

# Effect Of In-Store Promotion On Performance Of Supermarkets In Nakuru East And Nakuru West Sub-Counties, Kenya

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**Abstract:** *The aim of this study was to analyze effect of in-store sales promotion on performance of Supermarkets Kenya: A case study of Supermarkets in Nakuru East and Nakuru West Sub-Counties. The study adopted descriptive design taking a census of 90 employees working in the stores as; branch managers, retail floor managers, procurement managers, supply chains manager and accountant as the sample size. The study used primary data collected using structured questionnaire. The study used primary data collected using questionnaire. The study established that point of purchase advertizing and atmospheric engagement in-store sales promotion techniques had significant effect on supermarket performance when all the techniques were combined in multi-variate regression. The null hypothesis HO that combination of in-store sales promotion has no statistically significant effect on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties the study was rejected as was statistically confirmed based on the two techniques of in-store sales promotion (point of purchase advertizing and atmospheric engagement) that affected performance of the supermarkets. The study recommends that supermarkets should develop effective marketing policy enhancing in-store promotions backed up with merchandizing and tired to brand positioning in order to enhance brand performance. The study further recommends that employees working in the supermarkets should be trained on in-store promotion which by its nature a low cost promotion yet can be effective. The training should be designed in a way that it targets the floor layout of the supermarkets, product categorization including categorization by color, size, dates of manufacture and manufacturer.*

**Keywords:** *In-Store Promotion, Advertisement, Market Share, Sales Performance.*

## I. INTRODUCTION

While in-store marketing and advertising is a relatively old concept, in the developed countries, it has been gaining prominence in the Kenya market in the recent past. Some of the recent developments include; Point of Sale promotions like the LG theatres and Nivea clinics in Nakumatt Chains, interior wall branding, playing adverts on Light Emitting Diode (LED) screens with motion and sound, mounted within shopping stores and most recently a shopper's calculator (Kamau, 2009).

In-store promotions greatly influence a store's operations and performance. The fewer in-store promotions are planned in any given year, the less accustomed the staff is to such

events, which is a negative stressor that also has an impact on customer relations. Everyone is anxious about the success of the promotion. In addition, often these special promotions are unbudgeted which adds additional pressure for staff to deliver the desired sales results. In other words, the pressure for more sales is on, and as a result, less time can be spent with individual customers (Vasanth, Mousumi & Krishna, 2012).

There is stiff competition among the supermarkets in the business of consumer products with the main aim to retain their customers and attract new customers once. Supermarkets manage customer loyalty using in-store promotion strategy to attract customers from their competitors. In response to competition, supermarkets have device various strategies of which in-store promotion is one other strategies that seems

inexpensive. In-store promotion can be done through; point of purchase advertising, promotional discounts, loyalty programmes, product exhibition, atmospheric engagement effect. The consumer switching behavior is there in between both, companies and customers, because the consumer switching behavior restricts both parties to make long term relationships and even it breaks the pre-developed long term relationships (Zikiene & Bakanauskas, 2006) but none of them has studied effect of in-store sales promotion on performance of Supermarkets Kenya. This situation has motivated the current study that will be conducted to analyze effect of in-store sales promotion on performance of Supermarkets Kenya: A case study of Supermarkets in Nakuru East and Nakuru West Sub-Counties. The findings from the study will be important to supermarkets in designing appropriate in-store strategies that can enhance their performance. The findings will also enable the individual supermarket managers to implement the in-store strategies that will make them remain competitive. The study therefore hypothesized that HO the combined effect of in-store promotion has no statistically significant effect on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties.

## II. MATERIALS

### A. POINT OF PURCHASE ADVERTISEMENT AND SUPERMARKET PERFORMANCE

As far as Point of Purchase is concern, Kegetu (2010) found out the following factors affecting acceptance of Point of Purchase displays and materials; space constraints, willingness of the supermarket to carryout promotions and the types of displays used. The study also found out that supermarket owners valued support from manufacturers and distributors. An enhanced partnership especially in the area of Point of Purchase displays design and placement would be profitable to all these parties. According to Gitau (2012) there exists a significant relationship between a firm's advertising spending and its contemporaneous financial spending. Academic studies have indicated that about 90% of Small Medium Enterprises' (SME's) development is hampered by their limited financial resources, which, in relation to this study extends to failure to engage in the rather expensive and sometimes overlooked practice of advertising.

### B. PROMOTIONAL DISCOUNTS AND SUPERMARKET PERFORMANCE

On promotional discount Odhiambo (2015) found out that product strategy enabled the retail stores to offer broad product line, stock products for different customer clusters, ensures that quality and reliability of the product offerings gain importance, utilize product design and technology in product development and that utilize early adopters for new product ideas and feedback. Pricing strategy was realistic and accurate, use of premium pricing on its products and price promotions and discounts. The use of marketing strategies resulted in increased sales, number of footwear sold, enhance

purchase of products and increase market penetration of retail outlet.

Concerning promotional mix, Ndegwa (2013) study on the use of promotional mix in the agrochemical business in Kenya. The destinations of this investigation were, to build up promotional mix components utilized by agrochemical firms in Kenya, decide among the agrochemical firms, the degree of utilization of the promotional mix components, the goal of every one of the promotional mix components, and the variables that impact the decision of promotional mix. In this investigation it was discovered that all the agrochemical firms in Kenya utilize all the promotional mix components, with personal selling being generally favored.

According to Kamau (2017) discounts are more compelling in prompting stock heaping, and buy increasing speed, direct in brand exchange and new item trial in a specific order. Discount is the easiest strategy to offer an immediate decrease in the price tag with the offer plainly named on the bundle or purpose of procurement show. Supermarkets in conjunction with a few manufacturers, for example, Coca-Cola, Unilever, Elliot's, Delmonte, and P&G. choose to offer merchandise at a discount with an end goal to draw in more purchasers.

### C. LOYALTY PROGRAMMES AND SUPERMARKET PERFORMANCE

Kamau (2017) in her study on effect of loyalty programs on customer retention: a case of Nakumatt Supermarkets Kenya, empirically established a positive significant relationship between point systems and customer retention. The findings also conclude that there is a positive significant relationship between smart cards and customer retention. Chang, Chang and Zhu (2015) studied the effect of free gift on customer satisfaction in an online platform using a convenient sampling. The study utilized survey design and established that the perceived usefulness of free gifts contributed to customer purchase satisfaction. The study concluded that more gifts could encourage more purchases in the e-commerce industry.

On loyalty programme, Bwire (2016) sought to establish the effect of loyalty programs on financial performance. The study utilized descriptive survey design and sampled three telecommunication companies using convenient sampling method. The study established that individual loyalty spent, such as giving air ticket to customers, was positively related to financial performance. The study concluded that the more customers feel appreciated the more such customers are likely to support the business and even refer others.

Loyalty programmes are often considered value-sharing instruments and can enhance consumers' perceptions of what a firm has to offer (Jain & Singhal, 2012). This value enhancement function is vital due to the ability to offer superior value which is instrumental to customer retention (Yuping, 2007). There is an immediate connection between customer retention, value of the customer and company profitability, which can be distinguished as a special blend of advantages gotten by target purchasers (Kerin et al., 2007). Loyalty programmes helps achieve customer loyalty (Gomez et al., 2006) and a loyal customer can mean a steady source of

revenue. Loyalty programs also offer a platform for businesses to collect marketing data direct from the customer (Preeta & Piyush, 2008).

#### D. ATMOSPHERIC ENGAGEMENT AND SUPERMARKET PERFORMANCE

The empirical study by Al-Ali, Bazin and Shamsuddin (2015) on the assessment key determinants of customer satisfaction: evidence from Malaysia grocery stores. Specifically, the study sought to find out the effect size of these determinants on overall customer satisfaction in an emerging market such as Malaysia. The results demonstrated that price, promotions, store brands, product assortment, quality, added-services, store accessibility, store atmosphere, the relation with customers and stock availability of fresh items was the step wise order of attributes affecting customer's satisfaction. These studies did not analyze effect of atmospheric engagement effect on performance of Supermarkets Kenya which was the main aim of the current study

Further findings by Dhurup, Mafini, and Mathaba (2013) who investigated the store image factors influencing store choice among sportswear consumers in South Africa and found store atmospherics, sales assistance, in-store induced appeals, store accessibility and promotion/brand availability as the environmental factors that influenced consumer behaviour. Abimnwi and Njuguna (2015) conducted an analysis of in store environment ambience factor influence on consumer behaviour in East Africa, Kenya and prevailing aspects in supermarkets. The findings show that the background music played in supermarkets in Kenya is characterized by a soft tone, an average pitch, and a slow tempo.

#### E. CONCEPTUAL FRAMEWORK

Conceptual framework is a hypothesized model identifying the concepts or variables used in a study and their relationships. It is a scheme of concepts (variables), which the researcher will use to operationalize in order to achieve the study objectives. The purpose of the conceptual framework is to help the reader to see the proposed relationships.

##### Independent Variables

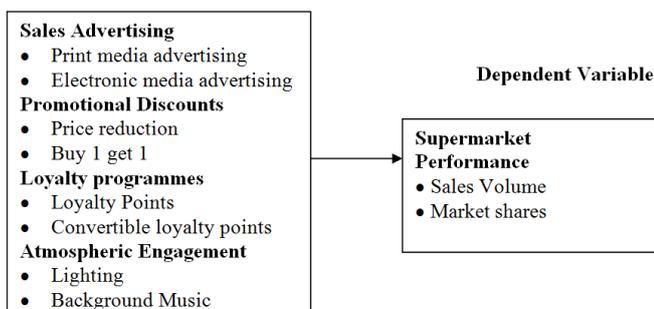


Figure 2.1: Conceptual Framework

The independent variables of the study included; point of purchase advertising, promotional discounts, loyalty programmes, and atmospheric engagement effect. The dependent variable is supermarket performance measured in terms sales volumes and market share. The study hypothesizes

that when in-store promotions are combined in a regression, they all have significant effect on the supermarkets performance in Nakuru East and Nakuru West Sub-Counties making them competitive and vice versa.

#### III. METHODS

The study adopted descriptive design which was appropriate because it made it possible for the study to obtain self-reported facts about the respondents, their feelings, opinions and attitudes. The target population of the study was 90 employees comprising store managers, retail floor managers, branch managers, supply chains manager and accountant in the 18 branches of supermarkets in Nakuru East and West sub counties. Since the population was only 90 employees, the researcher purposively took a census of the entire population to form the sample size, comprising of store managers, retail floor managers, branch managers, supply chains manager and accountant in the 16 branches of supermarkets in Nakuru East and West sub counties. The instrument comprised of both open and shut finished questionnaires and which was regulated to the respondents to fill all alone since the nature of respondents were educated.

#### IV. RESULTS AND DISCUSSIONS

##### A. MULTIVARIATE REGRESSION RESULTS OF BOARD COMPOSITION ON EARNING QUALITY

The research combined point of purchase advertizing, promotional discounts, loyalty programs and atmospheric engagement in a regression with performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties. The section there presents the results on this relationship with intention to statistically prove existence or none existence of the joint effect of In-store sales promotion on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties.

R	R Square	Adjusted R Square	Std. Error of the Estimate
.439 <sup>a</sup>	.193	.098	.79940

Table 4.1: R Square

The R value was 0.439 with the R<sup>2</sup> was 0.193, which indicated average degree of correlation. The R<sup>2</sup> indicating how much of the dependent variable, "supermarket performance", was explained by the independent variables, "point of purchase advertizing, promotional discounts, loyalty programs and atmospheric engagement" In this case, 19.3% was the R Squared of the relationship between the independent and dependent variable was contributed by 19.3% of in-store sales promotion whereas 80.7% was contributed by other factors outside this study. The R<sup>2</sup> value indicated that the data collected was closely fitted to the regression line between the independent and dependent variables. Further in establishing the contribution of in in-store sales promotion in explaining the variation in supermarket performance was significant, the table for analysis of variance was generated.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.196	4	1.299	2.033	.012 <sup>b</sup>
	Residual	21.727	34	.639		
	Total	26.923	38			

Table 4.2: ANOVA

Predictors: point of purchase advertizing, promotional discounts, loyalty programs and atmospheric engagement. Table 4.21 indicated that the regression model predicted the outcome variable significantly with  $p=0.012$ , which was less than 0.05, and indicated that; overall, the model statistically and significantly predicted the outcome variable.

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	8.230	1.931			4.262	.000
	Point of purchase advertisement	-1.019	.372	-.439		-2.739	.010
	Promotion discount	.103	.101	.161		1.016	.317
	Loyalty programme	-.145	.284	-.082		-.513	.612
	Atmospherics Engagement	-0.409	0.227	-1.802		-0.217	0.017

Table 4.3: Full Regression Model for Combined Regression Model

The study established that out of the 4 in-store sales promotion techniques only 2 had significant effect on supermarket performance when all the techniques are combined, point of purchase advertizing  $r=-1.019$ ,  $p.00<0.05$  on supermarket performance. In which case, an increase of point of purchase advertisement by 1 unit leads to decrease in supermarket performance by 1.019 multiple units. Secondly, the study established a significant effect of atmospheric engagement on supermarket performance when the techniques were combined,  $r=-0.409$ ,  $p=0.017<0.05$  on supermarket performance. In which case, an increase of atmospheric engagement by 1 unit leads to decrease in supermarket performance by 1.019 multiple units. Since there was significant relationship between the two techniques of in-store sales promotion (point of purchase advertizing and atmospheric engagement) and performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties. The hypothesis **HO**: the combined effect of in-store sales promotion has no statistically significant effect on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties the study was rejected. This was statistically confirmed based on the two techniques of in-store sales promotion (point of purchase advertizing and atmospheric engagement) that affected performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties. From the model coefficients, a regression equation was fitted to show the relationship between in-store sales promotion response and supermarkets performance of the supermarkets in Nakuru Town.

The equation was as shown here below.

$$Y=8.230-1.019X_1+0.103X_2-0.145X_3-0.409 X_4 \quad R^2=0.192$$

(.000) (.010) (.375) (.612)

Where

Y= Supermarket performance

X<sub>1</sub>= Point of purchase advertizing

X<sub>2</sub>= promotional discount

X<sub>3</sub>= Loyalty programmes

X<sub>4</sub>= Atmospheric engagement

## V. CONCLUSIONS

The null hypothesis HO was stated as joint effect of in-store promotion has no statistically significant effect on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties. The study established that when all the techniques are combined, point of purchase advertizing and atmospheric engagement had significant effect on performance of in Nakuru East and Nakuru West Sub-Counties. Since there was significant effect of point of purchase advertizing and atmospheric engagement on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties, the null hypothesis HO that combined effect of in-store sales promotion has no statistically significant effect on performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties the study was rejected. This was statistically confirmed based on the two techniques of in-store sales promotion (point of purchase advertizing and atmospheric engagement) that affected performance of Supermarkets in Nakuru East and Nakuru West Sub-Counties.

The study recommends that those supermarkets should develop effective marketing policy enhancing in-store promotions backed up with merchandizing and tired to brand positioning in order to enhance brand performance. Such promotions will make the supermarkets that carry them out to attract new customers and make existing customers switch from their competitors to their supermarkets. The study also recommends that in practice, employees working in the supermarkets should be trained on in-store promotion which by its nature a low cost promotion yet can be effective. The training should be designed in a way that it targets the floor layout of the supermarkets, product categorization including categorization by color, size, dates of manufacture and manufacturer. This will make the categorized brands outstanding in the supermarkets leading to customers switching from other supermarkets to such supermarkets.

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