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**The Influence of Marketing Capabilities on Firm Performance in Fashion Retailing in
Nairobi County**

Musyimi, Anne Katwa



**A research thesis submitted in partial fulfillment of the requirements for the Degree of
Master of commerce at Strathmore University**

**School of Management and Commerce
Strathmore University
Nairobi, Kenya**

June, 2016

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16th June, 2016

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ABSTRACT

Intense competition and short product life cycles in fashion retailing present a number of marketing challenges for retail firms in Kenya. In order to survive in this industry, it is vital for participants to develop and leverage core marketing capabilities. The purpose of this study was to analyze the relationship between marketing capabilities and firm performance in Nairobi, Kenya. The following three specific objectives were addressed. One, to identify marketing capabilities relevant in the fashion retail industry. Two, to establish the level of performance of firms in the fashion retailing industry and lastly to analyze the influence of marketing capabilities on firm performance in the fashion industry.

Primary data was collected using questionnaires. The target population were 62 branded retail stores located in major shopping malls in Nairobi County. Descriptive statistics, correlation analysis and multiple regression analysis were used to analyze the data. Specifically, price management, product management, promotion capability and store image were the marketing capabilities examined for their influence on each of the four firm performance variables namely customer acquisition, customer loyalty, new product/stores and market share. Results showed that product management was significant in explaining customer acquisition, customer loyalty and new product/stores and insignificant in explaining market share. Store image was only significant in explaining new product/stores. Price management and promotional capability were insignificant in all cases. The findings generated from the study should provide marketing managers with an understanding of the relationship between marketing capabilities and firm performance in the Kenyan context and give them insights on which capabilities they should concentrate on in order to gain competitive advantage.

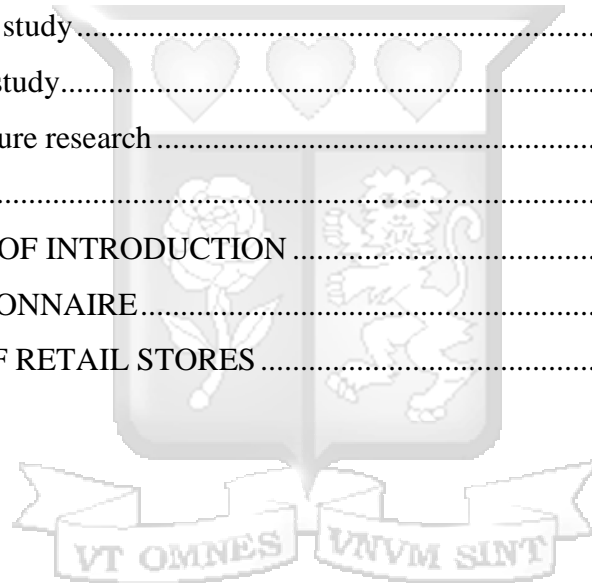
This study only looks at one type of capability; marketing capabilities, future research should examine different types of organizational capabilities for example dynamic capabilities, organizational learning capabilities, inside-out capabilities, outside-in capabilities and assess their impact on firm performance. The study was conducted within a period of seven months running from November 2015 to May 2016.

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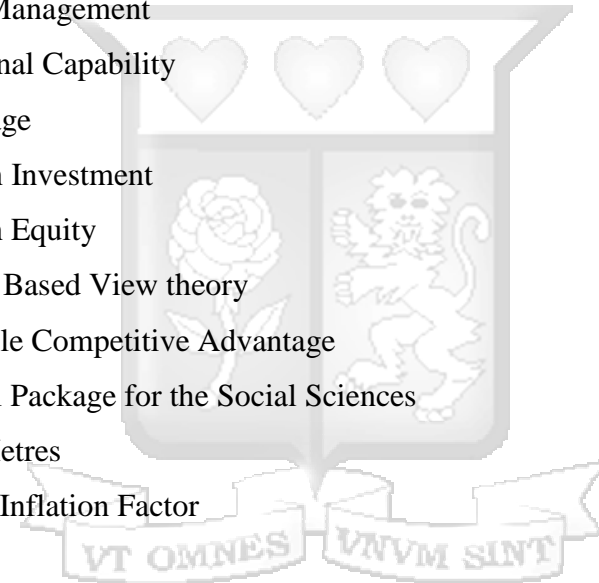
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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of variance
BSC	Balance Score Card
CFA	Confirmatory Factor Analysis
CRM	Customer Relationship Management
DC	Dynamic Capabilities theory
MMPF	Multi-Model Performance Framework
NFP	Non-Financial Performance
PLC	Product Life Cycle
PRIM	Price Management
PRODM	Product Management
PROMC	Promotional Capability
STORI	Store Image
ROI	Return on Investment
ROE	Return on Equity
RBV	Resource Based View theory
SCA	Sustainable Competitive Advantage
SPSS	Statistical Package for the Social Sciences
SQM	Square Metres
VIF	Variance Inflation Factor



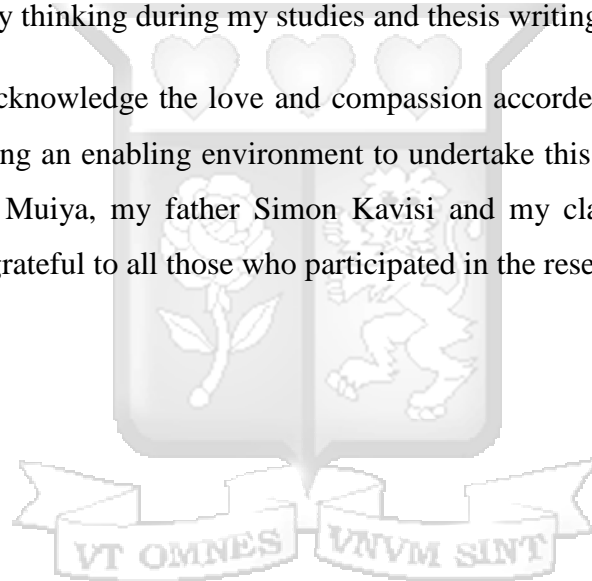
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DEDICATION

To my mother Angelina Musyimi

and

Father Simon Kavisi

For always encouraging me to go an extra mile.



CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Firms spend significant resources on developing, managing and leveraging marketing capabilities. This is because marketing capabilities are complex bundles of skills, if properly identified help the firms to perform better than their rivals and gain competitive advantage (Teece, Pisano & Sheun, 1997; Teece, 2007). As retail competition in consumer markets around the world continues to intensify, marketers are seeking strategies that will capture both the interest and loyalty of customers (Teece et al., 1997). The development and implementation of effective marketing strategy is particularly important in the fashion sector (Goldsmith, 2000) because the retail environment within the fashion sector is constantly changing. Firms must succeed in building and using capabilities that support marketing strategies which lead to growth and long term survival.

With growing concern for retail firms to achieve superior performance in a complex competitive environment, the role of marketing capabilities is becoming significant. Compared with other capabilities, marketing capabilities strongly affects firm performance (Krasnikov & Jayachandran, 2008; Nath, Nachiappan & Ramanathan 2010). Additionally, marketing capabilities helps in dealing with the complexity of the markets. Therefore this study seeks to identify the effects of various marketing capabilities on firm performance specifically in the fashion retail sector. Focus on marketing capabilities is justified since they have been identified as one of the primary ways firms can achieve competitive advantage (Day & Wensley, 1988; Day, 1994) and superior performance (Krasnikov & Jayachandran, 2008). Since marketing capabilities are deeply embedded in organizations and have a high level of value, scarcity, inimitability and non-substitutability (Day, 1994; Vorhies, 1998; Theodosiou, Kehagias & Katsikea, 2012), they are considered an important determinant of competitive advantage.

Classification of marketing capabilities is multifaceted (Agyapong, 2015). Dobholkar, (1996); Sharma, (2004); Moore and Fairhurst, (2013) give four classifications of market capabilities namely customer service capability; store image/product differentiation; external knowledge and promotional capability. Vorhies and Harker (2000) classify marketing capabilities in six main

groups namely marketing research; pricing; product development; channels of distribution; promotion and place. De Sarbo, Benedetto and Song (2006) and Song, Benedetto and Nason (2007) suggested that the following five marketing capabilities are of particular relevance for studying sustainable advantage and long-term success: technology; market linking; marketing; information technology and management-related capabilities. Vorhies, Morgan and Autry (2009) classify marketing capabilities as specialized and architectural. Specialized marketing capabilities reflect task specific marketing activities whereas architectural capabilities provide the planning and coordination mechanism that ensures the effective deployment of these marketing program-level activities. Therefore it is evident that there is no specific and standardized way of classifying marketing capabilities.

Firm performance is also a multifaceted phenomenon (Stafford, Duncan, Dane & Winter, 1999; Sharma, 2004). There is still inconsistency regarding its conceptualization and measurement. Three distinctive schools of thought have been developed. First school of thought establishes studies that have measured firm performance using financial indicators like profit, Return on investment (ROI) or Return on equity (ROE), sales, growth and profitability among others (Smart & Conant, 1994; Hooley et al., 2005; Fahy, Hooley, Cox, Bercas, Fonfara & Snoj, 2000; Kotabe, Srinivasan & Aulakh, 2002; Moore & Fairhurst, 2003). The second school of thought establishes studies that have used only non-financial indicators to measure firm performance such as market share, customer satisfaction, customer retention, customer loyalty, employee satisfaction, employee morale, product quality, technology efficiency (Kaplan & Norton, 2001; Hoque, 2004; Brush & Artz, 1999; Ethiraj et al., 2005; Cruz-Ros et al., 2010; Venkatraman & Ramanujam, 1986) and the last school of thought establishes studies which take into account both financial as well as non-financial measures in order to conceptualize firm performance (Tsai & Shih, 2004; Hooley et al., 2005; Cruz-Ros, González-Cruz & Pérez-Cabanero, 2010; Theodosiou et al., 2012; Riahi, 2003; Chen, Li & Arnold, 2013).

Previous studies (Day 1994; Moorman & Slotegraaf, 1999; Krasnikov & Jayachandran, 2008; Nath et al., 2010) argue that there exist a relationship between marketing capabilities and firm performance. Controversies exist with regards to this relationship. Some researchers support that the relationship is direct and positive, while others (Priem & Butler, 2001) argue that the relationship is not a direct one because firm performance depends on a mix of inter-related

capabilities, and it is very difficult to draw direct and clear causal relationships. In terms of the strength of the relationship, Tsai and Shih (2004) and Hooley, Cadogan and Fahy (2005) argue that the relationship between marketing capabilities and firm performance is stronger when we consider both financial as well as non-financial performance while Ethiraj, Kale, Krishnan and Singh (2005) and Cabanero, Cruz-Ros, and Lez-Cruz (2010) argue that relationship can be explained more suitably by using non-financial performance.

Ahuja (2000) observes that existing research on marketing capabilities and firm performance have divergent views which need further empirical analysis. Some authors have criticized marketing capabilities on the grounds that it is tautological, vague and unoperational (Priem & Butler, 2001; Zahra, Sapienza & Davidsson, 2006) but despite these divergent views, some authors agree that there exist some relationship between a firm's set of marketing capabilities and performance (Morgan, Slotegraff & Vorhies, 2009). Therefore this research aims at identifying what specific marketing capabilities are relevant within the specialty fashion retail sector and their impact on firm performance. It seeks to enhance understanding of the concept of marketing capabilities and firm performance.

1.1.1 Fashion retailing in Nairobi County

Fashion retailing in Nairobi County is concentrated on major shopping malls. This is because consumers prefer buying everything in a one stop shop (Ngugi, 2016). Nairobi has been named as one of the top five cities in Sub-Saharan Africa, having the largest shopping centre development outside of South Africa (Kayode, 2016). Assessing Sub-Saharan Africa's retail markets, Nairobi has the largest mall development hotspot with around 470,000 square metres (sqm) of shopping centre space in the pipeline (Kayode, 2016). The developers of Nairobi's modern malls are building new city hubs, where people can live, work, shop and play, all on the same site, in locations near key transport links (Kayode, 2016).

Nairobi County has an existing mall space of 391,000 sqm which is denoted by malls such as The Junction, Sarit Centre, Garden City, Thika road mall, Westgate, Galleria and several others (Ngugi. 2016). While Nairobi has had shopping centres since the 1980s, the current wave of development is creating modern malls that are setting new standards for the market in terms of

size and quality (Ngugi, 2016) Also, among the new projects like the Hub and Two rivers, there is a clear trend towards mixed-use development – as opposed to pure retail – as office, residential and leisure facilities converge (Kayode, 2016). International brands are quickly positioning themselves in Nairobi to exploit the growing appetite for the finer things in life (Herbling & Maina, 2014). Branded retailers like Mr. Price, Woolworths, 4U2, Bossini, Truworths and Dr. Jays are quickly snatching up mall spaces as soon as they come up to expand their brands (Ngugi, 2016).

Fashion has been defined as a broad term that typically encompasses any product or market where there is an element of style that is likely to be short-lived (Christopher, Lowson & Peck, 2004). In the context of this research, fashion refers to garments. The definition of fashion above implies that the fashion-conscious segment of the market is likely to be volatile, change rapidly and difficult to predict (Christopher et al., 2004) Therefore it is essential for marketers/retailers to know how they can enhance their firm performance given the volatility of the industry, competition and changes.

Fashion trends work along the principle of product lifecycle (PLC) management whereby products have a limited time in the market place from their introduction to decline (Bruce & Barnes, 2005). There has been a decline in the length of fashion PLCs which has put pressure on retailers to replenish more frequently as they simply need more product ranges to keep up to date. The PLCs of fashion products have decreased from months to weeks and even days (Sull & Turconi, 2008; Barnes & Lea-Greenwood, 2007). Consumers have become increasingly fashion “savvy” and are interested in fashion and appearance for longer, therefore the size of the market for fashion products has increased (Mintel, 2009). It is suggested that the phenomenal growth in media and magazine availability and its coverage of fashion has contributed to this growth in the fashion conscious consumer (Barnes & Lea-Greenwood, 2007).

In Nairobi, the fashion industry has evolved, not only in terms of clothing, but also in relation to the major players in the industry: International brands like the Spanish clothing retailer, Zara launched its brand in Kenya, the brand is carried in 4U2 retail shops. Bossini, a worldwide garment distributor and retailer label, based in Hong Kong has opened retail outlets in Nairobi

over the past three years so as to exploit the growing increase in demand (Herbling & Maina, 2014). The fashion industry has changed over the last 20 years (Otieno, Harrow & Lea, 2005). Consumers are demanding more as fashion keeps changing and retail players enter the region, snapping up space in mushrooming shopping malls almost as fast as they come up. Analysts say niche markets will be crucial in the fight for consumers who continue to show a preference for products they know, have tried before, or that have been recommended to them. Richardson, (1996) suggested that competition in the fashion industry is slowly shifting from price and quality towards a deeper focus on timing such that designs can be quickly imitated and production only continued for successful items. The consequence is that responsiveness can be an effective substitute for an inability to accurately predict future trends.

As Kenyan shoppers become savvier, the role and satisfaction of the consumer has become vital to the supply of fashion products. Although some studies have researched into satisfaction with retail outlets and apparel fit (Simmons, Istook & Devaranjan, 2004), there has been limited focus on Kenya samples, especially within fashion environments. Otieno et al. (2005) underscore that understanding consumer satisfaction is important if clothing retailers and marketers wish to meet consumers' needs. Labat and DeLong (1990) emphasize the importance of determining levels of satisfaction with retail attributes and the fit of ready-to-wear garments. These remain key strategies in maintaining competitiveness, enhancing sales and cutting down on returns due to ill-fit (Ray & Walker, 2004; Otieno et al., 2005).

Local fashion magazines are also creating awareness of new emerging fashion trends in Kenya. Couture Africa magazine seeks to not only celebrate African Fashion, but bring global fashion and beauty trends into the Kenyan market in a relatable and easily translatable way to its readers (Gachara, 2016).

1.2 Problem statement

The challenge facing most firms today is the ability to identify the set of marketing capabilities as the ground to establishing sustainable market performance (Prahalad & Hamel, 1990). In practice most of the capabilities available to the firm are heterogeneous and numerous in nature, but because for a resource to have and gain advantage it must be valuable, rare, inimitable and non-substitutable, it is only when these scarce resources or capabilities are identified and the

appropriate program is developed to meet the above criteria before an organization can have competitive advantage (Prahalad & Hamel, 1990). Marketing capabilities vary from industry to industry therefore making it even more difficult for firms to identify the specific marketing capabilities relevant to their industries.

Ahuja (2000) observes that existing research have divergent views which need further empirical analysis. Some authors criticize capabilities on the grounds that it is tautological, vague and unoperational (Morgan, 2011) but despite these divergent views, some authors agree marketing capabilities are significant and that there exist some relationship between a firm's set of marketing capabilities and performance (Morgan et al., 2009). Otieno et al. (2005) argue that although some studies have researched into satisfaction with retail outlets and apparel fit, there is limited focus on Kenyan fashion.

Despite the growing attention for research in the area of marketing capabilities, there is still no agreement among scholars regarding the measures of marketing capabilities. Firm performance, is also a multi-faceted phenomenon (Agyapong, 2015). Researchers have even examined marketing capabilities and its impact on firm performance with a large number of variables (Conant, Smart & Salano-Mendez, 1993), still, even with similar variables they have realized the differential impact on firm performance. This study aims at identifying marketing capabilities relevant to fashion retailing in Nairobi County and their impact of firm performance.

1.3 Research Objectives

This study aimed at fulfilling the following objectives:

1.3.1 Main Objective

To analyze the relationship between marketing capabilities and firm performance in the fashion industry in Nairobi County.

1.3.2 Specific Objectives

1. To identify marketing capabilities relevant in the fashion retailing industry in Nairobi County.
2. To establish the level of performance of firms in the fashion retailing industry in Nairobi County.

3. To analyze the influence of marketing capabilities on firm performance in the fashion retailing industry in Nairobi County.

1.4 Research Questions

This research aims to answer the following questions:

1. What marketing capabilities are relevant in the fashion retailing industry in Nairobi County?
2. What are the levels of performance of firms in the fashion retailing industry in Nairobi County?
3. a) What is the relationship between marketing capabilities and customer acquisition in fashion retailing industry in Nairobi County?
b) What is the relationship between marketing capabilities and customer loyalty in fashion retailing industry in Nairobi County?
c) What is the relationship between marketing capabilities and new products/stores in fashion retailing industry in Nairobi County?
d) What is the relationship between marketing capabilities and market share in fashion retailing industry in Nairobi County?

1.5 Significance of the study

Empirical knowledge of the effectiveness of different marketing capabilities on firm performance within the retail industry will aid practitioners in formulating marketing strategies and capabilities in dynamic, fashion driven markets. The achievement of this research's objectives will help clothing firms spending millions on marketing strategies that do not yield results to enforce specific marketing capabilities that will enhance their sales and performance. Also fashion retailers are likely to gain competitive advantage by benefiting from positioning their products better than their competitors thereby enhancing customer loyalty. Customers and the public in general are also likely to benefit by receiving quality products and better services from these stores.

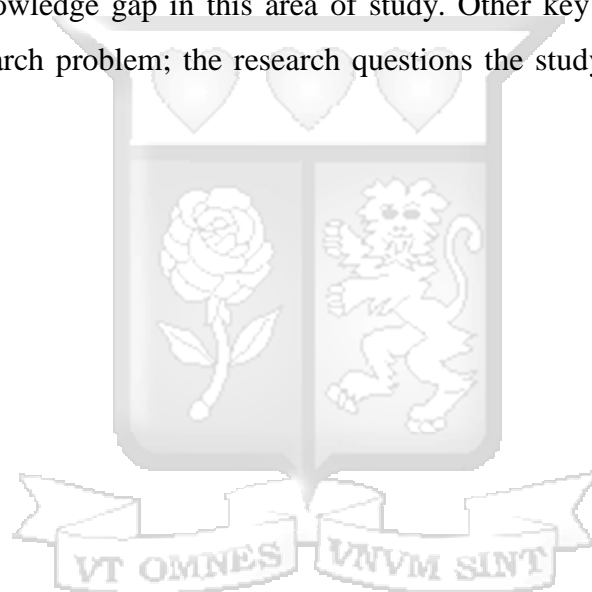
This study will contribute to the existing knowledge by filling the gap that exist in determining the effects of marketing capabilities on firm performance in the fashion retailing industry. The study is likely to benefit academicians searching for information in this area of marketing.

1.6 Scope of the study

The study focused on 62 branded retail stores in major shopping malls in Nairobi County and firm performance was measured using non-financial measures because they are better predictors of a firm's long term performance.

1.7 Chapter summary

This chapter focuses on the reasons and importance of undertaking the study. The main objective of the study is to analyze the relationship between different marketing capabilities and firm performance in the fashion industry in the Kenyan context specifically in Nairobi County. It also explains the existing knowledge gap in this area of study. Other key issues highlighted in the chapter include the research problem; the research questions the study aims to answer and the scope of the study.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on studies done by other researchers with regard to how marketing capabilities influence firm performance. It is divided into four sections, the first section is the theoretical framework, this includes theories previously used and are relevant to this study, the second section is the empirical review, this involves an analysis of the objectives, the third is the research gap the study is trying to fill and lastly the conceptual framework which links the specific marketing capabilities to firm performance.

2.2 Theoretical Framework

The theoretical framework of the study was anchored on three theories, namely the resource-based view, the dynamic-capability theory and the stakeholder theory of the firm. These theories explain the two variables; marketing capabilities and firm performance in detail.

2.2.1 Resource Based View theory (RBV)

The Resource-Based View of the firm has been used to explain how firms allocate their scarce resources to obtain and exploit competitive capabilities. This is the most cited theory in the literature relevant to this study (Morgan et al., 2011; Theodosiou et al., 2012; Akinbola, Adegbuyi, & Otokiti, 2014; Agyapong, 2015; Moore & Fairhurst, 2003; Cabanero et al., 2010). The RBV is seen as a theory of competitive advantage. The theory assumes that the desired outcome of managerial effort within the firm is the creation and deployment of a sustainable competitive advantage (SCA) which in turn will result in the achievement of superior performance. The theory focuses on how firms achieve and sustain competitive advantage. Under the RBV the route to achieving SCA lies in the possession of certain key resources having the characteristics of one adding value for customers for example through lower prices, superior quality or greater benefit (Cabanero et al., 2010); two having barriers to duplication (Collins & Montgomery, 1995); and three being appropriate (Amit & Shoemaker, 1993) Those resources may be assets, tangible assets such as plant and machinery, or intangible assets such as brand

name and reputation (Aaker, 2008) or capabilities such as the skills to create, nurture and deploy assets (Mahoney, 1995).

To create economic value, sustain competitive advantage, and achieve superior profitability, an organization requires a wide range of capabilities (Day, 1994). The theory explains how firms allocate their scarce resources to obtain and exploit competitive capabilities. The RBV suggests that the mere possession of capabilities is a necessary but not sufficient condition for superior performance. Rather, firms that invest in capabilities that complement the existing capability base, will be best able to exploit its distinctive competencies. The firm that does this will be rewarded with sustainable competitive advantage and improved long-term performance. According to the RBV, then, firms should allocate their scarce resources to solidifying and developing capabilities that are consistent with their strategic type. This theory is applicable to this research as it helps in understanding the importance of identifying rare, non-imitable and non-substitutable resources and marketing capabilities relevant to the fashion industry and the impact of these capabilities and resources on firm performance.

However, while the RBV has been an influential theoretical framework in enhancing the understanding of a firm's performance (Barney and Delwyn, 2007), it has been criticized for its inability to explain how firms develop and utilize these resources to obtain competitive advantage (Lengnick-Hall & Wolf, 1999; Priem & Butler, 2001). In addition, it has not also taken into consideration the dynamic environments in which these resources are deployed. In view of these limitations, theorists have made some developments collectively labelled dynamic capabilities (DC) theory, thus, addressing the limitations of the RBV theory.

2.2.2 Dynamic capabilities theory (DC)

The DC theory posits that a firm's performance does not only lie in the resources that it possess, but also depends on the capabilities with which the resources are acquired, managed and integrated into the firm's system to match its environmental opportunities for sustainable competitive advantage (Makadok, 2001). One significant contribution of the dynamic capabilities is the fact that it places emphasis on competing based on marketing capabilities both tangible and intangible (Barney, 1991; Barney & Delwyn, 2007). Capabilities are also dynamic when they enable firms to formulate and implement new strategies to reflect changes in the

marketing environment and are also distinguished from other processes that are being performed by rivals (Teece, et al., 1997; Ethiraj et al., 2005; Barney & Delwyn. 2007). From the literature, it is evident that it is not enough for a firm to possess resources that are valuable, difficult to imitate and non-substitutable, there is also the need for appropriate capabilities by which these resources will be managed to match changes in the environment, particularly market conditions, for superior performance (Teece, 2007; Morgan et al., 2009). Marketing capabilities literature has identified different capabilities by which a firm can achieve sustained competitive advantage (Prahalad & Hamel, 1990; Barney, 1991; Day, 1994).

This theory is relevant to this research as it sheds more light on how to identify the marketing capabilities this is by considering the dynamic environment and the resources in which the marketing capabilities are identified. Also resources and capabilities are important in explaining inter-firm performance variations, and that resources and capabilities also interact with one another in determining firm performance outcomes.

2.2.3 Stakeholder theory

The stakeholder view maintains that firms have stakeholders rather than just shareholders to account for (Freeman, 1994). The view that the corporation has obligations only to its stockholders is replaced by the notion that there are other groups to whom the firm is also responsible. Groups with a “stake” in the firm include shareholders, employees, customers, suppliers, lenders, the government and society (Berman, Wicks, Kotha & Jones, 1999; Harrison & Freeman, 1999; Hillman & Keim, 2001; Riahi-Belkaoui, 2003; Freeman, 1994). One important notion revealed in many studies is that building better relations with primary stakeholders like employees, customers and suppliers could lead to increased shareholder’s wealth. A sustainable organizational advantage may be built with tacit assets that derive from developing relationships with key stakeholders (Hillman & Keim, 2001). When studying the relationship between stakeholder management and a firm’s financial performance, Berman et al., (1999) found that fostering positive connections with key stakeholders (customers and employees) can help a firm’s profitability.

Due to the significance of various stakeholders, firm performance should not be solely assessed by financial indicators as they mostly benefit shareholders. Considering other non-financial

indicators of performance is more beneficial to the rest of the stakeholders (Hillman & Keim, 2001). There are several approaches (Tangem, 2004) to firm performance measurement that encompass different stakeholder's perspectives. The balanced scorecard (BSC) (Kaplan & Norton, 2001) is the most established and most commonly used (Neely, 2002), but by far not the only one. The multi-model performance framework (MMPF) model by Weerakoon, (2002) has four-dimensions including employee motivation, market performance, productivity performance, and societal impact and covers the satisfaction of various stakeholders such as customers, investors, employees, suppliers, and society.

This theory illustrates the importance of considering all stakeholders in a firm not just the shareholders and the importance of assessing firm performance using not only financial indicators but also considering non-financial indicators.

2.3 Empirical review

The empirical review is divided into four subsections. The first subsection looks at the firm profile, the second subsection identifies the specific marketing capabilities used in the fashion industry. The third subsection identifies the non-financial indicators of firm performance and the fourth subsection discusses the relationship between marketing capabilities and firm performance.

2.3.1 Firm profile

The firms' characteristics comprise six variables, namely, firm size, age, ownership, efficiency, experience and location (O'Cass and Sok, 2012; Krush, Agnihotri, Trainor & Nowlin, 2013). In various studies regarding marketing capabilities, firm size has been taken as a control variable and is measured by the number of employees in the firm (Lisboa et al., 2011; O'Cass and Sok, 2012; Krush et al., 2013). Many researchers consider that the firm size may impact performance (Hart and Banbury, 1994; Miller and Cardinal, 1994; O'Cass and Sok, 2012; Krush et al., 2013). Whereas, others found that firm size as a control variable is insignificant in its relation to performance (Krush et al., 2013). Several studies have taken firm age as a control variable and measured it by the number of years a firm has been engaged in its operations (O'Cass and Sok, 2012; Shin, 2012; Wu and Wu, 2013). In terms of control variable, firm age is found to have insignificant relation with performance (Krush et al., 2013). In context of firm ownership, previous studies have found that government ownership allows a firm access to exclusive

distribution channels, tax rebates and subsidies (Wu, 2013). Whereas, foreign ownership enables emerging market firms to gain advantage of both expertise and advanced knowledge (Elango and Pattnaik, 2007). Several studies that have taken firm ownership as a control variable, measured it by considering the percentage of both government and foreign ownership (Eng and Spickett-Jones, 2009; Su, Xie, Liu & Sun, 2013; Wu, 2013). Measurement of firm efficiency as a control variable has been done based on the firm's ability to convert valuable resources into required output and has been categorized into two subgroups, namely, efficient and inefficient (Su et al., 2012). Firm experience as a control variable has been measured by the extent to which a firm has operated previously domestic and international (Su et al., 2013; Eng and Spickett-Jones, 2009).

2.3.2 Marketing capabilities in fashion retailing

Marketing capability of the firm is a complex and multi facet phenomenon (Agyapong, 2015). Studies argue that marketing capabilities are measured and classified in different ways. Some researchers in the field of marketing capabilities have used different measures of marketing capabilities (Conant et al., 1993; Vorhies et al., 2009; Vorhies & Harker, 2000; Hooley et al., 2005; Song et al., 2007; Shin, 2012). Others have conducted the combined analysis of marketing and organizational capabilities including research and development intensity and multi-nationality of a firm (Kotabe, Srinivasan & Aulakh, 2002).

Vorhies et al. (2009) classify marketing capabilities as specialized and architectural. Specialized marketing capabilities reflect task specific marketing activities like marketing communications, personal selling, pricing, product development whereas architectural capabilities provide the planning and coordination mechanism that ensures the effective deployment of these marketing program-level activities. Both types of marketing capabilities, as well as their integration are significant drivers of market effectiveness (Vorhies et al., 2009). In addition to this broad classification, other researchers have examined capabilities relating to individual marketing processes including market-sensing capabilities, relational capabilities, brand management capabilities and innovation capabilities (Day, 1994; Morgan, 2011; Smirnova, Naude, Henneberg, Mouzas & Kouchtch, 2011). Other studies also measured marketing capabilities with respect to planning and implementation capabilities (Morgan, 2011).

Day (1994) suggest that it is not possible to enumerate all possible capabilities, because every business develops its own configuration of capabilities that are rooted in the realities of its competitive market, past commitments, and anticipated requirements. Majority of the studies measured marketing capabilities in terms of the four P's of marketing, namely, pricing, product, promotion and place (Kamboj & Rahman, 2014; Vorhies, 1998; Vorhies & Harker, 2000; Tsai & Shih, 2004; Vorhies et al., 2009; Ngo & O'Cass, 2012; Morgan, 2011). Therefore this study used the four P's approach to measure marketing capabilities based around the classical marketing mix (Morgan, 2011). Firms within the fashion industry tend to focus on various combinations of retail/marketing mix elements. In practice, these elements are ideally combined in a unique manner that adds value for end customers. Each of these four P's capabilities have been acknowledged as important to success in general retailing (Dobholkar, Thorpe & Rentz, 1996; Sharma, Levy & Kumar 2000; Wileman & Jary, 1997). The four P's are discussed below.

2.3.2.1 Price Management and firm performance

Price management is the process of setting and maintaining prices at which a business will sell its products and services better than competition. Price is a key component of the value delivered to customers through market offerings (Dawar & Parker 1994). Price impacts both the cost and perceived quality sides of the customer value equation, and the ability to manage pricing effectively is therefore an important marketing capability (Dutta Zbaracki & Bergen 2003). A firm with strong pricing capabilities is knowledgeable about price's impact on customer value perceptions (Shapiro, Ragan, Moriarty & Ross, 1987) and about competitors' current and planned pricing strategies and actions (Davey, Childs & Carlotti, 1998). Such firms utilize this knowledge to develop appropriate pricing strategies and to quickly and effectively execute and communicate pricing changes when required (Marn & Rosiello 1992).

Although pricing is a key element in firm profitability, research on it is comparatively limited: "price is so important to the firm's success, one wonders why pricing has not received more attention" (Dutta et al., 2003). It is the only marketing mix variable that generates revenues; all others involve expenditures (or possibly investments) of funds (Marn & Rosiello 1992). The lack of research on the relationship between pricing methods and firm performance is puzzling (Davey et al., 1998)

Dutta et al. (2003) highlighted the role of pricing capabilities, defined as a set of complex routines, skills, systems, know-how, coordination mechanisms, and complementary resources, in increasing company performance. Pricing capability refers to, on the one hand, the price-setting capability within a firm (identifying competitor prices, setting pricing strategy, translating from pricing strategy to price) and, on the other, to the price-setting capability vis-à-vis customers (convincing customers on price-change logic, negotiating price changes with major customers). In subsequent studies, pricing capabilities were found to be positively related to firm performance (Shapiro et al., 1987; Davey et al., 1998; Dutta et al., 2003).

2.3.2.2 Product management and firm performance

This capability involves the process of adapting, maintaining, and delivering unique product and service offerings to satisfy customer needs better than competitors (Greenley & Oktemgil, 1997). Producing and delivering valuable and appealing product/service offerings requires well-developed organizational routines for evaluating product/service performance and adapting existing product/service offerings to match changing customer requirements and competitive imperatives (Slater & Narver 1995). To be effective, product management efforts must focus attention on understanding the needs of customers within targeted segments (Greenley & Oktemgil, 1997)

At the core of product management is the product (or product line) strategy (Slater & Narver 1995; Dawar and Parker, 1994). The degree to which firms take a strategic planning orientation (Greenley & Oktemgil, 1997) should have an impact on firm performance. Product strategy determines which product categories the firm should be competing within and which categories it should relinquish. From an organizational perspective, product strategy has several boundary spanning implications. These include the cross functional responsibility for deciding which products to add and which to phase out (Slater & Narver 1995) and the time horizon over which this takes place (for instance, short-term versus long-term) (Deter-Schmelz, Moore, Goebel 2000; Ethiraj et al., 2005). Companies with the capability of aligning their product strategy with the best alternative for managers (Greenley & Oktemgil, 1997), should exhibit higher firm performance.

Product management capability enables firms to design unique new products/services/brands which are highly valued by customers but difficult for competitors to imitate, thereby enjoying a differentiation advantage and performance reward (Dawar and Parker, 1994). Previous studies have found a positive significant relationship between product management and firm performance (Dawar and Parker, 1994; Deter-Schmelz, Moore, Goebel 2000; Ethiraj et al., 2005)

2.3.2.3 Promotion capability and firm performance

This capability is defined as the degree to which retailers are effective in differentiating their stores through locations, advertising, and promotions (Vorhies, 1998). Given the competition that fashion retailers face from season to season, capabilities in each of these areas should help them win business in the heavily saturated retail market through more focused promotions, research, service delivery and operations (Vorhies, 1998). The marketing literature suggests that such promotional capabilities are built upon fundamental marketing activities such as advertising, social media participation, sponsorship, public relations, and corporate image management (Aaker, 2008).

There are different kinds of promotions; price promotion, extra product promotion or a combination of the two, mixed promotion (McGoldrick, 2002). Strategically, some firms, for example, rely heavily on price promotions to appeal to more price sensitive markets and tactically adjust the extent of the promotion to match daily or weekly promotions of competitors (Michael & Sinha, 2009). Other firms may rely more on product quality, assortments and more conservative price promotions to attract other markets, while refusing to modify price promotions on a daily basis to match those of others who rely primarily on price discounting to stimulate sales (Michael & Sinha, 2009). Others attempt to stimulate demand by reducing the price that a buyer has to pay by offering coupons or direct price promotions for example giving a 40 percent off, offering more of the product at the same price (e.g. buy one, get one free), limiting the availability of unit sales at reduced prices (e.g. limit 2 per family') as well as various combinations of both price and extra- product promotions (e.g. buy two, get 20 percent off) (Michael & Sinha, 2000).

It is assumed that retailers rely on various types of sales promotions to affect consumers' perceptions of deal value with the intention of creating the short-term differentiation necessary to

attract the consumer to the retailer's firm versus a competitor's firm (McGoldrick, 2002). Michael and Sinha (2000) argue that the relationship between price promotion capability and firm performance is significant, extra product promotion type and mixed combination both have an indirect relationship with firm performance

2.3.2.4 Store image differentiation and firm performance

Capability in store image differentiation refers to the degree to which retailer's external store image and merchandising image are unique (McGee & Peterson, 2000). Cloth retailers are usually product-centered firms that follow a product differentiation strategy or/and a niche strategy. These companies try to gain customer loyalty through product differentiation with high product quality and a premium price when possible (McGee & Peterson, 2000; Toften & Hammervoll, 2010). Thus, a firm implementing a differentiation strategy can expect loyal customers whose repeat purchases will impact positively on its financial outcome.

The symbolic, experiential expression of the manner in which consumers see or visualize a store is the store image. Different researchers have focused upon varying attributes of store image and indicate the factors which affect it fall into two broad categories; utility and the impression oriented made. The former has been understood as the functional quality and tangible aspect (McGee & Peterson, 2000), while the latter as the psychological and the intangible aspect (Toften & Hammervoll, 2010). The utility aspect refers to the factual or physical store functions such as merchandise assortment, price range, store layout, or any other possible qualities while the impression oriented aspect refers to intangible feelings (consumers' experience on being exposed to the store) that a store delivers to its consumers, such as sense of belonging, feeling of excitement or feeling of warmth and friendliness.

Customers' patronage behaviour towards a particular store is dependent on their image of that particular store (Toften & Hammervoll, 2010). The more favorable the store image, the higher the valence of the store to the customer. However, the exact relationship between store image and customer loyalty has remained inconclusive. There is both evidence for a direct relationship and an indirect relationship whereby store satisfaction acts as a mediator (Toften & Hammervoll, 2010, McGee & Peterson, 2000, Ethiraj et al., 2005).

2.3.3 Non-financial levels of firm performance

Any form of marketing is done to attract customers (Christian, 2009) hence why non-financial measures are important. Non-financial measures have received considerable attention from scholars (Govindarajan & Fisher, 1990; Abernethy & Lillis, 1995; Ittner, Larcker & Rajan, 1997). These measures are better predictors of a firm's long run performance and they help managers monitor and assess their firm's progress towards strategic goals and objectives (Kaplan & Norton, 2001). Several studies have used non-financial performance (NFP) dimensions to measure firm performance (Govindarajan & Fisher, 1990; Abernethy & Lillis, 1995; Ittner, et al., 1997; Hoque & James, 2000). NFP measures have several important benefits compared to financial performance measures. First, high performance on non-financial performance measures is positively related with future financial performance. In this way, non-financial performance measures can instigate the CEO to take actions that benefit the firm in the long term (Banker, Potter, & Srinivasan, 2000). Second, these measures reduce the amount of earnings management (Ibrahim & Lloyd, 2011). Third Publicly available financial data about retail firms is largely missing and can be difficult to interpret for a variety of reasons (Ittner et al., 1997).

Various researchers have measured non-financial performance differently. Some measure (Datar, Kulp, & Lambert, 2001; Ibrahim & Lloyd, 2011; Ittner, et al., 1997; Kaplan & Norton, 2001) it by looking at the workforce development, product quality, customer satisfaction, on time delivery, innovation measures, attainment of strategic objectives, market share, efficiency, productivity, leadership and employee satisfaction. Others like Lengnick-Hall and Wolff (1999) consider employee skills and knowledge levels, employee morale, customer retention rates, and strength of distribution channels. Majority studies (Tsai & Shih, 2004; Hooley et al., 2005; Kamboj & Rahman, 2014; Cabanero et al., 2010) paid more attention to customer and employee satisfaction, customer loyalty, customer acquisition, new product development and market share as NFP indicators to assess firm performance, this is because customers and employees are important primary stakeholders and their management has a big impact on firm performance.

Firms strive to come up with these marketing capabilities in order to attract and retain customers, this study focused on NFP indicators related to the firm. These include customer acquisition, customer loyalty, market share and new product/stores (Kaplan & Norton, 2001, Tsai & Shih, 2014, Hooley et al., 2005, Kamboj & Rahman, 2014; Cabanero et al., 2010; Lea- Greenwood,

2009). Firms focus much on marketing capabilities activities that deliver value to customers (Day, 1994). By providing customers with the right level of performance at the right price, firms do not require customers to spend money on benefits they do not want. Furthermore, satisfied customers typically demonstrate high levels of brand loyalty (Aaker, 2008) resulting in a reduction in the expenses necessary to retain these customers. Firms must stay constantly focused on the needs of their targeted customers.

2.3.4 Relationship between marketing capabilities and firm performance

The relationship between marketing capabilities and firm performance has received increased research attention in recent years (Krasnikov & Jayachandran, 2008; Morgan et al., 2009; Murray, Gao, and Kotabe, 2011; Vorhies et al., 2009). Overall, the findings of these studies support the relationship between capabilities and performance, which is consistent across diverse research contexts (Krasnikov & Jayachandran, 2008). The conceptual rationale for this relationship is based on the recognition that capabilities encompass skills that are embedded deeply in organizational routines and practices and represent knowledge that has been accumulated over the years. As a result, capabilities are difficult to trade, imitate, or duplicate, offering a sustainable source of competitive advantage (Day, 1994; Teece et al., 1997). Moreover, marketing capabilities enable firms to effectively implement strategic orientations which are designed in order to match the faced market conditions and achieve specific performance objectives (Morgan et al., 2009).

Different researchers have divergent views on the relationship between marketing capabilities and firm performance. Some support that the relationship is direct and positive (Day 1994; Moorman & Slotegraaf, 1999; Krasnikov & Jayachandran, 2008; Nath et al., 2010), while others support an indirect relationship (Priem & Butler, 2001; Brush & Artz, 1999). Others argue that while establishing a direct relationship between capabilities and firm performance, researchers forget that firm performance depends not only on marketing capabilities but on other contextual circumstances such as industry and macroeconomic issues. It seems reasonable, therefore, to measure the influence of capabilities on firm performance through a set of non-financial performance measures with close and direct causal relationships with the studied capability. Some academic studies (Brush & Artz, 1999; Ethiraj et al., 2005) have studied the relationship

between capabilities and performance through intermediate and non-financial performance measures.

2.4 Research Gap

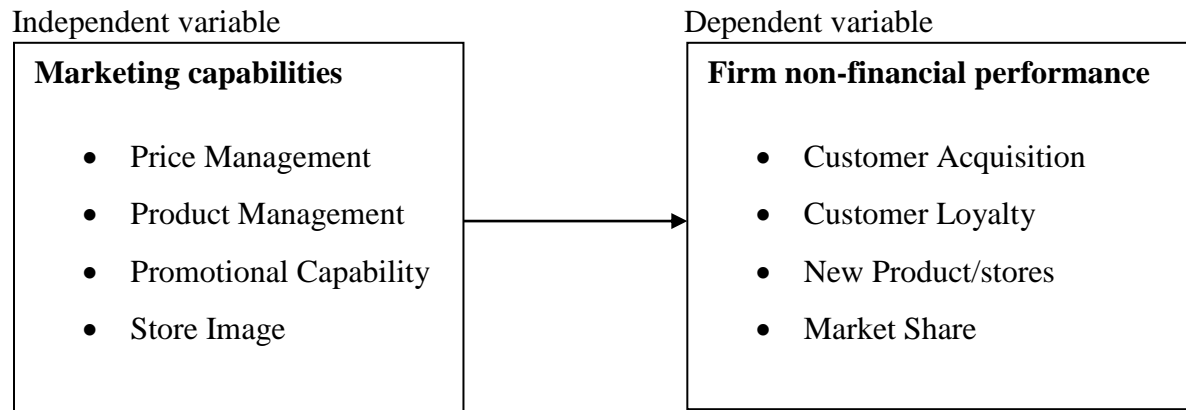
Marketing capabilities and firm performance are multi-facet phenomenon, there is no agreement on how to conceptualize and measuring them across all industries (Krasnikov & Jayachandran, 2008). Therefore every firm needs to develop its own configuration of marketing capabilities that are rooted in the realities of its competitive market, past commitments and anticipated requirements. Previous researchers (Morgan et al., 2011; Theodosiou et al., 2012; Akinbola, Adegbuyi, & Otokiti, 2014; Agyapong, 2015; Moore & Fairhurst, 2003; Cabanero, Gonzalez-Cruz and Cruz-Ros, 2011) have agreed that firms that implement the right marketing capabilities enjoy sustainable competitive advantage which reflects on their performance.

Therefore this study sought to fill the research gap by identifying marketing capabilities relevant to the fashion retailing industry specifically in Nairobi County and their impact on firm performance and also developing a comprehensive understanding of how marketing capabilities are linked with firm performance adds to the body of knowledge in retail strategy and marketing in general.

2.5 Conceptual framework

The conceptual framework below helped explain that marketing capability which was the independent variable was measured using four constructs: price management, product management, promotional capability and store image while firm performance the dependent variable was measured using four constructs: customer acquisition, customer loyalty, market share and new product/stores. The study explained the relationship between the two.

Figure 2.1: Conceptual framework



Source: Author (2016)

2.5.1 Operationalization

This sub-section explained how the researcher measured the firm profile, marketing capabilities and firm's non-financial performance.

Firm profile

Zou and Stan (1998) describe firm characteristics as a firm's demographic, which in turn comprise part of the organization's internal environment. In a firm specific context, a firm's marketing capabilities and constraints greatly influence the choice of marketing strategy and ability to execute a chosen strategy (Aaker, 2008).

According to O'Sullivan, Abela and Hutchinson (2009), firm characteristics such as the age of the firm, measured by the number of years the firm has been in operation, the size of the firm measured by the numbers of employees and the firms' ownership structure have been used. These characteristics can influence management decisions and the marketing strategies adopted by a particular firm.

Marketing capabilities measurement

In this study the measures used to capture information from key informants were adopted from existing scales. Marketing capabilities were measured using the Conant et al. (1993) likert scale. This scale was originally designed to measure marketing capabilities across the entire marketing function in apparel retailing firms and, as such, fits the needs of this study. The scale required key informants to rate how well their companies performed on a number of marketing activities.

An additional reason for choosing this scale was that it comprised a complete list of marketing capabilities that were used in subsequent studies (Conant et al., 1993; Dabholkar et al., 1996; Sharma et al., 2000; Wileman & Jary, 1997; Kamboj & Rahman, 2014; Deeter-Shmelz, Moore & Goebel, 2000 and Moore & Fairhurst, 2003). The variables for the scale explained the extent to which the informants agree or disagree with a given statements in the questionnaire.

Firm performance measurement

Non-financial performance were measured by assessing the following measures: customer acquisition, customer loyalty, new product/stores and market share (Venkatraman & Ramanujam, 1986; Tsai & Shih, 2014; Hooley et al., 2005; Kamboj & Rahman, 2014; Cabanero, 2010). A five point Likert scale was used to measure firm performance. Table 2.1 shows a summary of the dependent and independent variable constructs, the operational definitions of each construct and how they were measured.

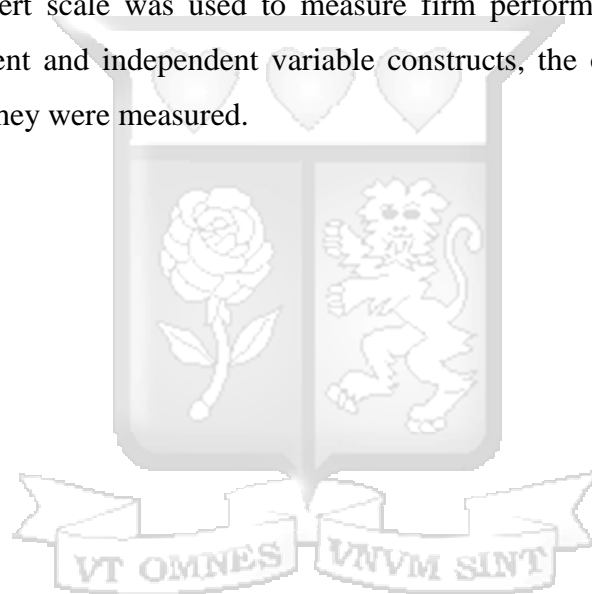


Table 2.1: Operationalization of study

Variable	Constructs	Operation definition	Measurement indicator	Source
Independent variable (Marketing capabilities)	1.Pricing management	Process of setting and maintaining prices at which a business will sell its products and services better than competition	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	Dawar and Parker (1994)
	2.Product management	Process of adapting, maintaining, and delivering unique product and service offerings to satisfy customer needs	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	Greenley and Oktemgil (1997)
	3.Promotional capability	Degree to which firms are effective in differentiating their stores through advertising and promotions	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	Vorhies (1998)
	4. Store image	Degree to which retailer's external store image and merchandising image are unique	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	McGee and Peterson (2000)

Dependent variable (Firm performance)	1.Customer acquisition	Process of acquiring new customers for business or converting existing prospect into new customers.	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	Hooley et al., (2005)
	2.Customer loyalty	The continued and regular patronage to a business in the face of alternative economic activities and competitive attempts to disrupt the relationship.	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	Cabanero, Gonzalez-Cruz and Cruz-Ros, (2011)
	3. Market share	This is the percentage of the market an operator is deemed to be controlling	Proportion of the market held by the firm. 1.Increase in market share 2.Increase in sales volume	Eng and Spickett-Jones (2009)
	4.New product/stores	Firm's ability to create meaningful new value offerings (like Products and stores) for its target markets	Five point likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-strongly agree	Kamboj and Rahman (2014)

Source: Author (2016)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter described the various methodologies that were used in gathering information, procedures that were adopted in conducting the research and the techniques used in data analysis and collection. It is divided into six sections; research philosophy, research design, population and sampling, data collection, data analysis and lastly ethical considerations.

3.2 Research philosophy

The philosophical framework underpinning this study was the positivism approach. Saunders, Lewis and Thornhill (2009) argue that through positivism the researcher is concerned with facts and not impressions. Positivists hold that anything that can be perceived through the senses is real (Sarantakos, 2005).

From a methodological perspective, positivist requirements for universal principles and generalizability imply the use of quantitative methodology, and the precision and usefulness of theories derived in this manner consequently are judged by their capacity to explain and/or predict phenomena. However, instrumentalism, a sub-set of the positivist view (Friedman, 1953), regards predictive ability rather than explanatory power to be paramount. In its purest form, positivism suggests that human behaviors can be reduced to the state of generalized laws in which the individual is not of significance (nomothetic). Such research is scientific, structured, has a prior theoretical base, seeks to establish the nature of relationships and causes and effects, and employs empirical validation and statistical analyses to test and confirm theories hence why this study used a positivist approach (Friedman, 1953)

3.3 Research design

A cross sectional survey approach was adopted for this study. Surveys enable the researcher to obtain data about practices, situations or views just once, perhaps over a period of days or weeks or months through questionnaires or interviews (Sekaran & Roger, 2009). Quantitative analytical techniques like spearman correlation and multiple regression were used to draw inferences from the data regarding existing relationships. The use of surveys permit a researcher to study more

variables at one time than is typically possible in laboratory or field experiments, whilst data can be collected about real world environments (Sekaran & Roger, 2009).

A cross sectional design is considered to be robust for effects of relationship studies and suitable for studies that aim to analyze a phenomenon, situation, problem attitude or issue by considering a cross-section of the population at one point in time (O'Sullivan, et al., 2009). This research design has been used in previous studies by Vorhies, (1998); Sekaran and Roger, (2009) and Slater and Narver, (1999).

3.4 Population and sampling

The total population was not known so the researcher developed a list of 62 branded retail stores (Appendix III) which was used to represent the population. Branded retail stores were categorized according to outlets which carried a unique: name, symbol, logo or combination thereof, merchandise, packaging and store image (Ailawadi & Keller, 2004; Terblanche, 1999). In Nairobi clothing retail stores that fit this description were located in major shopping malls (see Appendix III). A major shopping mall had the following components; clothing stores, food courts, restaurants, cinemas, children's play areas, interactive entertainment, social use areas, banking facilities, relaxation spaces, large parking space, strategic locations and promotional areas (Terblanche, 1999), this criteria was used in the selection of the major shopping malls.

The study concentrate on female and male apparel wear because most of the literature on fashion and apparel shopping orientation focuses on females and males (Beaudoin, Moore & Goldsmith 2000; Shim & Bickle, 1994; Shim & Kotsiopulos, 1993; Visser, Preez & Du Toit 1996; Michon, Smith & Chebet, 2008). Marketing managers of these retail stores were the respondents of this study. This is because marketing managers are responsible for all marketing activities which affect firm performance. Questionnaires were administered to all the 62 marketing managers of the retail stores listed in appendix III.

3.5 Data collection

Primary data was collected using self-administered semi-structured questionnaires accompanied by an introduction letter informing the respondents who the researcher was and the purpose of conducting the research (see appendix I and II).

The questionnaire was designed to fulfil the research objectives (Sekaran & Roger, 2009) with three sections; the first section contained questions about the firm profile, the second section

included questions focusing on marketing capabilities, the third section had questions related to firm performance. The questionnaire comprised closed ended questions constructed by the researcher. A five point likert scale assessing the level of respondent's agreement or disagreement with questionnaire statements and multiple choices questions were used. Data collection took two months, from February to March 2016.

3.6 Data analysis

This section discusses the techniques that were used to analyze data and test the variables. After the field survey, the raw data was first coded and then entered into MS-Excel spreadsheet where it was inspected for completeness by identifying, recording and entry errors in terms of unusual value, problematic data elements, and extreme values. Then, the complete data was keyed into Statistical Package for the Social Sciences software for meaningful analysis where descriptive, correlation analysis and multiple regression analysis were performed.

3.6.1 Descriptive analysis

Descriptive statistics is used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures (Sekeran & Roger, 2009). Descriptive statistics were used to analyze the respondents input on the firm profile like the number of branches the stores had, number of employees per store, age of the firm and the number of product lines each store carried. It was also used in getting the overall mean score and standard deviations of the marketing capabilities and firm performance variables.

3.6.2 Correlation analysis

Correlation analysis measures two or more factors to determine or estimate the extent to which the values for the factors are related or change in an identifiable pattern (Higgins, 2005). The correlation coefficient is a statistic used to measure the strength and direction of the linear relationship, or correlation, between two factors. The value of R can range from -1.0 to +1.0 (Sekeran & Roger, 2009). Since the study used non-parametric data, Spearman's correlation denoted by (r_s) was used to analyze the strength and direction of the relationship between marketing capabilities and firm performance.

3.6.3 Multiple regression analysis

Multiple regression analysis is one of the most widely used statistical procedures for both scholarly and applied marketing research. It is a statistical tool that allows one to examine how multiple independent variables are related to a dependent variable. (Higgins, 2005)

The relationship between marketing capabilities and firm performance was tested using multiple regression analysis. This is the mathematical formula applied to the independent variables in order to best predict the dependent variable one is trying to model the notation (Higgins, 2005). A mathematical equation is developed from the regression results. In the equations the dependent variable is always "Y" and independent or explanatory variables is always "X". Each independent variable is associated with a regression coefficient describing the strength and the sign of that variable's relationship to the dependent variable (Sekaran & Bougie, 2010). The regression models adopt were as follows:

$$\text{Customer acquisition} \quad \hat{Y}_{1i} = \beta_{10} + \beta_{11}\text{PriM}_i + \beta_{12}\text{ProdM}_i + \beta_{13}\text{PromC}_i + \beta_{14}\text{StorI}_i + \epsilon_i$$

$$\text{Customer loyalty} \quad \hat{Y}_{2i} = \beta_{20} + \beta_{21}\text{PriM}_i + \beta_{22}\text{ProdM}_i + \beta_{23}\text{PromC}_i + \beta_{24}\text{StorI}_i + \epsilon_i$$

$$\text{New product/stores} \quad \hat{Y}_{3i} = \beta_{30} + \beta_{31}\text{PriM}_i + \beta_{32}\text{ProdM}_i + \beta_{33}\text{PromC}_i + \beta_{34}\text{StorI}_i + \epsilon_i$$

$$\text{Market share} \quad \hat{Y}_{4i} = \beta_{40} + \beta_{41}\text{PriM}_i + \beta_{42}\text{ProdM}_i + \beta_{43}\text{PromC}_i + \beta_{44}\text{StorI}_i + \epsilon_i$$

$$\text{Overall firm performance} \quad \hat{Y}_{ji} = \beta_{i0} + \beta_{i1}\text{PriM}_i + \beta_{i2}\text{ProdM}_i + \beta_{i3}\text{PromC}_i + \beta_{i4}\text{StorI}_i + \epsilon_i$$

Where:

\hat{Y} - Dependent variables (\hat{Y}_{1i} -customer loyalty, Y_{2i} -customer acquisition, Y_{3i} -new product/stores, Y_{4i} -market share and Y_{ji} -overall firm performance) all were test individually in the above equations.

B_{ji} - The value of Y when marketing capabilities are equal to zero. This is also called the “Y Intercept”.

PriM_i, ProdM_i, PromC_i and StorI_i - Marketing capabilities initials: Price Management (PriM), Product Management (ProdM), Promotion Capability (PromC) and Store Image (StorI).

β_{10} , β_{20} , β_{30} and β_{40} - The coefficients values of PriM_i , ProdM_i , PromC_i and StorI_i for which one was trying to predict value of \hat{Y} .

ϵ_i - Error term.

Subscripts - The double subscript for a coefficient (β_{ji}): the first subscript (j) identifies the dependent variable (1 = Customer acquisition, 2 = Customer loyalty, 3 = New product/stores, 4 = Market share), the second subscript for the independent variables (0 = constant or intercept, 1 = PriM , 2 = ProdM , 3 = PromC , and 4 = StorI). The subscript (i) attached to all variables including error-variable is for case units under study.

Testing the model

Correlation coefficient (R)

The correlation coefficient (R) is a statistic tool used to measure the strength and direction of the linear relationship, or correlation, between two factors. (Saunders et al, 2009). This was used to help us know if the relationship exists, if it was a positive or negative one or if it's a strong or weak relationship (Higgins, 2005). The closer the correlation coefficient value was to 0.00, the weaker the relationship was and the less able one was likely to tell exactly what happened to one variable based on knowledge of the other variable. The closer a correlation coefficient approaches plus or minus 1.00 the stronger the relationship was and the more accurate one was able to predict what happened to one variable based on the knowledge of the other variable (Saunders et al, 2009)

Coefficient of determination (R^2)

Once the multiple regression output was assessed, the researcher was able to check how good the models were by examining the coefficient of determination (R^2). R^2 always lies between 0 and 1 and is the square of correlation coefficient (R). The closer R^2 is to 1, the better the model and its prediction. R^2 informed us how much variation in one variable is directly related to variation in the other variable (Higgins, 2005).

T-test

To test whether the independent variables were individually influenced by the dependent variable significantly one looks at the t- values and equivalent p-values in the regression output. Statistically, this is equivalent to testing the null hypothesis that the relevant regression coefficient is zero (Higgins, 2005). This can be done using t-test. If the t-test of a regression coefficient is significant, it indicates that the variable in question influences Y significantly while controlling the other independent variables (Sekaran & Bougie, 2010).

The null and alternative hypothesis is of the form $H_0 : \beta_i = 0$ versus $H_1 : \beta_i \neq 0$. If we reject the null hypothesis and conclude that the coefficient is not 0 , then we have an argument for including the variable in the regression equation. Conversely, if we cannot reject the null hypothesis, we might decide to eliminate this variable from the equation. To run this test we use the test statistic (Saunders et al., 2005). A variable is significant when the p-value is less than 0.05 otherwise insignificant.

3.7 Research quality

Research quality is measured by two aspects; the reliability and validity of the findings and of the techniques used. Validity and reliability are critical features of effective research. Validity refers to the extent to which questions in an instrument accurately measure the variables there in (Yin, 1994). While reliability refers to the degree to which asset of variables are consistent with what they are intended to measure (Then, 1996).

A reliability test was performed on the four components of marketing capabilities using the Cronbach's Alpha test. This was done to establish whether they were significant in explaining marketing capabilities. A Cronbach's Alpha value (α) greater than or equal to 0.5 is usually considered reliable. All four variables met the Cronbach's Alpha criterion and were therefore considered reliable in explaining the dependent variable (firm performance). Price management had a Cronbach's Alpha value of (α) 0.661, product management (α) = 0.676, promotional capability (α) = 0.636 and store image (α) = 0.658. The overall Cronbach's Alpha value for the four variables was 0.668. This value slightly exceeds the value recommended by Theodosiou et al. (2012) of above 0.6. Therefore the items measuring marketing capabilities were found

reliable. The Cronbach's Alpha value for the four variables measuring firm performance was (α) = 0.776.

Content validity was confirmed as the scale was originally developed after a thorough review of the literature to include all the theoretical dimensions of the concept, and it was used and validated in several subsequent studies (Hooley et al., 1999; Moore & Fairhurst, 2003; Hooley et al., 2005).

3.8 Ethical consideration

The following considerations were incorporated in the research process: The research was designed, reviewed and undertaken to ensure integrity and quality; all participants involved were informed fully about the purpose and intended uses of the research and what their participations entail. The confidentiality of information supplied by research subjects and the anonymity of respondents was respected. Research participants participated in a voluntary way, free from any coercion, any harm to research participants was avoided and the independence of research was clear, and last but not least any conflicts of interest or partiality were explicit (Economic and Social Research Council, 2005)

3.9 Chapter summary

This chapter focuses on explaining the research methodology adopted in carrying out the research. A cross sectional survey approach was used. The target population were 62 branded retail stores located in major shopping malls in Nairobi County. The respondents were marketing managers of these stores. Once data was collected it was coded then entered into MS-Excel spreadsheet. Then, the complete data was keyed into the SPSS software for meaningful analysis where descriptive, and multiple regression analysis and correlation analysis were performed.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents an analysis and report of the results from the current study. To begin with, preliminary analysis was performed on the data so as to determine the response rate. This was followed by descriptive statistics, correlation analysis and multiple regression analysis which were performed on items in the questionnaire to examine the relationship between marketing capabilities and firm performance.

4.2 Response rate

The key informant in this study were the marketing managers of branded retail stores in Nairobi County. These personnel were selected because they are responsible for implementing marketing strategies as well as guide and direct the activities of employees toward accomplishing this strategies. A total of 62 marketing managers of the branded retail stores, located in major shopping malls in Nairobi County were selected to answer the questionnaires. Out of the 62 only 33 responded giving a response rate of 53%. This figure was considered to be significantly adequate for the study to continue with the analysis.

4.3 Firm profile

The unit of analysis of this study was the firm. The study used number of stores, number of employees per store, age of the firm and the type of business to assess the firm's characteristics. In table 4.1 below, majority of the respondents 88%, had one to five stores in operation. 91% of respondents with one to five employees running each store and 64% of the stores had been in operation for less than five years. This results imply that most of the firms surveyed were relatively young and in the process of expanding their capacity and product base

Table 4.1: Firm profile I (Number of stores, employees and years in service)

Characteristics	Options	Frequency	Percentage
No. of stores			
	1-5 store/s	29	88%
	6-10 stores	4	12%
	More than 10	0	0%
	Total	33	100%
Employees per store			
	1-5 persons	30	91%
	6-10 people	2	6%
	More than 10	1	3%
	Total	33	100%
Age of firms			
	Less than one year	2	6%
	1-5 year/s	21	64%
	6-10 years	7	21%
	More than 10	3	9%
	Total	33	100%

In Table 4.2 below, majority of the stores 61% were still at the growth stage. 33% of the stores carried one and five product lines and a greater percentage of the stores were privately held 73%. This results show us that majority of these branded stores have not fully been established and have not expanded their product line base and while majority of the stores enjoy local market advantage they lack expertise and knowledge from foreign markets.

Table 4.2: Firm profile II (Stage of growth, product lines and type of business)

	Options	Frequency	Percentage
Stage of growth	Start-up	5	15%
	Growing	20	61%
	Maturity	8	24%
	Decline	0	0%
	Total	33	100%

Product lines	1-5	11	33%
	6-10	10	30%
	11-15	3	9%
	More than 15	9	27%
	Total	33	100%
Type of business	Franchise	6	18%
	Privately held	24	73%
	Publicly traded	3	9%
	other	0	0%
	Total	33	100%

4.4 Marketing capabilities of firms in the fashion retailing industry in Nairobi County.

The prevalent measures of marketing capabilities are found in terms of the four P's of marketing, namely, product, price, promotion and place. Therefore this study's first objective was to find out which of the four P's were relevant in the fashion retail industry in the Kenyan context. A set of 21 statements embodying different elements of marketing capabilities were presented to the respondents and they were requested to express their degree of agreement with these items on a five point likert scale where 1 was Strongly Disagree, 2 Disagree, 3 Somewhat Agree, 4 Agree and 5 Strongly Agree.

The respondents were asked to indicate their level of agreement with the twenty one statements assessing the relevant marketing capabilities in the fashion retail industry. First, descriptive analysis was performed on the responses where the mean scores and standard deviations were computed and then the overall mean values were used as indicators of their level of agreement with the statements.

4.4.1 Price management

The respondents were asked to express their degree of agreement with the following six items in relation to price management. In table 4.3 below, the frequency scores as well as the percentages of the responses for each item were as shown. The overall mean score was 3.480 and standard deviation was 1.270.

Table 4.3: Price management

Price management													
		Frequency and percentages											
		1		2		3		4		5		Mean	SD
Statements		F	%	F	%	F	%	F	%	F	%		
1	Our prices are lower than competitors	7	21	2	6.1	13	39	9	27	2	6	2.909	1.208
2	We are quick to revise prices when need be	1	3	3	9.1	8	24	9	27	12	36	3.848	1.121
3	Pricing contributes to marketing success	5	15	1	3	4	12	10	30	13	39	3.697	1.380
4	We give quantity discounts	0	0	1	3	9	27	10	30	13	39	4.061	.899
5	We sell on credit to regular customers	13	39	3	9.1	4	12	6	18	7	21	2.727	1.645
6	We offer different price ranges	5	15	1	3	5	15	12	36	10	30	3.636	1.365
Overall mean score												3.480	1.270

4.4.2 Product management

The respondents were asked to express their degree of agreement with the following four items in relation to product management. In table 4.4 below, the frequency scores as well as the percentages of the responses for each item were as shown. The overall mean score was 4.030 and standard deviation was 1.147.

Table 4.4: Product management

Product management													
		Frequency and percentages											
		1		2		3		4		5		Mean	SD
Statements		F	%	F	%	F	%	F	%	F	%		
1	We offer unique products	2	6.1	1	3	6	18	8	24	16	48	4.061	1.171
2	We regularly introduce new products	1	3	1	3	7	21	8	24	16	48	4.121	1.053
3	We add new features to existing products	2	6.1	0	0	4	12	13	39	14	42	4.121	1.053
4	Our Products are always branded	3	9.1	2	6.1	7	21	7	21	14	42	3.818	1.310
Overall mean score												4.030	1.147

4.4.3 Promotional capability

In table 4.5 below, the respondents were asked to express their degree of agreement with the following six items in relation to promotional capability. The frequency scores as well as the percentages of the responses for each were as shown. The overall mean score was 3.662 and standard deviation was 1.242.

Table 4.5: promotional capability

Promotional capability													
		Frequency and percentages											
Statements		1		2		3		4		5		Mean	SD
		F	%	F	%	F	%	F	%	F	%		
1	We run promotional campaigns	3	9.1	1	3	8	24	8	24	13	39	3.818	1.261
2	We run campaigns to increase awareness	5	15	2	6.1	8	24	10	30	8	24	3.424	1.347
3	We are open to joint campaigns	2	6.1	2	6.1	7	21	13	39	9	27	3.758	1.119
4	We offer online promotions for our products	4	12	1	3	7	21	12	36	9	27	3.636	1.270
5	We offer promotions on slow moving products	6	18	1	3	7	21	12	36	7	21	3.394	1.368
6	we give promotions on holidays	2	6.1	1	3	5	15	14	42	11	33	3.939	1.088
Overall mean score												3.662	1.242

4.4.4 Store image

The respondents were asked to express their degree of agreement with the following five items in relation to store image. In table 4.6 below, the frequency scores as well as the percentages of the responses for each were as shown. The overall mean score was 4.315 and standard deviation was 0.767.

Table 4.6: Store image

		Store image											
		Frequency and percentages											
Statements		1		2		3		4		5		Mean	SD
		F	%	F	%	F	%	F	%	F	%		
1	We brand our stores in a unique manner	0	0	0	0	8	24	10	30	15	45	4.212	.820
2	We stock variety of sizes & fittings	0	0	0	0	2	6.1	12	36	19	58	4.515	.619
3	Our stores are strategically located	0	0	0	0	3	9.1	14	42	16	48	4.394	.659
4	Our store display is unique	0	0	1	3	3	9.1	13	39	16	48	4.333	.777
5	Store branding attracts new customers	1	3	1	3	4	12	14	42	13	39	4.121	.960
Overall mean score												4.315	.767

When ranking the four marketing capabilities based on the overall mean score for each marketing capability, store image had the highest overall mean score of 4.315, followed by product management with a mean score of 4.03, promotional capability with an overall mean of 3.662 and lastly price management with an overall mean of 3.48. Based on these results, store image was the most relevant marketing capability in the fashion retailing industry while price management was the least relevant. This implies that marketing managers are more interested in store appearance and the products they offer than on pricing and store promotions.

4.5 Level of performance of firms in the fashion retailing industry in Nairobi County

In this study, four non-financial variables were used to measure firm performance namely customer acquisition, customer loyalty, new products/stores and market share. A set of questions embodying these four variables of firm performance were presented to the respondents where they were requested to express their degree of agreement with each statement on a five point likert scale where 1 was Strongly Disagree, 2 Disagree, 3 Somewhat Agree, 4 Agree and 5 Strongly Agree.

4.5.1 Customer Acquisition

The respondents were asked to express their degree of agreement with the following five items in relation to customer acquisition. In table 4.7 below, the frequency scores as well as the percentages of the responses for each item were as shown. The overall mean score was 4.109 and standard deviation was 0.990.

Table 4.7: Customer acquisition

Customer acquisition													
		Frequency and percentages										Mean	SD
		1		2		3		4		5			
Statements		F	%	F	%	F	%	F	%	F	%		
1	Discover additional needs for our clients	0	0	1	3	7	21	11	33	14	42	4.152	.870
2	Increase in demand for products from new customers	1	3	2	6	5	15	12	36	13	39	4.030	1.045
3	Existing customers are always buy new products	0	0	1	3	6	18	8	24	18	55	4.303	.883
4	We contact customers when we have new offers	0	0	1	3	9	27	8	24	15	45	4.121	.927
5	We get referrals from existing customers	2	6	3	9	4	12	10	30	14	42	3.939	1.223
Overall mean score												4.109	.990

4.5.2 Customer loyalty

The respondents were asked to express their degree of agreement with the following seven items in relation to customer loyalty. In table 4.8 below, the frequency scores as well as the percentages of the responses for each item were as shown. The overall mean score was 3.238 and standard deviation was 0.990.

Table 4.8: Customer loyalty

Customer loyalty													
		Frequency and percentages										Mean	SD
		1		2		3		4		5			
Statements		F	%	F	%	F	%	F	%	F	%		
1	We give after sale services to our loyal customers	5	15	5	15	7	21	8	24	8	24	3.273	1.398

2	Quick to detect changes in customer preference	2	6	3	9	8	24	10	30	10	30	3.697	1.185
3	We reach out to our customers for feedback	1	3	6	18	10	30	6	18	10	30	3.545	1.201
4	We offer lower prices for regular customers	11	33	9	27	6	18	4	12	3	9	2.364	1.319
5	We appreciate loyal customers by giving free products	8	24	14	42	2	6	5	15	4	12	2.485	1.349
6	We communicate to customers about new products	0	0	1	3	8	24	8	24	16	48	4.182	.917
7	We give discounts to our loyal customers	3	9	11	33	5	15	7	21	7	21	3.121	1.341
	Overall mean score											3.238	1.244

4.5.3 New products/stores

The respondents were asked to express their degree of agreement with the following four items in relation to new products/stores. In table 4.9 below, the frequency scores as well as the percentages of the responses for each item were as shown. The overall mean score was 3.508 and standard deviation was 1.056.

Table 4.9: New product/stores

New products/stores													
		Frequency and percentages										Mean	SD
		1		2		3		4		5			
Statements		F	%	F	%	F	%	F	%	F	%		
1	We always introduce new products	0	0	2	6	7	21	14	42	10	30	3.970	.883
2	We are fast in bringing new stores	3	9	7	21	12	36	9	27	2	6	3.000	1.061
3	We often review our stores in line with client wants	1	3	6	18	11	33	9	27	6	18	3.394	1.088
4	We review our new products in line with client wants	2	6	3	9	9	27	9	27	10	30	3.667	1.190
	Overall mean score											3.508	1.056

4.5.4 Market share

Under market share respondent were asked multiple choices questions with regards to their store's performance. A range of optional answers were given as shown in table 4.10. For analysis purposes, the researcher assigned each optional answer on a scale of one to four. The frequencies and percentages of each answer are as shown on the table.

Majority of the respondent's market share was less than 25%, no store had a market share of above 50%. Most claiming an increase of less than 25% in the years 2014 and 2015 and a few stating that their market share had remained constant over the two years. Majority also agreed that their sales volume had increased over the two years. This results imply that as much as majority of the respondent's stores did not hold a big percentage of market share in the industry, the fashion retail industry in Nairobi was still doing well especially in the years 2014 and 2015.

Table 4.10: Market share summary

Market share						
Statement	Options	Scale	Frequency	Percentage	Mean	SD
The Approximate percentage of market share of the stores	Less than 25%	1	30	91%		
	Between 26%-50%	2	3	9%		
	Between 51%-75%	3	0	0%		
	Above 75%	4	0	0%		
					1.0909	0.2919
Description of the store's market share in the years 2014 and 2015	Increased	2	23	70%		
	Decreased	1	4	12%		
	Constant	0	6	18%		
						1.5152
Percentage increment or decrement	Less than 25%	1	26	79%		
	Between 26%-50%	2	6	18%		
	Between 51%-75%	3	1	3%		
	Above 75%	4	0	0%		
					1.2424	0.5019
Description of the store's sales volume in the years 2014 and 2015	Increased	2	25	76%		
	Decreased	1	4	12%		
	Constant	0	4	12%		
						1.6364
			Overall scores		1.3712	0.5720

In conclusion firm performance is a multifaceted variable and there is still inconsistency on how it should be measured. In the descriptive analysis, the level of performance was highest when measured with customer acquisition (Mean = 4.109, SD = 0.990) and lowest when measured

using market share (Mean = 1.3712, SD = 0.5720). This implies that marketing managers are keen on acquiring new customers and products but not so keen on retaining the customers and on assessing their portion of sales within the entire market in which they operate.

4.6 Influence of marketing capabilities on firm performance

This research aims at investigating the influence of marketing capabilities (independent variable) on firm performance (dependent variable). This was achieved by using correlation analysis first and then multiple regression analysis.

4.6.1 Spearman's rho correlation analysis

Spearman rank order correlation (r_s) was used. Correlation analysis between firm performance and the four variables measuring marketing capabilities was done to measure the strength of association between the two variables. The results were as shown below in table 4.11.

Table 4.11: Correlation results

Spearman's rho Correlation						
		Firm performance	Price management	Product management	Promotional capability	Store image
Firm performance	Correlation Coefficient	1	0.128	.580**	0.246	.430*
	Sig. (2-tailed)	.	0.478	0.000	0.168	0.012
	N	33	33	33	33	33
Price management	Correlation Coefficient	0.128	1	0.126	.515**	0.218
	Sig. (2-tailed)	0.478	.	0.486	0.002	0.223
	N	33	33	33	33	33
Product management	Correlation Coefficient	.580**	0.126	1	0.107	.458**
	Sig. (2-tailed)	0.000	0.486	.	0.552	0.007
	N	33	33	33	33	33
Promotional capability	Correlation Coefficient	0.246	.515**	0.107	1	0.267
	Sig. (2-tailed)	0.168	0.002	0.552	.	0.133
	N	33	33	33	33	33
Store image	Correlation Coefficient	.430*	0.218	.458**	0.267	1
	Sig. (2-tailed)	0.012	0.223	0.007	0.133	.
	N	33	33	33	33	33
** Correlation is significant at the 0.01 level (2-tailed)						
* Correlation is significant at the 0.05 level (2-tailed)						

In the table above correlation between two adjacent variables was shown using the asterisks sign (*). As cited by Wileman and Jary (1997) the spearman correlation coefficient (r_s) ranging from 0.00 to 0.1 is considered very weak, from 0.20 to 0.39 is considered weak, from 0.4 to 0.59 is considered moderate, 0.6 to 0.79 is strong and lastly 0.8 to 1.0 is very strong.

Based on the results on table 4.11, the Spearman correlation coefficient for firm performance and product management was $r_s = .580$, p -value = .000 which showed a moderate, positive monotonic relationship ($p < 0.01$ for a two-tailed test), that of firm performance and store image was $r_s = .430$, p -value = .012 which showed a moderate, positive monotonic relationship ($p < .005$ for a two-tailed test), both based on $N=33$ complete observations. There was no correlation between firm performance and both price management and promotional capability. Therefore only product management and store image had a moderate, positive monotonic relationship with firm performance.

4.6.2. Regression analysis

Multiple regression was done to further explain the relationship between marketing capabilities and each of the four variables of firm performance individually. Five multiple regressions were done on the SPSS software and the results were as follows:

4.6.2.1 Influence of marketing capabilities on customer acquisition

In this regression analysis customer acquisition was the dependent variable and marketing capabilities were the independent variables. From the results in table 4.12, the Beta (B) values were the coefficients used in coming up with the regression model. Therefore the regression model equation was as follows:

$$\hat{Y}_{ii} = 5.532 + 0.007\text{PriM}_i + 0.556\text{ProdM}_i + 0.088\text{PromC}_i + 0.184\text{StorI}_i$$

Where:

5.532 = constant value of customer acquisition when all marketing capabilities values are equal to zero

0.007 = Coefficient of price management. For every unit increase in price management, we expect approximately 0.007 point increase in the customer acquisition score, holding all other variables constant

0.556 = Coefficient of product management. For every unit increase in product management, we expect approximately 0.556 point increase in the customer acquisition score, holding all other variables constant

0.088 = Coefficient of promotional capability. For every unit increase in promotional capability we expect approximately 0.088 point increase in the customer acquisition score, holding all other variables constant

0.184 = Coefficient of store image. For every unit increase in store image, we expect approximately 0.184 point increase in the customer acquisition score, holding all other variables constant

i = Error-variable for case units under study

All the beta coefficients of the marketing capabilities explained above had a positive relationship with customer acquisition

Table 4.12: Customer Acquisition and marketing capabilities regression results

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.570 ^a	0.325	0.229	2.68		
a Predictors: (constant) Price management, Product management, Promotional capability, Store image						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	97.001	4	24.25	3.375	.022 ^a
	Residual	201.181	28	7.185		
	Total	298.182	32			
a Predictors: (constant) Price management, Product management, Promotional capability, Store image						
b Dependent variable: Customer Acquisition						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.532	4.79		1.155	0.258
	Price management	0.007	0.143	0.009	0.051	0.96
	Product management	0.556	0.205	0.457	2.708	0.011
	Promotional capability	0.088	0.118	0.141	0.746	0.462
	Store image	0.184	0.203	0.155	0.906	0.373

a Dependent variable: Customer Acquisition

Table 4.12 show the results of the analysis. In the first section of the table; the model summary; provides the R values, The R value explains how well the whole model describes the data. In this case the model explained 57% (R) of the data. R² explains the extent to which the variability of the dependent variable is explained by the independent variables. In this case 32.5% of the variability in customer acquisition was explained by the independent variables namely price management, product management, promotional capability and store image. Sometimes the R squared can be overestimated so the adjusted R squared corrects the values. So in our case, the adjusted R square value was 22.9%. This means that accurately, 22.9% of the total variability of the dependent variable was explained by the independent variables

In the second section of the same table we have the analysis of variance (ANOVA). This section provides statistics about the overall significance of the model being fit. By looking at the significant value also known as the p-value, one is able to know if there are any independent variables explaining the dependent variable, in this case the p-value is 0.022 which is less than 0.05 .This tells us that there are independent variables explaining customer acquisition therefore the model is statistically significant. P-values tells us if we should reject or accept the null hypothesis. In ANOVA, the null hypothesis always states that the model has no explanatory power so by getting a significant p-value (p<0.05) one rejects the null hypothesis.

In the last section of table 4.12, we were able to see which specific independent variables were significant in explaining customer acquisition by looking at the p-values. For a variable to be significant in the model its p-value should be less than 0.05. In this case only product

management ($p=0.011$) was positively significant in explaining customer acquisition. Price management ($p=0.960$), promotional capability ($p=0.42$) and store image ($p=0.373$) were not significant.

After eliminating the insignificant variables, the final regression model was as shown below:

$$\hat{Y}_{li} = 5.532 + 0.556\text{ProdM}_i$$

4.6.2.2 Influence of marketing capabilities on customer loyalty

In this regression analysis customer loyalty was the dependent variable and marketing capabilities were the independent variables. From the results in table 4.13, the Beta (B) values were the coefficients used in coming up with the regression model. Therefore the regression model equation was as follows:

$$\hat{Y}_{2i} = -7.056 - 0.008\text{PriM}_i + 0.725\text{ProdM}_i + 0.230\text{PromC}_i + 0.609\text{StorI}_i$$

Where:

-7.056 = Constant value of customer loyalty when all marketing capabilities values are equal to zero

-0.008 = Coefficient of price management. For every unit increase in price management, we expect approximately 0.008 point decrease in the customer loyalty score, holding all other variables constant

0.725 = Coefficient of product management. For every unit increase in product management, we expect approximately 0.725 point increase in the customer loyalty score, holding all other variables constant

0.230 = Coefficient of promotional capability. For every unit increase in promotional capability we expect approximately 0.230 point increase in the customer loyalty score, holding all other variables constant

0.609 = Coefficient of store image. For every unit increase in store image, we expect approximately 0.609 point increase in the customer loyalty score, holding all other variables constant

i = Error-variable for case units under study

The beta coefficients of the marketing capabilities explained above had a positive relationship with customer loyalty, except for the constant and price management, this tells us that the constant value; when all marketing capabilities values are equal to zero was negative and price management and customer loyalty had a negative relationship

Table 4.13 shows the results of the analysis. In the first section of the table; the model summary; we have the R values, here R was 64.8% and R² was 42.1% showing that only 42.1% of the variability in customer loyalty was explained by the independent variables. The adjusted R square value was 33.8%. Therefore 33.8% of the total variability of the customer loyalty was explained by the independent variables (marketing capabilities)

Table 4.13: Customer loyalty and marketing capabilities regression results

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.648 ^a	.421	.338	3.98493		
a Predictors: (constant) Price management, Product management, Promotional capability, Store image						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	322.702	4	80.675	5.080	.003 ^a
	Residual	444.632	28	15.880		
	Total	767.333	32			
a Predictors: (constant) Price management, Product management, Promotional capability, Store image						
b Dependent variable: Customer Loyalty						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.056	7.121		-.991	.330
	Price management	-.008	.213	-.007	-.039	.969
	Product management	.725	.305	.372	2.377	.025
	Promotion capability	.230	.176	.230	1.312	.200
	Store image	.609	.302	.320	2.017	.053
a Dependent variable: Customer loyalty						

In the second section of the same table; the analysis of variance (ANOVA). The p-value was 0.003 ($p < 0.005$) therefore explaining that the overall regression model was significant.

In the last section of table, the p-values were as follows; Price management ($p=0.969$), product management ($p=0.025$), promotional capability ($p=0.200$) and store image ($p=0.053$). Therefore only product management was significant in explaining customer loyalty.

After eliminating the insignificant variables, the final regression model was as shown below:

$$\hat{Y}_{2i} = -7.056 + 0.725\text{ProdM}_i$$

4.6.2.3 Influence of marketing capabilities on new product/stores

In this regression analysis new product/store was the dependent variable and marketing capabilities were the independent variables. From the results in table 4.14, the Beta (B) values were the coefficients used in coming up with the regression model. Therefore the regression model equation was as follows:

$$\hat{Y}_{3i} = -4.070 - 0.067\text{PriM}_i + 0.468\text{ProdM}_i + 0.127\text{PromC}_i + 0.425\text{StorI}_i$$

Where:

-4.070 = Constant value of new product/stores when all marketing capabilities values are equal to zero

-0.067 = Coefficient of price management. For every unit increase in price management, we expect approximately 0.067 point decrease in the new product/store score, holding all other variables constant

0.468 = Coefficient of product management. For every unit increase in product management, we expect approximately 0.468 point increase in the new product/store score, holding all other variables constant

0.127 = Coefficient of promotional capability. For every unit increase in promotional capability we expect approximately 0.127 point increase in the new product/store score, holding all other variables constant

0.425 = Coefficient of store image. For every unit increase in store image, we expect approximately 0.425 point increase in the new product/store score, holding all other variables constant

i = the standard errors associated with the coefficients

The beta coefficients of the marketing capabilities explained above had a positive relationship with new product/stores, except the constant and price management, this tells us that the constant value when all marketing capabilities values are equal to zero was negative and price management and new product/stores had a negative relationship.

Table 4.14: New product/stores and marketing capabilities regression results

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.697 ^a	.487	.413	2.22097		
a Predictors: (constant) Price management, Product management, Promotional capability, Store image						
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	130.854	4	32.713	6.632	.001 ^a
	Residual	138.116	28	4.933		
	Total	268.970	32			
a Predictors: (constant) Price management, Product management, Promotional capability, Store image						
b Dependent variable: New product/stores						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.070	3.969		-1.026	.314
	Price Management	-.067	.118	-.092	-.564	.577
	Product management	.468	.170	.405	2.752	.010
	Promotional capability	.127	.098	.213	1.295	.206
	Store image	.425	.168	.377	2.524	.018
a Dependent variable: New product/stores						

The above table shows the results of the analysis. In the first section of the table; the model summary we have the R values explaining the goodness of fit of the model, here R was 69.7% and R² was 48.7% showing that only 48.7% of the variability in new product/stores was explained by the independent variables. The adjusted R square value was 41.3%. Therefore

41.3% of the total variability of the new product/store was explained by the independent variables (marketing capabilities)

In the second section of the same table, the analysis of variance (ANOVA). The p-value was 0.001 ($p < 0.005$) therefore explaining that the overall regression model was significant.

In the last section of table, the p-values were as follows; Price management ($p = 0.577$), product management ($p = 0.010$), promotional capability ($p = 0.206$) and store image ($p = 0.018$). Therefore product management and store image were significant in explaining new product/stores.

After eliminating the insignificant variables, the final regression model was as shown below:

$$\hat{Y}_{3i} = -4.070 + 0.468\text{ProdM}_i + 0.425\text{StorI}_i$$

4.6.2.4 Influence of marketing capabilities on Market share

In this regression analysis market share was the dependent variable and marketing capabilities were the independent variables. From the results in table 4.15, the Beta (B) values were the coefficients used in coming up with the regression model. Therefore the regression model equation is as follows:

$$\hat{Y}_{4i} = 3.655 + 0.02\text{PriM}_i - 0.052\text{ProdM}_i + 0.026\text{PromC}_i + 0.08\text{StorI}_i$$

Where:

3.655 = Constant value of market share when all marketing capabilities values are equal to zero

0.02 = Coefficient of price management. For every unit increase in price management, we expect approximately 0.02 point increase in the market share score, holding all other variables constant

-0.052 = Coefficient of product management. For every unit increase in product management, we expect approximately 0.052 point decrease in the market share score, holding all other variables constant

0.026 = Coefficient of promotional capability. For every unit increase in promotional capability we expect approximately 0.026 point increase in the market share, holding all other variables constant

0.08 = Coefficient of store image. For every unit increase in store image, we expect approximately 0.08 point increase in the market share score, holding all other variables constant

i = the standard errors associated with the coefficient

The beta coefficients of the marketing capabilities explained above had a positive relationship with customer acquisition except price management, price management and market share had a negative relationship.

Table 4.15: Market share and marketing capabilities regression results

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.365 ^a	0.133	0.009	0.79053		
a. Predictors: (Constant), Store Image, Price Management, Product Management, Promotional Capability						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.684	4	0.671	1.074	.388 ^a
	Residual	17.498	28	0.625		
	Total	20.182	32			
a. Predictors: (Constant), Store Image, Price Management, Product Management, Promotional Capability						
b. Dependent Variable: Market Share						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.655	1.413		2.587	0.015
	Price Management	0.02	0.042	0.1	0.472	0.641
	Product Management	-0.052	0.061	-0.163	-0.853	0.401
	Promotional Capability	0.026	0.035	0.16	0.746	0.462
	Store Image	0.08	0.06	0.261	1.343	0.19
a. Dependent Variable: Market Share						

The above table show the results of the analysis. In the first section of the table; the model summary; we have the R values, here R was 36.5% and R^2 was 13.3% showing that only 13.3% of the variability in market share was explained by the independent variables. The adjusted R square value was 0.9%. This results shows that the model was not fit in explaining the data.

In the second section of the same table, the analysis of variance (ANOVA). The p-value was 0.388 ($p > 0.005$) showing that the overall regression model was not significant.

In the last section of table, the p-values were as follows; Price management ($p=0.641$), product management ($p=0.401$), promotional capability ($p=0.462$) and store image ($p=0.19$). Therefore all four variables were not significant in explaining market share. Therefore the model was not significant

4.6.2.5 Overall regression model

A combined multiple regression was done to assess the overall relationship between marketing capabilities and firm performance. Firm performance was the dependent variable and marketing capabilities were the independent variables. The results were as shown in table 4.16.

Table 4.16 (a): Overall regression model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752 ^a	0.566	0.504	6.44002
a Predictors: (constant) Price management, Product management, Promotional Capability, Store image				

From the table; R was 75.2% which implied that 75.2% of the model was explained by the data. R^2 was 56.6% showing that 56.6% of the variability in firm performance was explained by marketing capabilities variables and the adjusted R square value was 50.4%. This results shows that the model was fit in explaining the data.

Table 4.16 (b): Analysis of variance (ANOVA)

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1512.791	4	378.198	9.119	.000 ^a
	Residual	1161.269	28	41.474		
	Total	2674.061	32			

a Predictors: (constant) Price management, Product management, Promotional Capability, Store image
b Dependent variable: Firm performance

In the ANOVA table 4.16 (b), the F statistics was 9.119 giving a p-value of 0.000 ($p < 0.005$) showing that the overall regression model was significant.

Table 4.16 (c): Coefficients summary

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.594	11.508		-0.486	0.631
	Price management	-0.068	0.343	-0.03	-0.198	0.845
	Product management	1.749	0.493	0.48	3.547	0.001
	Promotional capability	0.445	0.284	0.238	1.569	0.128
	Store image	1.218	0.488	0.343	2.495	0.019

a Dependent Variable: Firm performance

From the above table, the Beta (B) values were the coefficients used in coming up with the overall regression model. Therefore the overall regression model equation was as follows:

$$\hat{Y}_{ji} = -5.594 - 0.068\text{PriM}_i + 1.749\text{ProdM}_i + 0.445\text{PromC}_i + 1.218\text{StorI}_i$$

Where:

-5.594= Constant value of firm performance when all marketing capabilities values are equal to zero

-0.068= Coefficient of price management. For every unit increase in price management, we expect approximately 0.068 point decrease in the firm performance score, holding all other variables constant

1.749 = Coefficient of product management. For every unit increase in product management, we expect approximately 1.749 point increase in the firm performance score, holding all other variables constant

0.445 = Coefficient of promotional capability. For every unit increase in promotional capability we expect approximately 0.445 point increase in the firm performance score, holding all other variables constant

1.218 = Coefficient of store image. For every unit increase in store image, we expect approximately 1.218 point increase in the firm performance score, holding all other variables constant

i = the standard errors associated with the coefficients

The beta coefficients of the marketing capabilities explained above had a positive relationship with firm performance, except the constant and price management, this tells us that the constant value when all marketing capabilities values were equal to zero was negative and price management and new product/stores have a negative relationship.

The p values for the four variables were as follows; Price management (p=0.845), product management (p=0.001), promotional capability (p=0.128) and store image (p=0.019). Therefore product management and store image were significant in explaining firm performance. Promotional capability and price management were insignificant.

After eliminating the insignificant variables, the final overall regression model was as shown below:

$$\hat{Y}_{ji} = -5.594 + 1.749\text{ProdM}_i + 1.218\text{StorI}_i$$

Table 4.17 below shows a summary of the significant and insignificant marketing capabilities in explaining the four dependent variables namely customer acquisition, customer loyalty, new product/stores and market share. The last row shows the significant and insignificant marketing capabilities explaining the overall dependent variable, firm performance

Table 4.17: Summary of results

Model	Marketing capabilities			
	PriM	ProdM	PromC	StorI
Customer Acquisition	Not significant	Significant	Not significant	Not significant
Customer loyalty	Not significant	Significant	Not significant	Not significant
New product/stores	Not significant	Significant	Not significant	Significant
Market share	Not significant	Not significant	Not significant	Not significant
Overall Firm performance	Not significant	Significant	Not significant	Significant

4.7 Conclusion

This chapter shows how data was analyzed in order to meet the research objectives. The first objective was to establish the marketing capabilities relevant in the fashion industry in Nairobi. The overall means and standard deviations of the four variables were calculated and the results showed that store image and product management were the most relevant marketing capabilities followed by price management and promotional capability in that order.

The second objective was to analyze the level of performance of the branded retail stores. By using descriptive statistics customer acquisition had the highest overall mean score in explaining the level of performance followed by new product/store, customer loyalty and lastly market share. To analyze the influence of marketing capabilities on firm performance, correlation analysis and multiple regression were done. The results showed that product management was significant in explaining customer acquisition, customer loyalty and new product/store variables, store image was significant in explaining new product/stores, none of the marketing capabilities were significant in explaining market share.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study's findings and conclusions drawn therein. This is followed by recommendations and areas for future research. The overall objective of the study was to analyze the relationship between marketing capabilities and firm performance. This was broken down into three specific objectives, the first objective was to identify marketing capabilities of firms in the fashion retail industry, the second objective was to establish the level of performance of firms in the fashion and lastly the third objective was to analyze the influence of marketing capabilities on firm performance in the fashion industry.

5.2 Discussion of the findings

This section explains the major findings of the study in line with the research objectives.

5.2.1 Marketing capabilities relevant in the fashion retail industry

This study used the 4 P's as measures of marketing capabilities. From the descriptive analysis, store image variable had the highest overall mean score of 4.315 in explaining marketing capabilities followed by product management 4.030, then promotional capability 3.662 and lastly price management 3.480. This showed that marketing managers were more keen on their stores' appearance and the products they sold than on promotions and pricing. In the multiple regressions product management was significant in explaining customer acquisition, customer loyalty and new products/stores. Store image was only significant in explaining new products/stores. Pricing capability and promotion capability were insignificant in all cases. Therefore only store image and product management were significant in explaining firm performance. These results were found to agree and also vary with existing literature.

According to Moore and Fairhurst (2003), the price management and promotion capability factor were likely insignificant as a driver of performance in their study because the great majority of respondents indicated that they had consistently high degrees of capability in these areas. Therefore recommended fashion retailers to focus on attaining management levels aligned to target market expectations and to differentiate their stores in terms of store image, price and product offering, advertising and promotional efforts. Cabanero et al. (2010) found that pricing

capabilities had a positive impact on financial performance, as the relationship with skills related to accuracy of profitability forecasting and effectiveness of pricing program was more direct in their study.

Some researcher's findings were in line with this study, marketing capabilities related to product management and store image had no direct impact on financial performance but they did on non-financial performance (Morgan et al., 2009). Executives believe that product management is the cornerstone for their long-term success (Toften & Hammervoll, 2010; Tokarczyk et al., 2007). Furthermore, the ability to offer new products that combine design and quality will not only increase customer satisfaction but also the satisfaction of employees.

Researchers argued that these variations were as a result of the following; while establishing a direct relationship between marketing capabilities and firm performance, researchers forget that firm performance depends not only on marketing capabilities but on other contextual circumstances such as industry and macroeconomic issues (Morgan, 2011; Morgan et al., 2009; Ethirij et al., 2005, Kaplan and Norton, 2001). Therefore we can conclude that the variation in findings were as a result of firm performance being explained by other factors rather than just marketing capabilities and the studies being conducted in different industries.

5.2.2 Level of performance of branded retail stores in the fashion industry

In this study the level of performance was measured using four non-financial variables namely customer acquisition, customer loyalty, new product/stores and market share. Several studies agree with the use of non-financial performance variables to measure the level of firm performance (Kaplan & Norton, 2001; Tsai & Shih, 2014, Hooley et al., 2005; Kamboj & Rahman, 2014; Cabanero et al., 2010).

To establish the level of performance of these firms, descriptive analysis was done, the overall mean scores and standard deviations were computed. Customer acquisition had the highest overall mean score of 4.109 followed by new products/stores with 3.508, customer loyalty 3.238 and lastly market share 1.371. This implied that marketing managers were more interested in measuring firm performance using customer acquisition than using their market share. The reason for this is because there are so many players in this market, and the industry is so

fragmented that is it not really possible for the respondents to assess their market share in any meaningful way. This results were found to agree with certain literature and disagree with other.

According to Murray et al (2011) customer acquisition and market share were found to be the only non-financial significant variables in explaining the level of performance, customer loyalty and new products were insignificant. Kamboj and Rahaman (2014) found customer loyalty, customer acquisition, new products and market share as positive significant non-financial variables in measuring the level of performance. From the resourced-based view theory, differences in the level of firm performance results may be explained by the uniqueness of a firm's particular resources (Makadok, 2001). This variations can be explained by the following possibilities: firstly firm performance being explained by other factors not just marketing capabilities, secondly firm performance being measure by different variables not just non-financial factors, thirdly uniqueness of a firm's particular resources and lastly different researchers used different methodology.

5.2.3 Influence of marketing capabilities on firm performance

Four multiple regressions were done to assess the influence of marketing capabilities on the four individual variables of firm performance. An overall multiple regression was also done to establish the overall influence of marketing capabilities on firm performance. In the customer acquisition regression model only product management was significant in explaining firm performance, in the customer loyalty model only product management was significant. In the new product/stores model only product management and store image were significant. In the market share model none of the four variables of marketing capabilities were significant. In the overall regression model product management and store image were significant in explaining firm performance. In conclusion only product management and store image had a positive significant with firm performance. This shows us that marketing managers are keener on the products they stock up and the appearance of their stores than on pricing and promotions. This results were found to agree with certain literature and disagree with other.

Previous studies (Day 1994; Moorman & Slotegraaf, 1999; Krasnikov & Jayachandran, 2008; Nath et al., 2010) argue that there exist a relationship between marketing capabilities and firm performance. Controversies exist with regards to this relationship. Some researchers support that

the relationship is direct and positive, while others Priem and Butler, (2001) argue that the relationship is not a direct one because firm performance depends on a mix of inter-related capabilities, and it is very difficult to draw direct and clear causal relationships. In terms of the strength of the relationship, Tsai and Shih (2004); Hooley, Fahy et al., (2000) argue that the relationship between marketing capabilities and firm performance is stronger when we consider both financial as well as non-financial performance while Ethiraj et al., (2005) and Cabanero et al., (2010) argue that relationship can be explained more suitably by using non-financial performance. Researchers who used the 4 P's of marketing to measure marketing capabilities reported a positive significant relationship of all four capabilities with firm performance (Dobholker et al., 1996; Sharma et al., 2000, Wileman & Jary, 1997)

The variations could be explained by the studies being conducted in different industries, firm performance being measured by other indicators not just non-financial indicators and the use of different methodologies.

5.3 Conclusions

This study has presented a review of literature on marketing capabilities and firm performance. Marketing capabilities of a firm is a multi-faceted and complex phenomenon that is ridden by various factors. Due to this complexity, a number of different variables have been used to measure it, this study used the most prevalent measures the four P's of marketing, namely, product management, price management, and promotion capability and store image (place). Besides, firm performance is also multifaceted, it can be measured using financial or non-financial indicators or both. This study used non-financial indicators namely customer acquisition, customer loyalty, new product/store and market share.

The relationship between marketing capabilities and firm performance was analyzed using spearman's correlation and multiple regression analysis. The results showed that product management was significant in explaining customer acquisition, customer loyalty and new product/stores and insignificant in explaining market share. Store image was only significant in explaining new product/stores. Price management and promotional capability were insignificant in all cases.

A few studies have shown the relationship between the different measures of marketing capabilities and firm performance as significant, partially significant and insignificant with negative impact. In some studies, these measures were found to have positive and partial or positive and insignificant relation also. These variations were as a result of the studies being conducted in different industries, some were articulated to the fact that firm performance is explained by several contents not just marketing capabilities, uniqueness of a firm's particular resources and the use of different methodology.

5.4 Implications of the study

Marketing capabilities, as one of the strategic resources, help the organizations to identify customer's needs and understand the factors that influence customer choice behavior. This, in turn, enhances the organization's capacity to meet changing customer's expectations and vice versa pave way to accomplish the overall firm's objectives.

This study provides several contributions. First, it elaborates on different measures of marketing capabilities along with their impact on firm performance. This will help in the conceptualization of marketing capabilities and firm performance for future studies.

Second, this study will help marketing managers identify marketing capabilities relevant in achieving high performance hence gain competitive advantage over competitors. The two identified capabilities namely product management and store image have been found to be significant in explaining firm performance hence, improvements in these capabilities will lead to improved performance. Therefore marketing managers should focus their resources and efforts on the two specific capabilities.

Third, the findings generated from the study should provide marketing managers with an understanding of impact and relationship between marketing capabilities and firm performance. This would provide insights into how they ought to choose marketing capabilities relevant to their companies.

Finally, scholars interested in the field of marketing capabilities and firm performance should find the study relevant and of great importance. The research collaborates existing literature and

it intends to provide greater insight into the relationship between marketing capabilities and firm performance in the Kenyan context. The findings of the study should complement further the existing literature by adding to the current body of knowledge and also provide a basis from which future scholars can define their future research agendas.

5.5 Limitations of the study

As with any research effort, this study was subject to several limitations. First there are many players in this industry not just the branded retail stores and the industry is so fragmented that it was not possible for the respondents to assess their market share in any meaningful way. Second, data for this study was provided by a single respondent in each store included in our sample creating room for biasness.

Thirdly, this study is limited to one category of retail stores the branded clothing stores. It also focuses on one county, Nairobi. Therefore, further investigation is required before any generalization of these results can be undertaken. Given the nature of goods being sold in various retail formats, the retailer equity inferences can vary.

Lastly, the study used subjective measures of performance by asking the respondents to rate the performance of their firms. Majority of the branded retail firms in Kenya are small and privately held and as a result might find it difficult to provide their objective financial measures as they are not required by law to publish their financial results.

5.6 Suggestions for future research

This study's findings give suggestions for a number of directions for future research.

The study's sample comprised only one retail category, the branded retail stores that carry multiple lines of products. Future research can look at specialty apparel stores. Specialty apparel offer deep lines of merchandise and competition for advertising/promotional resources is not an issue compared to that of branded retailers who offer multiple lines.

In addition, there may be important contexts of marketing capabilities that were not included in our original marketing capabilities scale, such as competencies in relationships with vendors/suppliers and relationships with customers. This research focuses on competencies that enable the retailer to serve end consumers rather than channel partners on the supply side of the fashion business. Examination of marketing capabilities on both the supply and demand side of

the business would give us a more complete picture of the effective contexts of marketing capabilities within the complex fashion sector.

This study only looks at one type of capability; marketing capabilities and its impact on firm performance, future research should examine different types of organizational capabilities for example dynamic capabilities, organizational learning capabilities, inside-out capabilities, outside-in capabilities and their impact on firm performance. Lastly on methodological issues, future study may explore alternative research methodologies to see if they will yield similar results. Future studies can also replicate the present study in other retail formats and compare how the results differ from the present study.



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APPENDIX I: LETTER OF INTRODUCTION



4th February 2016

TO WHOM IT MAY CONCERN

Musyimi, Anne Katwa-85061

Ms Musyimi Anne Katwa is a postgraduate student in our Master of Commerce (MCom) programme. In partial fulfilment of the MCom degree, students are required to carry out a research project and write a thesis on a contemporary subject within their field of specialisation. Among other activities, the project involves data collection and analysis.

Anne is requesting to gather information to be used in her research. The information she will obtain from your organization will be used for this academic purpose only and will be kept confidential. The results of the survey will be in summary form and will not disclose any individual, company name or company information in any way.

The research study is entitled **“THE INFLUENCE OF MARKETING CAPABILITIES ON FIRM PERFORMANCE: A CASE OF FASHION RETAILING IN NAIROBI COUNTY.”**

We hope that your organization can assist by providing information to the above named student.

Yours faithfully,

Josphat Manani
MCOM Coordinator
School of Management and Commerce
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APPENDIX II: QUESTIONNAIRE

Instructions

Kindly complete the following questionnaire using the instruments provided for each set of questions. Please tick (✓) appropriately.

Confidentiality

All information given shall be treated with strict confidence. No reference will be made to any individual (s) or organization in the report of the study.

NAME OF STORE:

SECTION A

Company profile

Name (Optional)

Phone

Email

Firm information

1. How many stores does the firm currently operate?

.....

2. Approximately how many employees run each store?

.....

3. How long has the firm been in business?

.....

4. What stage of growth is the business currently in?

Start-up []

Growing []

Maturity []

Declining []

5. How many product lines do you carry?

Between 0-5

Between 6-10

Between 11-15

More than 15

6. What type of business do you venture in?

Franchise

Privately held

Publicly traded

Any other (please specify)

SECTION B: MARKETING CAPABILITIES

Please indicate the extent to which you disagree or agree with the following statements in reference to marketing capabilities by ticking (√) in the appropriate space.

(Where 1 is Strongly Disagree; 2 is Disagree; 3 is Somewhat Agree; 4 is Agree and 5 is Strongly Agree)

STATEMENT		SCALE					
		1	2	3	4	5	
1	Pricing management	1. We always set our prices lower than those of competitors					
		2. We are quick to revise our prices when need be					
		3. Pricing contributes to our marketing program success					
		4. We give quantity discounts					
		5. We sell on credit to our regular customers					
		6. We offer different price ranges for selected products to attract variety of customers					

		Any Other (please specify)					
2	Product Management	1. Our store offers unique products					
		2. We regularly introduce new products					
		3. We try to add new features to our products in order to attract new customers					
		4. Our products are always branded					
		Any Other (please specify)					
3	Promotional Capability	1. We frequently run promotional campaigns for our products					
		2. We always run promotions to increase store awareness					
		3. We are open to joint campaigns in order to promote our products					
		4. We offer online promotions for our products					
		5. We normally run promotions on our slow moving products					
		6. We frequently give promotions during holiday seasons					
		Any Other (please specify)					
4	Store Image	1. We always try to brand our stores in a unique manner					
		2. We always stock variety of sizes and fittings					

		3. Our stores are strategically located					
		4. Our store display is unique					
		5. Our store branding attracts new customers					
		Any Other (please specify)					

SECTION C: FIRM PERFORMANCE

The following statements are related to firm performance. Please indicate the extent to which you agree or disagree with the following statements. (√) in the appropriate space.

(Where 1 is Strongly Disagree; 2 is Disagree; 3 is Somewhat Agree; 4 is Agree and 5 is Strongly Agree)

CUSTOMER ACQUISITION		SCALE				
		1	2	3	4	5
1	We continuously try to discover additional needs of our customers of which they are unaware					
2	There is an increase in demand for our products from new customers					
3	Our existing customers are always buying new products					
4	We always contact our customers when we have new offers					
5	We receive referrals from our existing customers					
	Any Other(please specify)					

Please indicate the extent to which you agree or disagree with the following statements in reference to customer loyalty.

(Where 1 is Strongly Disagree; 2 is Disagree; 3 is Somewhat Agree; 4 is Agree and 5 is Strongly Agree)

	CUSTOMER LOYALTY	SCALE				
		1	2	3	4	5
1	We give after sales services to our loyal customers					
2	We are quick to detect changes in customer preferences					
3	We reach out to our customers for feedback on our products					
4	We offer lower prices to our regular customers					
5	We regularly appreciate our loyal clients by giving free store promotion products					
6	We communicate to our customers about new products, discounts or sales offers					
7	We give discounts to our most loyal customers					
	Any Other(please specify)					

Please indicate the extent to which you agree or disagree with the following statements in reference to new products and stores

(Where 1 is Strongly Disagree; 2 is Disagree; 3 is Somewhat Agree; 4 is Agree and 5 is Strongly Agree)

	NEW PRODUCTS/STORES	SCALE				
		1	2	3	4	5
1	We always introduce new products					
2	We are fast in bringing up new stores					
3	We review our stores to ensure they are in line with customer wants					
4	We review our new products to ensure they are in line with customer wants					
	Any Other (please specify)					

MARKET SHARE

Please tick (✓) or fill where appropriate.

1. Approximately what percentage of market share do your store/s control?

Less than 25% []

Between 26%-50% []

Between 51%-75% []

Above 75% []

Other (please specify)

2. In the years 2015 and 2014 how would you describe your market share?

Increased []

Decreased []

Constant []

3. If your market share in 2015 and 2014 increased or decreased, by what percentage?

Less than 25%

Between 26%-50%

Between 51%-75%

Above 76%

Other (please specify)

4. Describe the trend of your market share in the last five years

Increased

Decreased

Constant

5. In the years 2015 and 2014 how would you describe your sales volume?

Increased

Decreased

Constant

Thank you for your time and cooperation



APPENDIX III: LIST OF RETAIL STORES

Table I: Target population

Branded retail stores			
	Name		Name
1	4U2	33	Levi's
2	Armario's collection	34	Lexy collection
3	Avilas house of fashion	35	Little red
4	Barton	36	Lornah S. company
5	Basic intimates	37	Malaika brides
6	Bianco Nero	38	Manix clothing store
7	Bossini	39	Melablooms
8	Brands	40	Mr. Price
9	Burlington Wearhouse	41	N3milles
10	Casuals EA ltd	42	Oltre
11	Cha cha moyo	43	One way
12	Chelsea Boutique	44	Opulence by Marcy
13	Coco chic	45	Pegs accessories
14	Craydon	46	Primros collections
15	Dichotomy	47	Rags
16	Divine shop	48	Renzo Rinaldi
17	Dr. Jays collection	49	Republic.ke
18	D'vine Boutiques	50	Sapani
19	Dziner collections ltd	51	Sapph
20	Essentials	52	Secrets
21	Et Vous	53	Sir Henry's
22	Euro collections	54	Sitara investments
23	Fiallis	55	Steps
24	Fiona ray	56	Store 66
25	Hawes and Curtis	57	Trevor collections
26	Honor my curves	58	Truworths
27	Italian mens wear	59	Urembo fashion house
28	Italian trends	60	Venture House
29	Jaishir Khazana	61	Vivo activewear
30	Kachie by Angie	62	Woolworths
31	Kiko Romeo		
32	La elegant		

Source: Major shopping mall websites accessed on 20/01/2016

Table II: Major Shopping malls

	List of major shopping malls in Nairobi
1	Capital centre
2	Galleria mall
3	Garden city mall
4	Prestige plaza
5	Sarit centre
6	The junction mall
7	Thika road mall
8	Village market
9	Westgate
10	Yaya centre

Source: https://en.wikipedia.org/wiki/List_of_shopping_malls_in_Kenya accessed on: 15/01/2016

