factors with mean scores of 4.7130 and 4.7037 respectively. The three factors that were reported as not being important were ownership of the supermarket with a mean score of 2.6944, music being played in the supermarket which scored a mean of 2.7222 and the supermarket being all inclusive and offering other facilities such as salon and restaurant. This had a mean of 2.8704.

4.5 Factor Analysis on Factors determining store loyalty

Factor analysis was used to determine the significant factors that customers may consider or considered while making store choice decisions.

4.5.1 Communalities

Communalities represent the proportion of variance of each particular item that is due to common factors or that is shared with other items.

Table 4.10 Communalities

Communalities

	Initial	Extraction
VAR1	1.000	.630
VAR2	1.000	.553
VAR3	1.000	.708
VAR4	1.000	.741
VAR5	1.000	.625
VAR6	1.000	.628
VAR7	1.000	.539
VAR8	1.000	.674
VAR9	1.000	.691
VAR10	1.000	.674
VAR11	1.000	.733
VAR12	1.000	.685
VAR13	1.000	.766
VAR14	1.000	.657
VAR15	1.000	.804
VAR16	1.000	.679
VAR17	1.000	.662
VAR18	1.000	.665
VAR19	1.000	.627
VAR20	1.000	.659
VAR21	1.000	.675
VAR22	1.000	.651
VAR23	1.000	.695
VAR24	1.000	.642
VAR25	1.000	.640
VAR26	1.000	.704
VAR27	1.000	.763
VAR28	1.000	.613
VAR29	1.000	.724
VAR30	1.000	.542
VAR31	1.000	.650
VAR32	1.000	.565
VAR33	1.000	.726
VAR34	1.000	.660
VAR35	1.000	.679
VAR36	1.000	.645
VAR37	1.000	.696
VAR38	1.000	.757
VAR39	1.000	.673
VAR40	1.000	.566

Extraction Method: Principal Component Analysis.

Extraction Method: Principal Component Analysis

Source: Research Findings

The table above helps to estimate the communalities for each variance. This is actually the proportion of variance that each item has in common with other factors. For example, variable 15 (sincere interest in solving customer problems) has 80.4% Communality or **shared** relationship with the other factors. This variable has the greatest communality with the others. Variable 7 (The supermarket is all inclusive. It offers other facilities as restaurant and salon) has 53.9% shared relationship with the other variables, and is the variable with the least communality with others.

4.5.2 Total Variance explained

Table 4.11 Total variance explained

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.243	20.607	20.607	8.243	20.607	20.607	3.262	8.154	8.154
2	3.355	8.387	28.993	3.355	8.387	28.993	3.055	7.638	15.792
3	2.058	5.145	34.139	2.058	5.145	34.139	2.864	7.160	22.953
4	1.983	4.958	39.097	1.983	4.958	39.097	2.683	6.707	29.659
5	1.836	4.591	43.688	1.836	4.591	43.688	2.468	6.169	35.829
6	1.616	4.040	47.728	1.616	4.040	47.728	2.413	6.031	41.860
7	1.541	3.852	51.579	1.541	3.852	51.579	2.083	5.208	47.068
8	1.347	3.367	54.947	1.347	3.367	54.947	1.808	4.519	51.587
9	1.317	3.293	58.239	1.317	3.293	58.239	1.638	4.096	55.683
10	1.217	3.042	61.281	1.217	3.042	61.281	1.581	3.952	59.635
11	1.135	2.837	64.118	1.135	2.837	64.118	1.434	3.585	63.219
12	1.021	2.552	66.670	1.021	2.552	66.670	1.380	3.451	66.670
13	.964	2.410	69.080						
14	.928	2.319	71.399						
15	.896	2.240	73.639						
16	.840	2.100	75.739						
17	.808	2.021	77.760						
18	.759	1.898	79.657						
19	.729	1.822	81.479						
20	.636	1.590	83.070						
21	.627	1.566	84.636						
22	.585	1.462	86.098						
23	.561	1.402	87.500						
24	.526	1.314	88.814						
25	.488	1.220	90.034						
26	.442	1.106	91.140						
27	.411	1.027	92.167						
28	.391	.977	93.144						
29	.364	.909	94.054						
30	.334	.836	94.890						
31	.318	.795	95.685						
32	.308	.770	96.454						
33	.258	.646	97.100						
34	.211	.526	97.627						
35	.193	.483	98.110						
36	.184	.460	98.570						
37	.181	.452	99.022						
38	.151	.378	99.400						
39	.134	.336	99.735						
40	.106	.265	100.000						

Extraction Method: Principal Component Analysis.

Source: Research findings

The use of the Kaiser Normalization criterion allows for the extraction of components that have an Eigen value greater than 1. The Principal Component Analysis was used and twelve factors were extracted. As the table shows, these twelve factors explain 66.67% of the total variation. Factor 1 contributed the highest variation of 20.60%. The contributions decrease as one moves from one factor to the other upto factor 12.

4.5.3 Rotated Component Matrix

Table 4.12 Rotated Component Matrix

Rotated Component Matrix

	Component											
	1	2	3	4	5	6	7	8	9	10	11	12
VAR1	871	282	010	-.096	.022	093	096	057	068	-.082	233	027
VAR2	662	006	.122	068	042	-.063	-.086	159	.211	.054	-.069	-.078
VAR3	-.070	.770	164	-.008	007	134	166	029	-.066	.188	-.028	028
VAR4	850	-.018	010	065	-.021	061	068	-.035	034	.006	.039	039
VAR5	547	.109	020	-.012	145	-.046	165	.127	073	.484	-.064	-.045
VAR6	-.110	.014	.062	.294	-.142	232	083	188	.277	420	-.313	-.242
VAR7	-.029	.185	.400	089	082	464	147	092	160	208	-.119	-.007
VAR8	.057	.060	684	146	176	068	.004	-.135	224	.265	-.066	014
VAR9	067	.276	.698	.224	077	-.174	-.046	056	127	012	-.339	174
VAR10	.154	.367	.009	.646	-.047	-.009	071	225	-.019	.195	048	002
VAR11	.142	.153	.790	.109	123	-.012	-.059	-.054	-.081	.119	101	-.013
VAR12	.078	.107	.710	.031	036	258	-.093	-.060	043	-.222	174	-.029
VAR13	.045	-.091	675	.038	446	298	.264	.131	145	062	003	158
VAR14	-.164	.492	005	.262	329	201	368	148	-.034	-.078	081	002
VAR15	121	.758	-.020	.251	.162	032	072	005	285	.168	045	086
VAR16	.021	.544	.006	.025	332	202	.308	135	-.177	-.205	-.064	202
VAR17	-.026	.135	.655	.095	.301	-.057	-.071	200	-.051	-.101	-.085	-.216
VAR18	.075	160	.698	.321	.316	020	-.181	030	156	046	-.091	058
VAR19	216	.149	110	-.031	137	077	-.031	080	037	034	712	062
VAR20	.103	-.033	.025	-.130	.749	.152	013	-.028	-.063	170	019	103
VAR21	.026	.161	.052	-.044	458	297	483	.102	021	.254	192	024
VAR22	.016	-.065	.041	.121	-.005	-.090	.774	-.053	.128	-.047	007	034
VAR23	.082	.432	.022	-.036	149	057	415	463	-.016	028	289	-.064
VAR24	444	.242	-.184	.017	429	271	129	145	083	-.216	-.063	015
VAR25	.148	.334	105	.169	068	130	225	132	542	-.173	-.228	-.035
VAR26	-.177	.116	211	071	473	.015	342	-.217	-.245	.222	.117	-.316
VAR27	.450	.086	.059	.015	.305	.378	455	033	.171	211	071	-.162
VAR28	.140	247	.355	-.018	.139	246	-.076	.089	494	-.054	.181	-.181
VAR29	.227	-.071	.148	-.066	-.133	.481	504	.123	037	.228	-.183	-.190
VAR30	.204	.564	.140	.016	.193	.051	-.080	.055	.049	.105	-.175	263
VAR31	.013	.723	.040	.128	.010	.114	078	.183	.020	-.173	.151	081
VAR32	.344	562	.028	.270	-.011	092	145	114	052	037	094	019
VAR33	.148	.135	412	-.146	.031	647	098	112	.008	092	.198	080
VAR34	.079	.704	037	.200	.089	.167	-.125	056	154	066	-.188	-.009
VAR35	.115	.053	031	.047	.049	006	-.038	-.001	.131	072	-.029	795
VAR36	.346	.351	.222	.317	.103	-.010	-.039	-.346	.133	001	-.221	-.233
VAR37	.173	.054	.301	.009	-.004	.158	431	-.016	.272	-.111	-.021	524
VAR38	.358	-.243	.167	-.042	.249	.044	326	.210	-.267	-.008	-.033	509
VAR39	.034	.182	.394	.020	-.033	040	.158	117	-.305	100	-.091	576
VAR40	152	096	340	.030	385	013	301	-.028	-.134	022	047	396

Extraction method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization
Rotation Converged in 26 iterations
Source: Research Findings

The initial component matrix was rotated using Varimax (Variance Maximization) with Kaiser Normalization. The above results allowed the researcher to identify what variables fall under each of the 12 major extracted factors. Each of the forty variables was looked at and placed to one of the twelve factors depending on the percentage of variability, it explained in the total variability of each factor. A variable is said to belong to a factor to which it explains more variation than any other factor.

From table 4.12 above, the individual variables constituting the twelve factors extracted are summarized and identified below -

Factor 1

- Availability of all types of merchandise in the supermarket.
- Regular review in order to stock the most recent products.
- Reasonable prices of products.
- Supermarket has frequent promotion of different items.
- Display and arrangement of merchandise.

This factor can be named the price and availability of merchandise.

Factor 2

- Free gift-wrapping.
- Individualized attention to customers.

- Sincere interest in solving customer problems
- Providing good services right first line
- The supermarket use bar codes to give prompt service
- Adequate number of cashiers to reduce queuing time
- Existence of an express counter
- Convenient opening hours
- A channel of customers complaints

This factor can be named good customer service

Factor 3

- Availability of supervisor in case of customer complaints
- Knowledge by employees about products and where they are located
- Willingness of the employees to help
- Well-trained employees.
- Employees are courteous and warm with customers
- All employees working as a team

This factor can be named employees performance.

Factor 4

- Employees being neat and appealing

This factor can be named employees appearance

Factor 5

- The supermarket is located near where I work or live
- The supermarket is located near other specialized shops

This factor can be named location of the supermarket

Factor 6

- The supermarket is all-inclusive. It offers other facilities as restaurant and salon
- Availability of children's trorries

This factor can be named internal physical facilities of the supermarket

Factor 7

- Enough and roomy space for customers in the supermarket to move freely
- Enough lighting in the supermarket.
- Clean and properly air-conditioned
- Music being played in the supermarket.

This factor can be named the supermarket's internal environment

Factor 8

- Availability of secure packing space

This factor can be named the external environment

Factor 9

- General image of the supermarket
- Location of the supermarket ,whether up-market or low-market area

This factor can be named the general image of the supermarket

Factor 10

- Ownership of the supermarket.

This factor can be named the ownership of the supermarket.

Factor 11

- Supermarket housed in an attractive building.

This factor can be named the supermarket neighborhood

Factor 12

- The supermarket liaising with customers after purchase
- Delivery of merchandise bought to the parking
- Delivery of bulky items to the house
- Installation and servicing of technical products bought from the supermarket
- Merchandise return is acceptable

The factor can be named after sales service

CHAPTER FIVE

5.0 DISCUSSIONS, SUMMARY AND CONCLUSIONS

5.1 Introduction

The study intended to find out the factors that determine store loyalty and also determine the most important of such factors.

In the literature review, some factors were highlighted as being important in the determination of store loyalty. This study attempted to confirm whether such factors are important and also find out any others, which customers consider in their decisions.

5.2 Discussions and Conclusions

The findings of the study as highlighted in chapter four are discussed in this chapter.

5.2.1 Loyal Customers

From the analysis, it was apparent that most of the loyal customers of the supermarkets are employees of private companies. The analysis also found out that majority of the loyal customers are in the age bracket of 30-39 years. This may be attributed to the fact that this is the bracket of young to middle aged couples whose consumption is high especially because of having small children. In this bracket, couples are also staying with all their children.

The study also established that most of the supermarket's loyal customers (80%) have at least college education This means that they are knowledgeable customers who can make national decisions

From the analysis, it was also found out that 54% of the respondents surveyed spent below Kshs 5000 per month on their supermarket shopping The number then decreases and only 2% spent more than Kshs 20000 per month This trend can possibly be attributed to the low income per capita for the country as a result of the economy's poor performance for more than a decade now.

The study also found out that female customers form the bulk of loyal customers. From the group surveyed, females accounted for 61% This means that females do most the shopping for the households This is in line with the findings that 70% of the loyal customers are married people As earlier mentioned , the shopping needs of the married are higher as a result of their family sizes Most of the unmarried do not have big families and therefore they rarely shop.

From oral interviews with the customers, it was established that the poor state of the economy contributes a lot in their decision of where to shop The proliferation of many new supermarkets and new branches of old supermarkets has also given customers a wide choice. As the customers look for the best amongst the outlets, the supermarkets on the other hand struggle to provide the best to the customers. The customers have also become more knowledgeable and more demanding than they used to be. Most of the loyal customers interviewed confirmed that the supermarkets have to keep meeting their expectations in order for them to keep shopping there. But certainty they were not looking for alternative shopping outlets as of now.

5.2.2 Factors Determining Loyalty

Most of the respondents rated the factors at least fairly important or important. Out of the factors mentioned, only three were rated as not being important considerations in supermarket loyalty. The three are ownership of the supermarket, music being played in the supermarket and the supermarket being all inclusive – offering other facilities such as salon and restaurant. All the other 37 factors were rated by the respondents as fairly important or simply important on average. Reasonable prices of products, availability of all types of merchandise, adequate number of cashiers to reduce queuing time, knowledge by employees about products and willingness of the employees to help, were some of the factors rated highly by the respondents.

From the analysis then, it means that most loyal customers do not care much about the ownership of the supermarket. They do not possibly see this consideration as adding value to their shopping experience. The customers do not also consider music being played as important. This can possibly be explained by the age bracket in which most of the loyal customers are. As earlier indicated, most of the loyal customers are middle aged family people and music or no music in the supermarket may not really make a difference in their decisions.

However, price of the products comes out as an important consideration by the customers. This could be as a result of the poor state of the economy and specifically the high inflationary pressures. This makes customers seriously consider the availability of all chances where they make a saving. Availability of merchandise is also an important consideration. Customers want a store that satisfies their requirements of products. Many customers become loyal therefore as a result of knowing that the supermarket provides them with a one-stop-shopping point. They do not want to shop in different places for different products.

The number of cashiers also came out as an important consideration. Customers get impatient when they queue for so long waiting to be served. This is possibly because most of the people shop after work, they are tired and exhausted and they want quick service so that they can go and relax at home. As such, many want a store that has adequate number of cashiers to reduce time spent on the queue.

All in all the customers attached at least some level of importance to all the factors.

After the factor analysis, twelve factors that emerged were - price and availability of merchandise, good customer service, employees performance, employees appearance, location of the supermarket, internal physical facilities of the supermarket, supermarkets internal environment, supermarket's external environment, general image of the supermarket, ownership of the supermarket, supermarket's neighborhood and after sales service.

5.2.3 Most Important Loyalty Factors

After ranking the factors, availability of merchandise was ranked as the most important factor. This means that customers attach a lot of weight to the extent to which they are able to meet all their shopping requirements under one roof. Location of the supermarket, convenient operational hours, prompt service as well as courtesy of employees were other factors ranked very highly.

From the above factors, one can argue that customers want to be served fast and at convenient locations. They also want to deal with employees who appreciate them and treat them with courtesy.

5.3 Recommendations

From the findings, it is dear that majority of the supermarket customers become loyal after consideration of some factors. The supermarkets also need to understand their customers in terms of age, level of education, expenditure on shopping, marital status and any other relevant basis. This will enable the supermarkets tailor their offerings as they target customer loyalty. This will lead to long term mutual and profitable relationships.

It is also recommended that, supermarkets should try to improve most of the factors that were brought out by the customers as important in their decisions. It is important that the supermarkets maintain competitive product prices. As such, it becomes necessary for the supermarkets to manage their costs well. The supermarkets should also ensure that they stock all kinds of merchandise so that customers are confident they will satisfy their needs at once. The employees related factors such as training, being courteous, ready to help and also being knowledgeable about the products should not be left behind. This is because customers need to be treated well and served fast in order for them to stay loyal.

Lastly, it is recommended that supermarkets keep researching in order to keep themselves abreast with the dynamics of shopping and customer loyalty. As said in the literature, it is much cheaper to serve loyal customers than to look for new ones. It is therefore recommended that supermarkets try to take care of all the factors that will turn their customers into loyal ones.

5.4 Limitations Of The Study

The results of this study may have been affected by the following possible limitations:-

1. The small size of the sample (144) could have limited confidence in the results and this might limit generalizations to other situations

2. The study was on the four main supermarket chains in Nairobi. The shopping behavior of Nairobians may differ from that of people in rural areas. As such the results may not be generalized

3. The study relied on convenient sampling, as far the respondents were concerned. This may have an effect on the results.

4. The study was a survey. The use of pre-determined questions may have forced respondents to respond to questions without even understanding them.

5. Some respondents refused to fill in the questionnaires. This reduced the response rate to 75%. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

5.5. Suggestions For Future Research

This research was broad. It dealt with many different factors of customer loyalty.

The researcher suggests that a future research could be done which concentrates on the various different factors of customer loyalty. The factors could be categorized and then the different categories studied individually and independently. This may give a deeper insight into such factors and their contribution in determination of customer loyalty.

A study could also be done to determine which category or categories of factors determine loyalty more than the other/ others

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APPENDIX I

LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PROGRAMME - LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE: 31.07.2002

TO WHOM IT MAY CONCERN

The bearer of this letter: Milton Wanjama Wambugu

Registration No: D61/7226/2000

is a Master of Business & Administration student of the University of Nairobi.

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

Thank you.

M. B. A. OFFICE * P. O. Box 30197, NAIROBI * COMMERCE FACULTY

DR. MARTIN OGUTU
LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

APPENDIX 2

RECRUITMENT GUIDE

(Please help answer the following questions)

1. How many times do you do your shopping in a supermarket in a month?

(i) Once [ ]

(ii) Twice [ ]

(iii) Three times [ ]

(iv) Four times [ ]

(v) Others (specify) ....

2. How long have you bought from this supermarket?

(i) Less than 1 year [ ]

(ii) 1—5 years [ ]

(iii) 5—10 years [ ]

(iv) More than 10 years [ ]

(If more than one year please give questionnaire)

APPENDIX 3

QUESTIONNAIRE

(Please help answer the following questions)

PART A

1. Please indicate the extent to which these statements are important in your decision of the supermarket

	Very Important 5	Important 4	Somewhat not important 3	Not important 2	Not at all important 1
1. Availability of all types of merchandise in the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]
2. Regular review in order to to stock the most recent products	[ ]	[ ]	[ ]	[ ]	[ ]
3. Free gift wrapping	[ ]	[ ]	[ ]	[ ]	[ ]
4. Reasonable prices of products	[ ]	[ ]	[ ]	[ ]	[ ]
5. Supermarket has frequent promotion of different items	[ ]	[ ]	[ ]	[ ]	[ ]
6. Ownership of the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]

7. The supermarket is all-inclusive. It offers other facilities as restaurant and salon	[ ]	[ ]	[ ]	[ ]	[ ]
8. Availability of supervisor in case of customer queries	[ ]	[ ]	[ ]	[ ]	[ ]
9. Knowledge by employees about products and where they are located	[ ]	[ ]	[ ]	[ ]	[ ]
10. Employees being neat and appealing	[ ]	[ ]	[ ]	[ ]	[ ]
11. Willingness of the employees to help	[ ]	[ ]	[ ]	[ ]	[ ]
12. Well trained employees	[ ]	[ ]	[ ]	[ ]	[ ]
13. Employees are courteous and warm with customers	[ ]	[ ]	[ ]	[ ]	[ ]
14. Individualized attention to customers	[ ]	[ ]	[ ]	[ ]	[ ]
15. Sincere interest in solving customer problems	[ ]	[ ]	[ ]	[ ]	[ ]

16. Providing good services right first time	[ ]	[ ]	[ ]	[ ]	[ ]
17. Employees discretion in solving customer problems	[ ]	[ ]	[ ]	[ ]	[ ]
18. All employees working as a team	[ ]	[ ]	[ ]	[ ]	[ ]
19. Supermarket housed in an attractive building	[ ]	[ ]	[ ]	[ ]	[ ]
20. The supermarket is located near where I work or live	[ ]	[ ]	[ ]	[ ]	[ ]
21. Enough and roomy space for customer in the supermarket to move freely	[ ]	[ ]	[ ]	[ ]	[ ]
22. Enough lighting in the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]
23. Availability of secure parking space	[ ]	[ ]	[ ]	[ ]	[ ]
24. Display and arrangement of merchandise	[ ]	[ ]	[ ]	[ ]	[ ]

25. General image of the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]
26. Supermarket located near other specialized shops	[ ]	[ ]	[ ]	[ ]	[ ]
27. Clean and properly air-conditioned	[ ]	[ ]	[ ]	[ ]	[ ]
28. Location of the supermarket Whether up-market or low-market area	[ ]	[ ]	[ ]	[ ]	[ ]
29. Music being played in the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]
30. The supermarket use of bar codes to give Prompt service	[ ]	[ ]	[ ]	[ ]	[ ]
31. Adequate number of Cashier to reduce queuing time	[ ]	[ ]	[ ]	[ ]	[ ]
32. Existence of an express counter	[ ]	[ ]	[ ]	[ ]	[ ]
33. Availability of children's trorries	[ ]	[ ]	[ ]	[ ]	[ ]
34. Convenient opening hours	[ ]	[ ]	[ ]	[ ]	[ ]

35. The supermarket liaising with customers after purchase	[ ]	[ ]	[ ]	[ ]	[ ]
36. A channel for customer complaints	[ ]	[ ]	[ ]	[ ]	[ ]
37. Delivery of merchandise bought to the parking	[ ]	[ ]	[ ]	[ ]	[ ]
38. Delivery of bulky items to the house	[ ]	[ ]	[ ]	[ ]	[ ]
39. Installation and servicing of technical products bought from the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]
40. Merchandise return is acceptable	[ ]	[ ]	[ ]	[ ]	[ ]

2. What are the most important factors in your choice of a supermarket ? Please rank all the factors below starting from No 1 for the most important

(i)	Availability of merchandise	[ ]
(ii)	Prompt service	[ ]
(iii)	Flexibility	[ ]
(iv)	Willingness to help employees	[ ]
(v)	Courtesy of employees	[ ]
(vi)	Employees knowledge of products	[ ]
(vii)	Complaints handling	[ ]

(viii) Physical facilities [ ]

(ix) Employees appearance [ ]

(x) Location [ ]

(xi) Store operational hours [ ]

(xii) Arrangement of merchandise [ ]

(xiii) Others (specify) ....

PART B

1 What is your name ? (Optional)...

2. Where do you live (Estate) ....

3 Please tick your occupation below as appropriate

(a) Formal employment

Public

Government [ ]

Parastatal [ ]

Private

Company [ ]

NGO [ ]

(b) Self-employed

Formal business person [ ]

Professional [ ]

Informal business person [ ]

Any other specify ________________________________

4 Please tick the age bracket in which you fall

(i) Below 18 years [ ]

(ii) 19 –29 years [ ]

(iii) 30 – 39 years [ ]

(iv) 40 – 49 years [ ]

(v) 50 years and above [ ]

5 What is your gender (tick)

Male [ ] Female [ ]

6 What is your education level?

(i) Primary [ ]

(ii) Secondary [ ]

(iii) College [ ]

(iv) University [ ]

7 Please indicate your marital status

(i) Single [ ]

(ii) Married [ ]

8. Please tick the bracket where you fall according to the amount you spend in the supermarket monthly (In KShs)

Below 5000 [ ]

5000-10000 [ ]

10000-15000 [ ]

15000-20000 [ ]

Above 20000 [ ]

THANK YOU FOR YOUR CO-OPERATION.

APPENDIX 4

List of branches of the four chain supermarket

Uchumi

In Nairobi

1. Koinange Street
2. Market
3. Kimathi Street
4. Taveta Road
5. City Centre
6. Temple Road
7. Railway
8. Jogoo Road
9. Buru Buru
10. Sarit Centre
11. Westland
12. Nairobi West
13. Langata
14. Langata Hyper
15. Ngong Road
16. Ngong Hyper
17. Parklands

Out of Nairobi

Mombasa – 2 branches

Nakuru – 2 branches

Kisumu – 1 branch

Meru – 1 branch

Nakumatt

In Nairobi

1. Kenyatta Avenue
2. Kimathi Street
3. Uhuru Highway
4. Old Airport Rd
5. Westlands
6. Village Market
7. Highridge

Out of Nairobi

Msa -2 branches

Kisumu – 1 branch

Tustker Mattress

In Nairobi

1. Tom Mboya
2. Mfangano
3. Hakati Road
4. OTC
5. Rld. Ngala St.
6. Off Rld. Ngala St
7. Moi Avenue

Out of Nairobi

Nakuru – 1 branch

Ukwala

In Nairobi

1. Ronald Ngala Street
2. Tom Mboya street
3. H. Sellassie Avenue
4. Mfangano I
5. Mfangano II

Out of Nairobi

Eldoret – 2 branches

APPENDIX 5

FACTORS SPECIFICATION

1. Availability of all types of merchandise in the supermarket.
2. Regular review in order to stock the most recent products.
3. Free gift wrapping.
4. Reasonable prices of products.
5. Supermarket has frequent promotion of different items.
6. Ownership of the supermarket.
7. The supermarket is all-inclusive. It offers other facilities as restaurant and salon.
8. Availability of supervisor in case of customer queries.
9. Knowledge by employees about products and where they are located.
10. Employees being neat and appealing.
11. Willingness of the employees to help.
12. Well-trained employees.
13. Employees are courteous and warm with customers.
14. Individualized attention to customers.
15. Sincere interest in solving customer problems.
16. Providing good services right first time.
17. Employees discretion in solving customer problems.
18. All employees working as a team.
19. Supermarket housed in an attractive building.
20. The supermarket is located near where I work or live.
21. Enough and roomy space for customer in the supermarket to move freely.
22. Enough lighting in the supermarket.

23. Availability of secure parking space

24. Display and arrangement of merchandise

25. General image of the supermarket

26. Supermarket located near other specialized shops.

27. Clean and properly air-conditioned

28. Location of the supermarket. Whether up-market or low-market area.

29. Music being played in the supermarket.

30. The supermarket use of bar codes to give prompt service.

31. Adequate number of cashier to reduce queuing time.

32. Existence of an express counter.

33. Availability of children's trorries.

34. Convenient opening hours.

35. The supermarket liaising with customers after purchase.

36. A channel for customer complaints.

37. Delivery of merchandise bought to the parking.

38. Delivery of bulky items to the house.

39. Installation and servicing of technical products bought from the supermarket.

40. Merchandise return is acceptable.