

## **INTERNET MARKETING STRATEGIES AND PROFITABILITY OF RETAIL INDUSTRY IN KENYA**

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## **ABSTRACT**

Technology has become part of our daily lives every aspect of life revolves around it. Thus those who will not embrace technology in the business will be faced with extinction. Hence businesses need to adapt to strategically exploit emerging opportunities to survive. Internet marketing strategies are therefore strategies used by marketers to market a product or service online. The study sought to establish the effect of e-mail marketing strategies on the profitability of the retail industry in Kenya. This research adopted a descriptive research design and targeted 250 employees of leading retail supermarkets in Kenya. A Sample of 154 respondents for the study was obtained

through the Taro Yamane formula. Questionnaires were used to collect data. A quantitative approach was applied in the analysis of data by the use statistical package for social science (SPSS). The study revealed that email marketing strategy was associated with a  $B = 1.386$ ,  $Wald = 6.988$ , a  $p\text{-value} = 0.008$ , and  $Exp(B) = 0.250$ . The study concluded that email marketing significantly affected profitability of retail businesses in Kenya. The study recommended the intensive use of triggered email to boost profitability among the retail businesses in Kenya.

**Key Words: Internet, Marketing, E-mail, Profitability**

## **INTRODUCTION**

Presently a lot of the world's commerce takes place over digital systems that link customers to businesses. Through a vast public array of computer networks, the internet connects various users worldwide to each other and a remarkably huge archive of information. Today, one can connect to the internet from virtually anywhere at virtually any time with a computer, tablet, smartphone, television, or gaming device. The internet intrinsically altered previous concepts of cost, speed, service, convenience, and product information, held by customers. This has led to marketers having a completely new way of building relationships with customers and generating value for them (Saunders, 2009).

E-mail marketing is a component of internet marketing used by some retail shops. This method works by ensuring that emails are sent to various target customers regarding the release of new products in the market as well as prices to the customers. Based on this understanding, once the customers are notified of such critical information; they tend to improve their concern about the products and raise their trust. This enables the business to have a large number of customers and therefore the process improves the profitability for the businesses (Tiago & Veríssimo, 2014). Retail business in Nairobi has been using the strategy to improve their profitability.

Africa's middle class is growing and their spending power in terms of disposable income is also expanding. Between \$4 and \$20 is spent daily by roughly 33% of the African continent and data from the African Development Bank forecasts this percentage will increase to 42%

by 2060. As a result of intensive internet penetration, a portion of this spending is beginning to occur online. As reported by the management consultancy Mckinsey report, 50 percent of Africa is forecasted to have internet access by 2025, if this happens, online shopping alone might account for 10 percent or \$75 billion of retail sales. Google indicates that online searches in African are increasing with a substantial spike in commercial inquiries (Deloitte & Touche, 2015).

In Kenya online shopping has become a growing source of growth for retail firms. This arises from the fact that the internet is dramatically altering the methods retailers display, advertise, sell and correspond with customers as well as providing a global marketplace that reaches past the conventional geographic markets served by brick and mortar stores. With these advantages and some positive changes in the country, online shopping has triggered a shopping revolution that is restructuring the local retailing environment, making it an investment choice for retailing entrepreneurs (Ahmed & Ramayah, 2010).

Currently, in Kenya, a few retailers are on online business, though they are facing various challenges. Foremost, customers can't have a feel for virtual products they see in online stores. They are unable to touch, smell nor hear a product, and this lack of face-to-face communication makes consumers develop a low level of trust. Further, these consumers recognize and deliberate the types of risks linked to online purchasing. Hence, if a consumer perceives the risk of purchasing the commodity to be high, he or she might opt for the traditional brick-and-mortar retailer to buy the product (Berthon et al., 2012). The online firms, therefore, still have the task of convincing the consumer to buy their products despite the risks involved with online shopping. Based on the realization that the current internet marketing strategies in the Kenyan retail industry have been faced with numerous challenges. Despite many benefits associated with internet marketing among retailers such as huge customer coverage and savings made from the elimination of some outlets some retailers have not fully taken advantage of such benefits (Boulelrouah & Fih, 2015). Limited research has been conducted in the area of internet marketing strategies and profitability in Kenya:

Ahmad et al. (2010), revealed from the study on perceptions of internet marketing among consumers that no time wastage in checkout queues, no fighting over parking spots, amazing comfort of remote shopping whereas Ahmed & Ramayah (2010) who studied the effect of online shopping on the general growth of firms revealed that online shopping has become a growing source of growth for firms and not on specific profitability, therefore it was important to establish the effect of internet marketing strategies on the profitability of retail businesses in Kenya. The purpose of the study was to establish the effect of internet marketing strategies on the profitability of retail businesses in Kenya. Specifically, the research sought to answer the question: what is the effect of E-mail marketing strategies on the profitability of the retail industry in Kenya.

## **THEORY AND HYPOTHESIS**

Anyango (2019) in his study of e-commerce strategy adoption and performance of the micro and 83 small enterprises (MSE) in Nairobi County. The study was descriptive and used questionnaires to collect primary data. The results of the study revealed that e-mail marketing is among the principal methods used to bolster customer relationships. E-mail marketing boosts customer loyalty while also giving customers wonderful perks provided that they elect to subscribe. Other than these, a myriad of internet marketing tools exists for marketers to think about using. Every one of them devised to appeal to consumers, raise search engine position as well as helping to grow the brand. The findings showed that e-commerce strategy adoption affected business to a great extent with 71.5 percent finding is significant to their business sales growth. The study also tested the impact of e-commerce on customer services were 57.2 percent of the respondents reported that they have significant service improvement. He further informed that 81.7 percent of the respondents confirmed increased profitability from various internet marketing strategies. Besides, 65.3 percent confirmed significantly improved compared to when they only used traditional methods. The research concluded that MSEs that implement e-commerce strategies in their businesses had significant improvement in profitability, sales volume, and had better customer service.

Cohen (2014) studied the roles played by internet marketing in Texas, USA. The study was a survey conducted among 1234 consumers of fast-moving goods sold online. Data for the study was conducted using online questionnaires/ google forms. Results of the study were analyzed through descriptive statistics and informed that e-mail marketing is employed to grow connections with prospective customers, notify and update present customers about the business and boost customer loyalty by proving vouchers. It is a type of direct marketing, like snail mail marketing, although e-mail marketing has greater efficiency in terms of cost and the environment due to the lack of paper involved. Even though e-mail marketing started soon after the beginning of the internet, it has developed and matured significantly over the decades and remains a highly valuable marketing instrument. Numerous entrepreneurs contend that e-mail marketing has a greater importance today than it ever has. There is a valid rationale as to why 85 percent of retailers in the United States regard e-mail marketing to be among the greatest strategies in customer acquisition.

*H<sub>0</sub>: E-mail marketing strategies do not affect the profitability of the retail industry in Kenya.*

This study employed a descriptive design procedure. Descriptive design provided a profile to the researcher on the pertinent characteristics of the phenomena concerned from an industry's point of view, which was specifically on the effect of E-mail marketing strategies on the profitability of the retail industry. The descriptive design also allowed the generation of quantitative and qualitative data that was utilized in evaluating the connection between the variables along with ascertaining their effect on profitability. Population for the study was eight leading supermarkets in Kenya with a total of 250 branches (Naivas, Tusksys, Quicksmart, Choppies, Eastmatt, Carrefour, Food plus Chandarana, and Cleanself)

(Directorate of Trade, 2021). Therefore 250 branch managers were the target population for the study.

The research used Taro Yamane (1967) formula for sampling (Tepping, 1968). The formula is as shown below:

$$n = N / [(1 + N(e^2))]$$

Where  $n$  is the sample size,  $N$  is the total population in the study, and  $e$  is the margin of error that should be squared.  $n = 250 / [(1 + 250(0.05^2))] = 153.84610$  which was approximately 154.

### **Research Instrument for Data collection**

Data collection was conducted through the use of questionnaires. Descriptive statistics through, mean, standard deviation, frequency, and percentages were conducted. A binary logistic regression model was used to infer the effect of E-mail marketing strategies on the profitability of the retail industry in Kenya. The two situations examined were a state of 0= no change in profitability, 1= higher profitability situation. Analysis was conducted through SPSS and the results were tabulated, presented on charts, and narrated.

The model applied in the study was of the following form:

Logit ( $\pi z$ ) =  $\eta + eZ$ , where: Where  $\pi$  probability of having a profitable organization or the log odd for the profitable organization.  $(1-\pi)$ , is odd of having no change in the profitability of the organizations.  $\eta$  is a constant.,  $z=1,2$  ( i.  $e_1$  and  $e_2$ , batch and triggered email respectively ),  $e$  represents the variables estimates. Reference cell method was used whereby  $e_1=0$  for batch emails effect on profitability.

## **RESULTS AND DISCUSSION**

### **Response Rate**

Out of 154 questionnaires distributed to branch managers 111 duly completed were received back, providing a response level of 72.07%, only 27.93% of the respondents did not return their questionnaires.

### **Demographic Characteristics**

The majority of the participants in the study were male (69.4%) and 30.6% were female. majority of the respondents had undergraduate as their highest level of education (45.0%). Finally, the majority of respondents had worked for their organization as branch managers between 6 and 10 years (50.5%). The demographics revealed that the majority of the respondents were well educated and they were also experiencing enough stay at the organization and could therefore give an important response on the study area.

### **Form of E-Mail Marketing Used**

Table 1 shown that the majority of the supermarkets used triggered emails as shown by 73.0% whereas only 27.0% of the supermarkets used batch emails as a strategy for online marketing. The findings are consistent with those of Kotler (2014) who revealed that most genuine marketers exercise consent-dependent e-mail marketing, circulating e-mail adverts solely to customers that have subscribed. A lot of companies utilize customizable e-mail systems which allow customers to select what they wish to receive.

**Table 1: Form of E-Mail Marketing Used**

<b>Email Nature</b>	<b>Frequency</b>	<b>Percent</b>
Batch emails	30	27.0
Tiggered emails	81	73.0
Total	111	100.0

### **Practices in E-mail Marketing**

Table 2 below show the extent to which respondents agreed with the statement about internet marketing strategies. A Likert scale of 1 to 5 was used whereby 1 was strongly disagreed (SD) to 5 strongly agreed (5).

**Table 2: Descriptive Statistics of E-mail Marketing Strategy**

<b>Statement</b>	<b>SD</b>		<b>D</b>		<b>N</b>		<b>A</b>		<b>SA</b>	
	<b>F</b>	<b>%</b>	<b>F</b>	<b>%</b>	<b>F</b>	<b>%</b>	<b>F</b>	<b>%</b>	<b>F</b>	<b>%</b>
E-mail marketing enable us to reach a broad market	1	0.9	7	6.3	16	14.4	38	34.2	49	44.1
E-mail marketing messages enable us to reach the audience instantly	-	0	4	3.6	19	17.1	38	34.2	50	45.0
We use-email marketing to enhance the potential for viral hence more exposure	3	2.7	8	7.2	6	5.4	41	36.9	53	47.7
We use e-mail marketing to make it easy to communicate to mass audience	5	4.5	4	3.6	6	5.4	48	43.2	48	43.2
We use e-mail marketing to enable us segment customers	2	1.8	4	3.6	8	7.2	46	44.1	51	45.9

The majority of the participants agreed that they used E-mail marketing to enable them to reach a broad market, reach the audience instantly, enhance the potential for viral hence more exposure, make it easy to communicate to a mass audience, and enable businesses to carry out customers segmentation. These findings concur with Armstrong (2012) who found out that e-mail marketing is a useful and necessary tool for conducting business online. Armstrong added that e-mail is quite utilized as a communication medium and that there are proximately over 3 billion e-mail accounts worldwide. The findings also resonate very well with Cohen, (2012) who found out that when email marketing is used effectively can become

an absolute direct marketing tool. E-mail makes it possible for these marketers to send targeted messages to a given audience, hence building relationships.

### **Profitability of Retail Industry**

Table 3 below indicate the extent to which participants agreed with the statement on profitability.

**Table 3: Descriptive Statistics on Profitability of Retail Industry**

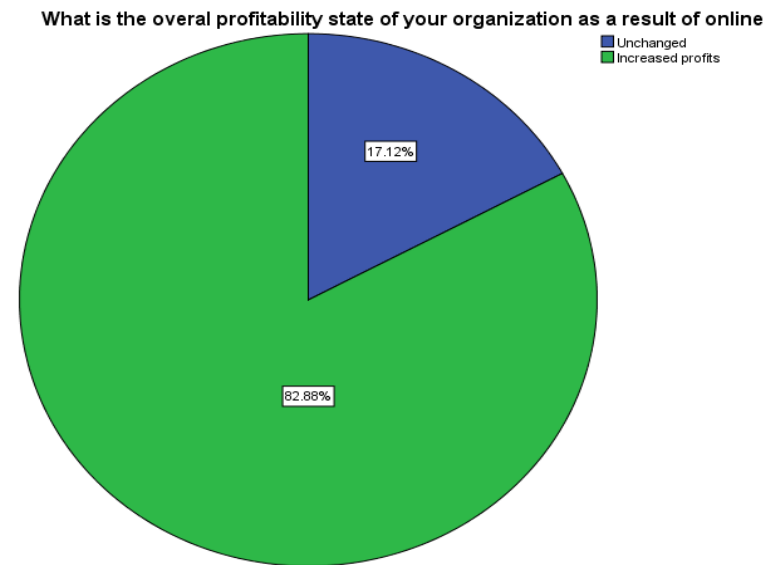
Statement	SD		D		N		A		SA	
	F	%	F	%	F	%	F	%	F	%
Internet marketing has generated more sales	3	2.7	18	16.2	8	7.2	56	50.5	26	23.4
Internet marketing has reduced marketing expenses	4	3.6	15	13.5	8	7.2	52	46.8	32	28.8
The retail shop has increased profitability since the introduction of internet marketing	4	3.6	7	6.3	12	10.8	39	35.1	49	44.1

The majority of the participants agreed that the introduction of internet marketing had led to more sales, reduced marketing expenses, and increased profitability of the retail businesses. The results analysis concurs with Kotler and Armstrong, (2018) who found out in their study that the aggressive surge of digital technology has changed lives in terms of communication, sharing information, access to entertainment, and shop. The digital connection in the country offers a special chance for business people to reach their audience directly. The place that is promising growth for Kenya's retail business is online marketing. Hence marketing does not take place in a vacuum, it's in the entire world where everything and everybody is digitally connected. Over 3.3 billion persons, which is 46 percent of people in the world are online and the numbers will continue to grow into the future. Kenya is ahead among African countries in the acquisition of smartphones. This aspect has made drastic changes in digital marketing in Kenya just as it is happening across the globe.

### **Overall state of Profitability**

Figure 1 below shows the overall state of profitability of the retails firms in Kenya. The results of the study revealed that 82.88% of the firms had reported higher profits as a result of internet marketing strategies, only 17.12% of the firms had unchanged profits as a result of internet marketing strategies. Malhotra (2012) concurred that through online marketing Diageo, a leading multinational alcoholic beverages company with yearly revenues of €14,500 million and widely known for the brands: Guinness, Johnnie Walker, Smirnoff, and Baileys, realized profitability through online platforms.

## Overall State of Profitability



## Hypothesis Testing

A hypothesis test was conducted through binary logistic regression on the effect of e-mail marketing strategies on the profitability of retail firms in Kenya.

**Chi-square Tests:** Chi-square test was conducted to establish whether there was an effect of the independent variable on the dependent variable. Results revealed the existence of a relationship because the p-value of 0.009 was less than 0.05. Table 4 shown the results

**Table 4: Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Step	6.916	1	.009
	Block	6.916	1	.009
	Model	6.916	1	.009

**Model Summary:** Binary logistic regression model conducted was on the extent to which the dependent variable could explain the change in the dependent variable. Table 5 shown **Cox & Snell R Square** and **Nagelkerke R Square** of **0.06** and **0.101** respectively showing that the dependent variable variation can be explained by e-mail marketing strategy at about **10.1%**.

**Table 5: Model Summary**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	94.702 <sup>a</sup>	.060	.101

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.



**Table 6: Classification Table**

	Observed	Predicted			
		state of overall profitability		Percentage Correct	
		Unchanged	Increased profits		
Step 1	state of overall profitability	Unchanged	0	19	.0
		Increased profits	0	92	100.0
	Overall Percentage				82.9

a. The cut value is .500

The binary regression model used in the study was for predicting chances for the outcomes of profitability being unchanged or profits increasing through E-mail marketing strategies. The classification table result revealed that the model could classify the outcome correctly at 82.9% showing the model was a good fit at a cut value of 0.5, as shown in table 6.

**Logistic Regression Coefficients and Exponential coefficients [Exp (B)]**

Table 7 shows the results of the binary regression model. Binary logistic regression was conducted to establish whether the e-mail marketing strategy increased the odd of profitability among the retail firms in Kenya.

**Table 7: Variables in the Equation**

Email-marketing strategy	B	S.E.	Wald	df	Sig.	Exp(B)
Batch emails	-	-	-	-	-	1.000
Triggered emails	1.386	.524	6.988	1	.008	.250
Constant	.693	.387	3.203	1	.074	2.000

a. Variable(s) entered on step 1: Email marketing.

**Email Marketing Strategies and Profitability**

The study revealed a B= 1.386, Wald =6.988 that was associated with a p-value=0.008 for a marketing strategy which was less than 0.05 therefore significant effect, and Exp (B) = 0.250. The result revealed that where the firm used triggered emails other than batch marketing the effect was an increase in the odds of profitability by a factor of 0.250 when other factors were held constant because the Exp (B) associated with email marketing strategy was Exp (B) =0.250, therefore they had a positive relationship.

Cohen (2014) concurred that fundamentally, e-mail marketing is employed to grow connections with prospective customers, notify and update present customers about the business and boost customer loyalty by proving vouchers. Email marketing strategy has developed and matured significantly over the decades and remains a highly valuable marketing instrument. Numerous entrepreneurs contend that e-mail marketing has a greater importance today than it ever has. There is a valid rationale as to why 85 percent of retailers

in the United States regard e-mail marketing to be among the greatest strategies in customer acquisition.

## **CONCLUSIONS AND RECOMMENDATIONS**

The study concluded that the use of a triggered email marketing strategy increased the odds/chances for profitability significantly. Therefore the study rejected the null hypothesis that H<sub>0</sub>: E-mail marketing strategies do not affect the profitability of the retail industry in Kenya. The study recommended for the retailers to intensively use triggered email other than the use of batch email to boost profitability among the retail businesses in Kenya due to the significant effect it has on profitability.

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